Prospectus

for the admission to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

6,793,058 ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*)

the existing share capital prior to the issuance of the new registered shares (*Namensaktien*) with no par value (*Stückaktien*)

and

up to 3,125,000 new ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*)

from a capital increase under exclusion of subscription rights of the shareholders against cash contribution as resolved by the extraordinary shareholders' meeting on 7 July 2020

– each with a notional par value of EUR 1.00 in the share capital per share and vested with full dividend rights as from 1 January 2020 –

of

Brockhaus Capital Management AG

Frankfurt am Main

International Securities Identification Number (ISIN): DE000A2GSU42

German Securities Identifications Number (*Wertpapierkennnummer*, WKN): A2GSU4

Trading Symbol: BKHT

Joint Global Coordinators and Joint Bookrunners

Citigroup **Jefferies**

Joint Bookrunner

COMMERZBANK

9 July 2020

This prospectus is valid until the time when trading on a regulated market begins on 14 July 2020. The obligation to supplement this prospectus in the event of significant new factors, material mistakes or material inaccuracies relating to the information included in the prospectus which may affect the assessment of the securities and which arises or is noted between the time when the prospectus is approved and the time when trading on a regulated market begins does not apply after the time when trading of the up to 9,918,058 shares of the Company in the Regulated Market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) begins on 14 July 2020, and the prospectus will not be supplemented thereafter (Article 23 of the Regulation (EU) 2017/1129 of the Parliament and of the Council 14 June 2017).

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1. Summary of the Prospectus

Section A – Introduction containing warnings

Name and international securities identification number (ISIN) of the securities

This prospectus ("**Prospectus**") relates to ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*), International Securities Identification Number ("**ISIN**") DE000A2GSU42 of Brockhaus Capital Management AG ("**Shares**").

Identity and contact details of the issuer, including its legal entity identifier (LEI)

The issuer of the shares is Brockhaus Capital Management AG, Legal Entity Identifier ("**LEI**") 5299007DQ4OLATJQIX97, with business address at Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Federal Republic of Germany ("**Germany**") (telephone +49 (0) 69 20434090; website: www.bcm-ag.com), having its registered seat in Frankfurt am Main, Germany, registered with the commercial register (*Handelsregister*) of the local court *(Amtsgericht)* of Frankfurt am Main under HRB 109637 ("**BCM AG**" or "**Company**" and, together with its respective consolidated subsidiaries, "**BCM Group**").

Identity and contact details of the person asking for admission to trading on a regulated market including its legal entity identifier (LEI)

The Company and Citigroup Global Markets Limited, business address Citigroup Centre, Canada Square, London E145LB, United Kingdom (telephone +44 (0) 20 7986 4000; website: www.citigroup.com), LEI XKZZ2JZF41MRHTR1V493 ("**Citigroup**") will ask for admission of the Company's Shares to trading on a regulated market.

Identity and contact details of the competent authority approving the Prospectus and date of the approval of the Prospectus

This Prospectus has been approved on 9 July 2020 by the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht,* "**BaFin**"), Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany, (telephone +49 (0) 228 4108–0, website: www.bafin.de).

Warnings

This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities of the Company should be based on consideration of the Prospectus as a whole by the investor. The investor could lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the securities of the Company.

Section B – Key information on the issuer

Who is the issuer of the securities?

Domicile, legal form, LEI, legislation, country of incorporation

Brockhaus Capital Management AG, a stock corporation *(Aktiengesellschaft)* incorporated and existing under German law with its registered seat at Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany. The Company's LEI is 5299007DQ4OLATJQIX97.

Principal activities of the issuer

BCM Group is a technology group focused on acquisitions of majority stakes in high-margin and high growth businesses within the German *Mittelstand*, which it believes to be technology and innovation champions. The Company focuses on small and medium-sized *Mittelstand* companies ("**SMEs**") with business-to-business ("**B2B**") business models based in Germany and, opportunistically, SMEs based in other European countries. *Mittelstand* businesses that fall within the Company's selective acquisition focus are typically characterised by a multitude of organic growth opportunities that can be realised through strategic as well as operational enhancement and internationalisation. The Company provides a platform with the essential expertise including technology know-how to evaluate, actively support and systematically enhance its subsidiaries together with the respective management teams, with the aim of driving long-term profitable growth and value creation. While the Company concentrates on acquisitions, strategic and operational enhancement initiatives as well as on certain central functions for the group (such as, as of today, controlling and marketing), the actual operational business is carried out solely by the subsidiaries who act independently regarding their respective business operations. The Company aims to build a leading and diversified long-term oriented technology group consisting of businesses across a variety of niche markets, providing investors with an attractive gateway to German *Mittelstand* champions, with its team having an overall track record of 18 company acquisitions or investments (excluding venture capital investments) in addition to the Company's two existing subsidiaries which are its latest acquisitions made, *i.e.* a total of 20 company acquisitions or investments following broadly the same strategy and acquisition criteria.

Since the start of operations in 2017, the Company has acquired two subsidiaries: (i) Palas GmbH Partikel- und Lasermeßtechnik ("**Palas GmbH**") – which the Company believes to be a technology leader in certified systems used for measuring, characterising and generating air particles; and (ii) IHSE Holding GmbH (together with its consolidated subsidiaries "**IHSE**") – which the Company believes to be a global technology leader in high-performance IT infrastructure components in the keyboard, video and mouse ("**KVM**") market for highly secure, reliable and failure-safe transmission of data in "mission-critical" applications.

Major Shareholders of the issuer

As of the date of this Prospectus (in %)	Voting rights[1]	Share Capital[1]	Voting rights[1]	Share Capital[1]
	(directly held)		(indirectly held)	
ABACON Invest GmbH	9.90	9.23	-	-
ACUSTICA Zweite Verwaltungs-GmbH	8.32	7.75	-	-
- attributed to Andreas Peiker	-	-	8.32	7.75
Orgentec Holding GmbH	6.32	5.89	-	-
VESTA GmbH	5.34	4.98	-	-
Dr. Liedtke Vermögensverwaltung GmbH	4.93	4.60	-	-
EL-Invest GmbH	3.19	2.97	-	-
- attributed to Dr Enno Littmann	-	-	3.19	2.97
Team Shareholders				
Falkenstein Heritage GmbH	26.67	24.86	-	-
BPE GmbH	3.33	3.11	-	-
- both attributed to Marco Brockhaus	-	-	30.00	27.97
Dr Marcel Wilhelm	1.33	1.24	-	-
Georg Ganghofer	1.33	1.24	-	-
Harald Henning	0.67	0.62	-	-
Treasury shares[1]	0.00	6.77	-	-
Free float	28.67	26.73	-	-
Total share capital	**100.00**	**100.00**		

1 Due to share loans ("**Share Loans**") entered into between the Company and the Team Shareholders, the Company holds 459,925 treasury shares lent from the Team Shareholders that do not confer any rights to the Company. This leads to a higher percentage of voting rights of the shareholders compared to their actual shareholdings. The Share Loans shall ensure that the Team Shareholders will never hold more than one third of the total voting rights in the Company and will be terminated, with the shares being retransferred to the Team Shareholders upon the completion of the Private Placement (each as defined below under section D). Voting rights will be identical with shareholdings thereafter. The voting rights thresholds pursuant to the German Securities Trading Act (*Wertpapierhandelsgesetz*, "**WpHG**") and the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz* – "**WpÜG**") are determined on the basis of the entire share capital including the treasury shares currently held by the Company and would therefore correspond to the participation fractions indicated under "share capital".The Company will not hold treasury shares following the completion of the Private Placement under the assumptions that at least 919,849 New Shares are sold.

None of the major shareholders has, as of the date of this Prospectus, a controlling influence on the Company within the meaning of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz* – "**WpÜG**"). A controlling influence within the meaning of the WpÜG means the direct or indirect holding of 30% or more of the voting rights. To determine this threshold, own shares held by the Company are not to be deducted from the total share capital even though they carry no voting rights at present.

Identity of the Company's key managing directors

The Company's members of the management board (*Vorstand*) are Mr Marco Brockhaus and Dr Marcel Wilhelm.

Identity of the Company's statutory auditor

KPMG AG Wirtschaftsprüfungsgesellschaft, Klingelhöferstraße 18, 10785 Berlin, Germany, Niederlassung Frankfurt am Main, Germany, The Squaire, Am Flughafen, 60549 Frankfurt am Main, Germany ("**KPMG**"), has been appointed as the Company's auditor.

What is the key financial information regarding the issuer?

The following selected key financial information has been taken from the Company's audited individual financial statements as of and for the short fiscal year from 1 January 2017 to 31 July 2017 and the fiscal year from 1 August 2017 to 31 July 2018 as well as the BCM Group's audited consolidated financial statements as of and for the short fiscal year from 1 August 2018 to 31 December 2018 and the fiscal year from 1 January 2019 to 31 December 2019 (together the "**Audited IFRS Financial Statements**") prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") as well as from the unaudited consolidated interim financial statements as of and for the three month period ended 31 March 2020 prepared in accordance with IAS 34 ("**Unaudited IFRS Consolidated Interim Financial Statements**"). Where financial data in tables is labelled "audited", it has been taken from the Audited IFRS Financial Statements. KPMG has issued an audit opinion *(uneingeschränkter Bestätigungsvermerk)* on each of the Audited IFRS Financial Statements. The label "unaudited" is used in tables to indicate that financial data is taken from the Unaudited IFRS Consolidated Interim Financial Statements or the Company's reporting system or has been calculated based on financial data from the above-mentioned sources.

Summary of statement of comprehensive income

In EUR k, audited (unless stated otherwise)	1 Jan – 31 Mar		1 Jan – 31 Dec 2019	1 Aug – 31 Dec 2018	1 Aug 2017 – 31 Jul 2018	1 Jan–31 Jul 2017
	2020	2019				
	(unaudited)					
Revenue	12,563	3,020	16,561	1,098	-	-
Earnings before tax	(804)	(655)	(3,387)	(1,577)	(943)	(19)
Total comprehensive income	(1,068)	(672)	(3,913)	(1,636)	(943)	(19)

Summary of statement of financial position

In EUR k, audited (unless stated otherwise)	31 Mar 2020 (unaudited)	31 Dec 2019	31 Dec 2018	31 Jul 2018	31 Jul 2017
Total assets	209,853	207,728	70,392	46,052	2,520
Equity	122,718	118,917	46,594	45,292	2,500
Net financial debt / (surplus)*	66,162	71,640	(7,781)	(45,160)	(2,500)

* Non-current liabilities plus current liabilities minus cash and cash equivalents.

Summary of statement of cash flows

In EUR k, audited (unless stated otherwise)	1 Jan – 31 Mar		1 Jan – 31 Dec 2019	1 Aug – 31 Dec 2018	1 Aug 2017 – 31 Jul 2018	1 Jan – 31 Jul 2017
	2020	2019				
	(unaudited)					
Cash flow from operating activities	466	(323)	1,426	(1,019)	(307)	(2)
Cash flow from investing activities	(245)	(887)	(87,293)	(26,033)	(27)	-
Cash flow from financing activities	3,543	(80)	71,466	12,709	43,734	2,515

Pro Forma Financial Information

Effective 16 December 2019, BCM Group completed the acquisition of IHSE ("**IHSE Acquisition**"). The IHSE Acquisition had a significant impact on the net assets, financial position and profit or loss of the Company and will substantially affect the profit or loss of BCM AG going forward. Therefore, the Company prepared pro forma financial information, consisting of a pro forma statement of comprehensive income for the fiscal year ended 31 December 2019 and the related pro forma notes thereto ("**Pro Forma Financial Information**").The purpose of the Pro Forma Financial Information is to show the material effects that the IHSE Acquisition would have had on the historical consolidated financial statements of the Company as of and for the fiscal year ended 31 December 2019 if the acquisition of IHSE had occurred on 1 January 2019. Therefore, the Pro Forma Financial Information describes only a hypothetical situation and, due to its nature, does neither reflect the actual profit or loss of the Group if the acquisition of IHSE had occurred on 1 January 2019 nor does it indicate the future development of the net assets, financial position and profit or loss of BCM AG following the IHSE Acquisition. The following table summarises the effects of the IHSE Acquisition with respect to BCM AG:

In EUR k	BCM AG	IHSE	IHSE	Aggregated financial information	Total Pro Forma adjustments	Pro Forma statement of comprehensive income
	Historical financial information	Historical financial information under German GAAP	IFRS Accounting policy adjustments			
	12 months ended 31 Dec 2019	11 months ended 30 Nov 2019		12 months ended 31 Dec 2019		12 months ended 31 Dec 2019
Revenue	16,561	37,729	-	54,290	-	54,290
Earnings before tax	(3,387)	6,379	4,178	7,169	(3,651)	3,518
Total comprehensive income	(3,913)	3,628	3,968	3,684	(2,367)	1,317

What are the key risks that are specific to the issuer?

Risks related to BCM Group's structure and its acquisition strategy

The following are the key risks specific to the Company and its business. The risk factors in this summary are based on assumptions that could turn out to be incorrect.

- The Company's business model is based on its ability to identify companies as suitable acquisition targets and is dependent upon its sourcing network and its own research to acquire them on favourable terms. The future growth and profitability of BCM Group could be impaired, should the benefits of its network decline and should the Company be unable to acquire further attractive target companies on favourable terms.
- If the Company has to compete with other bidders in auction processes, the Company might not be successful in acquiring additional target companies on favourable terms or at all and the growth strategy of BCM Group might not be implemented at all or only with a delay.
- The financing or refinancing of future acquisitions of target companies might not be possible on favourable terms or at all.
- The Company might incorrectly assess the value of target companies and their potential for development, either due to undisclosed or unforeseen legal or other risks related to the target companies, generating lower returns on investment than initially expected.
- BCM Group intends to enhance the performance of its subsidiaries by implementing customised strategic and operational initiatives. The measures intended for this purpose may not have the desired effect or may only bring about a smaller effect than initially anticipated and enhancements may fall short of the planned schedule and budget.
- The Company and its key individuals could suffer damages to their reputation, which could make it more difficult to identify and to acquire additional target companies, thereby threatening the further growth of BCM Group.
- The success of BCM Group depends on several key individuals and the Company might not be able to retain its key individuals, or may not be able to replace such personnel in the event of their loss, which may impair its growth strategy and management capabilities regarding its subsidiaries.

Risks related to business activities and industries of BCM subsidiaries

- The future success of BCM Group will depend primarily on the operational performance of its current and future subsidiaries. As such, the realisation of operational risks in its subsidiaries could negatively affect BCM Group's revenues and cash flows as well as the subsidiaries' ability to distribute profits to the Company.
- Since the current and future subsidiaries of BCM Group are and will be predominantly active in niche markets, where the number of customers may be limited, the loss of significant customers or distribution partners may not be offset by developing new business.
- The subsidiaries of BCM Group compete with competitors in their respective (niche) markets and increased competition may have a negative impact on price level and on the acceptance of the respective subsidiaries' products.
- The success of BCM Group will largely depend on BCM Group being able to rely on an adequate number of experienced managing directors and key employees of the acquired subsidiaries for their further development and operational management. If BCM Group does not succeed in retaining these employees in its subsidiaries, this could negatively affect the ongoing business operations and the further enhancement of BCM Group's subsidiaries.

Financial and accounting risks

- BCM Group may not be able to obtain financing as and when needed for the further growth of its subsidiaries on financially attractive terms and to meet all future payment obligations, which could even make the Company miss deadlines for interest and principal payments under its financing agreements.
- The breach of covenants or the non-observance of other obligations under BCM Group's financing agreements may result in increased interest rates, substantial payment obligations for BCM Group and could lead to the enforcement of share pledges granted as collateral, including sales at prices substantially below fair value of the related collateral.
- BCM Group may suffer a loss from equity or debt intra-group financing that it provides to its subsidiaries in the context of company acquisitions or other purposes.

Section C – Key information on the securities

What are the main features of the securities?

Type, class and ISIN of the securities

This summary relates to ordinary registered shares *(Namensaktien)* with no par value *(Stückaktien)* of the Company; ISIN: DE000A2GSU42; German Securities Code *(Wertpapierkennnummer, WKN):* A2GSU4, Trading Symbol: BKHT ("**Shares**").

As of the date of this Prospectus, the Shares are freely transferable.

Currency, denomination, par value, the number of securities issued and the term of the securities

As of the date of this Prospectus, the share capital of the Company amounts to EUR 6,793,058.00 and is divided into 6,793,058 ordinary registered shares *(Namensaktien)* with no par value *(Stückaktien)* ("**Existing Shares**"). Each share of the Company represents a notional share of EUR 1.00 in the Company's share capital. All shares of the Company are fully paid up.

Rights attached to the securities

Each share of the Company carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. The Company's shares carry full dividend rights from 1 January 2020.

Relative seniority of the securities in the issuer's capital structure in the event of insolvency
The shares of the Company are subordinated to all other securities and claims in case of an insolvency of the Company.

Any restrictions on the free transferability of the securities
As of the date of this Prospectus, the Existing Shares are freely transferable registered shares *(Namensaktien)*. There will be no restrictions on disposals or restrictions with respect to the transferability of the shares other than certain lock-up agreements entered into between the Company, the Joint Global Coordinators and all existing shareholders.

Dividend policy
The Company has not paid any dividends in the past three fiscal years. In the near future, the Company intends to use available liquid funds predominantly to expand the business activities of BCM Group to build a leading technology group through the acquisition of target companies and continued growth of those companies. As soon as BCM Group generates sufficient stable cash flows from its subsidiaries in form of dividends or profit sharing agreements, BCM Group intends to pay appropriate dividends to its shareholders in the future, however, this will in large part depend on the prevailing economic environment, the Company's funding needs for further growth, as well as other circumstances which the Company may take into consideration. In particular, the Company may choose to lower dividend pay-outs to allow for opportunistic acquisitions of target companies.

Where will the securities be traded?
An application will be made for admission of the Company's shares to trading on the regulated market segment *(Regulierter Markt)* of the Frankfurt Stock Exchange *(Frankfurter Wertpapierbörse*) and, simultaneously to the sub-segment thereof with additional post-admission obligations (Prime Standard).

What are the key risks that are specific to the securities?
- The price for the Company's shares on the stock exchange and trading volume of the shares could fluctuate significantly, and investors could lose all or part of their investment.

Section D – Key information on the offer of securities to the public and the admissions to trading on a regulated market

Under which conditions and timetable can I invest in this security?
Terms and conditions of the offer as well as plan for distribution
Not applicable. A public offer of securities is not subject of this Prospectus.

Expected timetable of the offer
Not applicable. A public offer of securities is not subject of this Prospectus.

Price Range and Offer Price
Not applicable. A public offer of securities is not subject of this Prospectus.

Amendments to the terms of the Offering
Not applicable. A public offer of securities is not subject of this Prospectus.

Stabilisation measures, Over-Allotment and Greenshoe-Option
In connection with the placement of the Placement Shares (as defined below) and as far as permissible under Art. 5 para. 4 Regulation (EU) no. 596/2014 (Market Abuse Regulation), Citigroup, acting for the account of the Underwriters, will act as the so-called stabilisation manager ("**Stabilisation Manager**") and may, acting in accordance with legal requirements take stabilisation measures on the Frankfurt Stock Exchange *(Frankfurter Wertpapierbörse)* in order to support the market price of the Company's shares during the stabilisation period and thereby counteract any selling pressure. The Stabilisation Manager is not obligated to conduct stabilisation measures. To support the initial stock exchange price, such measures may be taken from the date the Company's shares are listed on the Frankfurt Stock Exchange *(Frankfurter Wertpapierbörse)* and must be terminated no later than the thirtieth calendar day after such date ("**Stabilisation Period**"). With regard to possible stabilisation measures, investors may, in addition to the New Shares, be allocated the Over-Allotment Shares as part of the allocation of the Placement Shares ("**Over-Allotment**"). To cover the potential Over-Allotment, the Stabilisation Manager will be provided with up to 468.750 Over-Allotment Shares in the form of a securities loan; the number of Over-Allotment Shares will not exceed 15% of the sum of the final number of placed New Shares.

If and to the extent the Over-Allotment Shares have been placed, the Stabilisation Manager will return the Over-Allotment Share Loan by way of delivery to the Greenshoe Shareholder of a corresponding number of (i) shares the Stabilisation Manager has acquired in connection with stabilisation measures within the Stabilisation Period, and /or (ii) additional new shares from a capital increase resolved by the extraordinary shareholders' meeting on or around 9 July 2020 ("**Greenshoe Shares**"). The Company has granted the option to the Stabilisation Manager, acting for the account of the Underwriters, to purchase a number of Company's shares equal to the Greenshoe Shares of the Company at the Placement Price less agreed commissions and fees ("**Greenshoe Option**").

Details of the admission to trading on a regulated market
For the purpose of admission to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange (*Frankfurter*

Wertpapierbörse), this Prospectus relates to up to 9,918,058 Shares of the Company with full dividend rights from 1 January 2020 consisting of:

- 6,793,058 Existing Shares, and
- up to 3,125,000 new ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*) from a capital increase under exclusion of subscription rights of the shareholders against cash contribution as resolved by the extraordinary shareholders' meeting on 7 July 2020 ("**New Shares**").

On 7 July 2020, in anticipation of the expected admission to trading of the Company's shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company, Citigroup, as well as Jefferies GmbH, Frankfurt am Main, Germany ("**Jefferies**" and, together with Citigroup, the "**Joint Global Coordinators**") and COMMERZBANK Aktiengesellschaft, Frankfurt am Main, Germany ("**Commerzbank**" and, together with the Joint Global Coordinators, the "**Joint Bookrunners**" or "**Underwriters**") initiated a private placement to certain institutional and other investors ("**Private Placement**").

The Private Placement relates to the sale of 3,593,750 ordinary registered shares (*Namensaktien*) of the Company with no par value (*Stückaktien*) with a notional value in the share capital of the Company of EUR 1.00 each and with full dividend rights from 1 January 2020 consisting of the New Shares and 468.750 existing ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*) from the shareholding of Falkenstein Heritage GmbH provided on the basis of a share loan for the purpose of a potential over-allotment ("**Over-allotment Shares**", and together with the New Shares the "**Placement Shares**"). The Company targets gross proceeds of EUR 100 million (excluding the proceeds from the exercise of the Greenshoe Option). The minimum size of the planned capital increase shall correspond to at least 25% of the Company's market capitalization (without exercise of the Greenshoe Option) following the Placement Capital Increase (as defined below).

The Private Placement consists of an offering to persons or entities in Germany and other member states of the European Economic Area ("**EEA**") that are a "qualified investor" as defined in Article 2 lit. e) of the Prospectus Regulation and to a limited number of non-qualified investors under the prospectus exemption pursuant to Article 1 para. 4 lit. b) of the Prospectus Regulation as well as private placements to institutional investors in certain other jurisdictions. In the United States, the Company's shares will be offered and sold only to qualified institutional buyers ("**QIBs**") as defined in Rule 144A under the United States Securities Act of 1933, as amended ("**Securities Act**"). Outside the United States, the Company's shares will be offered and sold only in "offshore transactions" within the meaning of, and in reliance on, Regulation S under the Securities Act. The Placement Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States.

The capital increase to create the New Shares ("**Placement Capital Increase**") was resolved by an extraordinary shareholders' meeting of the Company on 7 July 2020.

The application for admission to listing and trading of the Placement Shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange *(Frankfurter Wertpapierbörse)* was filed on 7 July 2020 and is expected to become effective on 10 July 2020 with commencement of trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) expected on 14 July 2020.

Plans for Distribution

Not applicable. A public offer of securities is not subject of this Prospectus.

Amount and percentage of immediate dilution resulting from the Offering

Not applicable. A public offer of securities is not subject of this Prospectus.

Estimate of the total expenses of the issue and/or the offer, including estimated expenses charged to the investor by the issuer or the offeror

Not applicable. A public offer of securities is not subject of this Prospectus.

Who is the offeror?

Not applicable. A public offer of securities is not subject of this Prospectus.

Admission to trading

The admission to listing and trading of the shares is expected to become effective on or around 10 July 2020 with commencement of trading on 14 July 2020. Citigroup is acting as listing agent and will toether with the Company ask for the admission to trading.

Why is this Prospectus being produced?

Reasons for the admission to trading on a regulated market

The Company intends to gain better access to the capital markets through the admission of the Shares for trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market (*Regulierter Markt*) with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Use and estimated net amount of the proceeds

Not applicable. A public offer of securities is not subject of this Prospectus.

Indication of whether the offer is subject to an underwriting agreement on a firm commitment basis, stating any portion not covered

Not applicable. A public offer of securities is not subject of this Prospectus.

Interests material to the issuer/Offering including conflicting interests

In connection with the Private Placement and the admission to trading of the shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Joint Bookrunners have entered into a contractual relationship with the Company. The Joint Bookrunners are advising the Company on the Private Placement and coordinate the structuring and execution of the Private Placement. Upon successful implementation of the Private Placement, the Joint Bookrunners will receive a commission. As a result of these contractual relationships, the Joint Bookrunners have a financial interest in the success of the Private Placement.

In addition, Baader Bank Aktiengesellschaft, Weihenstephaner Straße 4, 85716 Unterschleißheim, Germany, has been appointed to act as designated sponsor for the Shares for which it will receive a remuneration as well.

Furthermore, in connection with the Private Placement, each of the Joint Bookrunners and any of their respective affiliates, acting as investors for their own account, may acquire Shares in the Private Placement and in that capacity may retain, purchase or sell for its own account such Shares or related investments and may offer or sell such Shares or other investments otherwise than in connection with the Private Placement. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of Shares. None of the Joint Bookrunners intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so or as disclosed in this Prospectus.

Since the Company will receive the net proceeds from the Private Placement of the Placement Shares and the Geenshoe Shares, if any, and these will strengthen the equity capital basis of the Company to allow the Company to pursue its growth strategy, all direct and indirect shareholders of the Company have an interest in the success of the Private Placement.

In particular, the members of the Management Board, Mr Marco Brockhaus (including the entities Falkenstein Heritage GmbH and BPE GmbH, which are controlled by him), Dr Marcel Wilhelm, and the team members Mr Georg Ganghofer and Mr Harald Henning, each hold shares in BCM AG. The aforementioned therefore have an interest in the success of the Private Placement.

The Company may decide at its discretion and depending on the result of the Private Placement to grant a bonus up to an amount of EUR 1.6 million in the aggregate to the members of the Management Board, further employees of BCM AG as well as certain members of the management and further key employees of its subsidiaries in case of a successful Private Placement and Listing. These management members and the employees may therefore have an interest in the success of the Private Placement.

The Company has entered into an agreement with Mr Henning Gebhardt, who is one of its (non-management) shareholders providing for a financial reward for the introduction by the shareholder of new investors that take part in the Private Placement. Such investors will submit their orders solely to the Underwriters. To the extent investors introduced by the shareholder subscribe for shares in the Private Placement, the shareholder will receive the reward. This shareholder therefore has an interest in the success of the Private Placement.

In addition to the aforementioned interests, there are no interests, in particular no conflicts of interest, which are material to the Private Placement and the Listing.

2. Deutsche Übersetzung der englischen Zusammenfassung des Prospekts

Abschnitt A – Einleitung mit Warnhinweisen

Bezeichnung und internationale Wertpapier-Identifikationsnummer (ISIN) der Wertpapiere

Dieser Prospekt („**Prospekt**") bezieht sich auf nennwertlose Namensaktien (Stückaktien); internationale Wertpapier-Identifikationsnummer ("**ISIN**") DE000A2GSU42 der Brockhaus Capital Management AG („**Aktien**").

Identität und Kontaktdaten des Emittenten, einschließlich der Rechtsträgererkennung (LEI)

Der Emittent der Aktien ist Brockhaus Capital Management AG, Rechtsträgerkennung (Legal Entity Identifier - "**LEI**") 5299007DQ4OLATJQIX97, mit Geschäftsadresse in Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Bundesrepublik Deutschland („**Deutschland**"), (Telefonnummer: +49 (0) 69 20434090; Internetseite: www.bcm-ag.com), mit eingetragenem Sitz in Frankfurt am Main, Deutschland, eingetragen im Handelsregister des Amtsgerichts Frankfurt am Main unter HRB 109637 („**BCM AG**", „**Gesellschaft**" und gemeinsam mit ihren jeweils konsolidierten Tochtergesellschaften „**BCM-Gruppe**").

Identität und Kontaktdaten der die Zulassung zum Handel an einem Regulierten Markt beantragende Person, einschließlich der Rechtsträgererkennung (LEI),

Die Gesellschaft und Citigroup Global Markets Limited, Geschäftsadresse Citigroup Centre, Canada Square, London E145LB, Vereinigtes Königreich (Telefonnummer +44 (0) 20 7986 4000; Internetseite: www.citigroup.com), LEI XKZZ2JZF41MRHTR1V493 ("**Citigroup**") werden die Zulassung zum Handel der Aktien der Gesellschaft auf einem Regulierten Markt beantragen.

Identität und Kontaktdaten der zuständigen Behörde, die den Prospekt billigt und Datum der Billigung des Prospekts

Dieser Prospekt wurde am 9. Juli 2020 von der Bundesanstalt für Finanzdienstleistungsaufsicht („**BaFin**"), Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Deutschland (Telefonnummer: +49 (0) 228 4108-0; Internetseite www.bafin.de) gebilligt.

Warnhinweise

Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Der Anleger sollte sich bei der Entscheidung, in die Wertpapiere der Gesellschaft zu investieren, auf den Prospekt als Ganzes stützen. Der Anleger könnte das gesamte angelegte Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in einem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Zivilrechtlich haften nur diejenigen Personen, die die Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall dass die Zusammenfassung, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die betreffenden Wertpapiere für die Anleger eine Entscheidungshilfe darstellen würde.

Abschnitt B – Basisinformation über den Emittenten

Wer ist der Emittent der Wertpapiere?

Sitz, Rechtsform des Emittenten, seine LEI, für ihn geltendes Recht und Land der Eintragung

Brockhaus Capital Management AG, eine Aktiengesellschaft, gegründet und bestehend nach dem Recht der Bundesrepublik Deutschland, mit eingetragenem Sitz in Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Deutschland. Die LEI der Gesellschaft lautet 5299007DQ4OLATJQIX97.

Haupttätigkeiten des Emittenten

Die BCM Gruppe ist ein Technologiekonzern, der sich auf den Erwerb von Mehrheitsbeteiligungen von margen- und wachstumsstarken Unternehmen aus dem deutschen Mittelstand, die nach Ansicht der Gesellschaft Technologie- und Innovationsführer sind, konzentriert. Die Gesellschaft konzentriert sich auf kleine und mittelgroße Unternehmen ("**KMU**") aus dem Mittelstand mit sog. Business-to-Business-Geschäftsmodellen ("**B2B**") mit Sitz in Deutschland sowie, opportunistisch, auf KMU mit Sitz in anderen europäischen Ländern. Mittelständische Unternehmen, die in den selektiven Akquisitionsfokus der Gesellschaft fallen, zeichnen sich typischerweise durch eine Vielzahl von organischen Wachstumsmöglichkeiten aus, die durch strategische und operative Weiterentwicklung und Internationalisierung umgesetzt werden können. Die Gesellschaft bietet eine Plattform mit dem notwendigen Fachwissen einschließlich des Technologie-Know-hows und Netzwerks, um ihre Tochtergesellschaften zusammen mit den jeweiligen Managementteams zu evaluieren, aktiv zu unterstützen und systematisch weiterzuentwickeln, mit dem Ziel, langfristiges profitables Wachstum und Wertzuwachs zu fördern. Während sich die Gesellschaft auf Akquisitionen und strategische und operative Verbesserungsinitiativen sowie bestimmte Zentralfunktionen (wie z. B. derzeit Controlling und Marketing) konzentriert, wird das eigentliche operative Geschäft ausschließlich von den Tochtergesellschaften betrieben, die im Hinblick auf ihre jeweilige Geschäftstätigkeit weitgehend selbständig agieren. Ziel der Gesellschaft ist der Aufbau eines führenden und diversifizierten, langfristig orientierten Technologiekonzerns, der sich aus Unternehmen in einer Vielzahl von Nischenmärkten zusammensetzt und Investoren einen attraktiven Zugang zu führenden deutschen Mittelständlern bietet. Das Team der Gesellschaft kann insgesamt 18 Unternehmensakquisitionen oder –investments (ohne Wagniskapitalinvestitionen) vorweisen, zusätzlich zu den beiden bestehenden Tochtergesellschaften, die die jüngsten Akquisitionen der Gesellschaft darstellen, d.h.

insgesamt 20 Unternehmensakquisitionen oder Investitionen, die im weitesten Sinne gleicher Strategie und gleichen Akquisitionskriterien folgen. Seit Beginn der Geschäftstätigkeit im Jahr 2017 erwarb die Gesellschaft zwei Tochtergesellschaften: (i) die Palas GmbH Partikel- und Lasermeßtechnik ("**Palas GmbH**"), ein aus Sicht der Gesellschaft Technologieführer für zertifizierte Messung, Charakterisierung und Erzeugung von Luftpartikeln, und (ii) die IHSE Holding GmbH (zusammen mit ihren konsolidierten Tochtergesellschaften "**IHSE**"), ein aus Sicht der Gesellschaft weltweiter Technologieführer für leistungsstarke IT-Infrastrukturkomponenten im Keyboard, Video und Maus („**KVM**") Markt zur hochsicheren, zuverlässigen und ausfallsicheren Übertragung von Daten in "unternehmenskritischen" („*mission critical*") Anwendungen.

Hauptanteilseigner des Emittenten

Zum Datum des Prospekts (in %)	Stimmrechte[1]	Grundkapital[1]	Stimmrechte[1]	Grundkapital[1]
	(unmittelbar gehalten)		(mittelbar gehalten)	
ABACON Invest GmbH	9,90	9,23	-	-
ACUSTICA Zweite Verwaltungs-GmbH	8,32	7,75	-	-
- Andreas Peiker zuzurechnen	-	-	8,32	7,75
Orgentec Holding GmbH	6,32	5,89	-	-
VESTA GmbH	5,34	4,98	-	-
Dr. Liedtke Vermögensverwaltung GmbH	4,93	4,60	-	-
EL-Invest GmbH	3,19	2,97	-	-
- Dr Enno Littmann zuzurechnen	-	-	3,19	2,97
Team Aktionäre				
Falkenstein Heritage GmbH	26,67	24,86	-	-
BPE GmbH	3,33	3,11	-	-
- beide Marco Brockhaus zuzurechnen	-	-	30,00	27,97
Dr Marcel Wilhelm	1,33	1,24	-	-
Georg Ganghofer	1,33	1,24	-	-
Harald Henning	0,67	0,62	-	-
Eigene Aktien[1]	0,00	6,77	-	-
Streubesitz	28,67	26,73	-	-
Gesamtes Grundkapital	**100,00**	**100,00**		

[1] Aufgrund von Aktienleihverträgen („**Aktienleihverträge**") mit den Team Aktionären hält die Gesellschaft 459.925 eigene Aktien, geliehen von den Team Aktionären, aus denen der Gesellschaft keine Rechte zustehen. Dies führt zu einer höheren Prozentzahl an Stimmrechten der Aktionäre im Vergleich zu ihrer tatsächlichen Beteiligung. Die Aktienleihverträge sollen sicherstellen, dass die Team Aktionäre zu keinem Zeitpunkt einen Anteil von mehr als einem Drittel der gesamten Stimmrechte der Gesellschaft halten und werden daher nach Abschluss der Privatplatzierung (wie jeweils in Abschnitt D definiert) beendet werden und die Aktien an die Team-Aktionäre rückübertragen. Hiernach werden die Stimmrechte identisch zu den Kapitalbeteiligungen sein. Die Stimmrechtsschwelle nach dem Wertpapierhandelsgesetz („**WpHG**") und dem Wertpapiererwerbs- und Übernahmegesetz („**WpÜG**") wird auf der Grundlage des gesamten Grundkapitals einschließlich der derzeit von der Gesellschaft gehaltenen eigenen Aktien ermittelt und würde daher den unter dem „Grundkapital" angegebenen Beteiligungsquoten entsprechen. Die Gesellschaft wird keine eigenen Aktien nach der Durchführung der Privatplatzierung halten unter der Annahme, dass mindestens 919.849 Neue Aktien verkauft werden.

Keiner der Hauptanteilseigner hat zum Datum dieses Prospekts einen kontrollierenden Einfluss auf die Gesellschaft im Sinne des Wertpapiererwerbs- und Übernahmegesetzes („**WpÜG**"). Ein kontrollierender Einfluss im Sinne des WpÜG ist das direkte oder indirekte Halten von 30 % oder mehr der Stimmrechte, wobei eigene Aktien der Gesellschaft nicht vom gesamten Aktienkapital abzuziehen sind, auch wenn sie derzeit nicht mit Stimmrechten verbunden sind.

Identität der Hauptgeschäftsführer

Die Mitglieder des Vorstands der Gesellschaft sind Herr Marco Brockhaus und Dr. Marcel Wilhelm.

Identität der Abschlussprüfer

KPMG AG Wirtschaftsprüfungsgesellschaft, Klingelhöferstraße 18, 10785 Berlin, Deutschland, Niederlassung Frankfurt am Main, Deutschland, The Squaire, Am Flughafen, 60549 Frankfurt am Main, Deutschland ("**KPMG**"), wurde von der Gesellschaft als Abschlussprüfer bestellt.

Welches sind die wesentlichen Finanzinformationen über den Emittenten?

Die folgenden ausgewählten Finanzkennzahlen wurden den geprüften Einzelabschlüssen der Gesellschaft für das Rumpfgeschäftsjahr vom 1. Januar 2017 bis zum 31. Juli 2017 und das Geschäftsjahr vom 1. August 2017 bis zum 31. Juli 2018 sowie den geprüften Konzernabschlüssen der BCM-Gruppe für das Rumpfgeschäftsjahr vom 1. August 2018 bis zum 31. Dezember 2018 und dem Geschäftsjahr vom 1. Januar 2019 bis zum 31. Dezember 2019 (zusammen "**Geprüfte IFRS Jahresabschlüsse**") entnommen, die in Übereinstimmung mit den "International Financial Reporting Standards", wie sie von der Europäischen Union übernommen wurden ("**IFRS**"), erstellt wurden, sowie aus dem Ungeprüften IFRS-Konzernzwischenabschluss für den Dreimonatszeitraum zum 31. März 2020, der in Übereinstimmung mit IAS 34 erstellt wurde ("**Ungeprüfter IFRS-Konzernzwischenabschluss**"). Werden Finanzkennzahlen in den Tabellen als "geprüft" gekennzeichnet, wurden sie aus den Geprüften IFRS

Jahresabschlüssen übernommen. KPMG hat jeweils einen uneingeschränkten Bestätigungsvermerk zu den Geprüften IFRS Jahresabschlüssen erteilt. Die Bezeichnung "ungeprüft" wird in den Tabellen verwendet, um darauf hinzuweisen, dass die Finanzdaten dem Ungeprüften IFRS-Konzernzwischenabschluss oder dem Berichtssystem der Gesellschaft entnommen sind oder auf der Grundlage von Finanzdaten aus den oben genannten Quellen berechnet wurden.

Zusammenfassung der Gewinn- und Verlustrechnung

In TEUR, geprüft (sofern nicht anders angegeben)	1. Jan. – 31. März		1. Jan. – 31. Dez. 2019	1. Aug. – 31. Dez. 2018	1. Aug. 2017 – 31. Jul. 2018	1. Jan. – 31. Jul. 2017
	2020	**2019**				
	(ungeprüft)					
Umsatzerlöse	12.563	3.020	16.561	1.098	-	-
Ergebnis vor Steuern	(804)	(655)	(3.387)	(1.577)	(943)	(19)
Gesamtergebnis	(1.068)	(672)	(3.913)	(1.636)	(943)	(19)

Zusammenfassung der Bilanz

In TEUR, geprüft (sofern nicht anders angegeben)	**31. März 2020** (ungeprüft)	**31. Dez. 2019**	**31. Dez. 2018**	**31. Jul. 2018**	**31. Jul. 2017**
Vermögenswerte insgesamt	209.853	207.728	70.392	46.052	2.520
Eigenkapital insgesamt	122.718	118.917	46.594	45.292	2.500
Nettofinanzierungsverbindlichkeiten / (Überschuss)*	66.162	71.640	(7.781)	(45.160)	(2.500)

* Langfristiges Fremdkapital plus kurzfristiges Fremdkapital minus Zahlungsmittel und Zahlungsmitteläquivalente.

Zusammenfassung der Kapitalflussrechnung

In TEUR, geprüft (sofern nicht anders angegeben)	1. Jan. – 31. März		1. Jan. – 31. Dez. 2019	1. Aug.– 31. Dez. 2018	1. Aug. 2017 – 31. Jul. 2018	1. Jan. – 31. Jul. 2017
	2020	**2019**				
	(ungeprüft)					
Cashflow aus betrieblicher Tätigkeit	466	(323)	1.426	(1.019)	(307)	(2)
Cashflow aus Investitionstätigkeit	(245)	(887)	(87.293)	(26.033)	(27)	-
Cashflow aus Finanzierungstätigkeit	3.543	(80)	71.466	12.709	43.734	2.515

Pro-Forma Finanzinformationen

Mit Wirkung zum 16. Dezember 2019 schloss die BCM-Gruppe den Erwerb der IHSE ab („**IHSE Akquisition**“). Die IHSE Akquisition hatte einen erheblichen Einfluss auf die Vermögens-, Finanz- und Ertragslage der Gesellschaft und wird sich auch in Zukunft wesentlich auf das Ergebnis der BCM AG auswirken. Daher hat die Gesellschaft die folgenden Pro-Forma Finanzinformationen erstellt, die aus einer Pro-Forma-Gesamtergebnisrechnung für das am 31. Dezember 2019 endende Geschäftsjahr und den dazugehörigen Pro-Forma-Anhang ("**Pro-Forma Finanzinformationen**") bestehen. Der Zweck der Pro-Forma Finanzinformationen besteht darin, die wesentlichen Auswirkungen aufzuzeigen, die die IHSE Akquisition auf den historischen konsolidierten Konzernabschluss für das Geschäftsjahr zum und am 31. Dezember 2019 gehabt hätte, wenn der Erwerb der IHSE am 1. Januar 2019 stattgefunden hätte. Daher beschreiben die Pro-Forma Finanzinformationen nur eine hypothetische Situation und geben aufgrund ihrer Art weder den tatsächlichen Gewinn oder Verlust der BCM-Gruppe wieder, wenn der Erwerb der IHSE am 1. Januar 2019 stattgefunden hätte, noch geben sie die zukünftige Entwicklung der Vermögens-, Finanz- und Ertragslage der BCM AG nach der IHSE Akquisition an. Die folgende Tabelle fasst die Auswirkungen der IHSE Akquisition im Hinblick auf die BCM AG zusammen:

In TEUR	**BCM AG**	**IHSE**	**IHSE**	**Kumulierte Finanzkennzahlen**	**Gesamte pro forma Anpassungen**	**Pro forma Gesamtergebnisrechnung**
	Historische Finanzkennzahlen	**Historische Finanzkennzahlen nach deutschem Handelsrecht**	**Anpassungen nach IFRS-Vorschriften**			
	12-Monatszeitraum bis 31. Dez. 2019	**11-Monatszeitraum bis 30. Nov. 2019**		**12-Monatszeitraum bis 31. Dez. 2019**		**12-Monatszeitraum bis 31. Dez. 2019**
Umsatzerlöse	16.561	37.729	-	54.290	-	54.290
Ergebnis vor Steuern	(3.387)	6.379	4.178	7.169	(3.651)	3.518
Gesamtergebnis	(3.913)	3.628	3.968	3.684	(2.367)	1.317

Welches sind die zentralen Risiken, die für den Emittenten spezifisch sind?

Risiken im Zusammenhang mit der Struktur der BCM-Gruppe und ihrer Akquisitionsstrategie

Im Folgenden werden die spezifisch für die Gesellschaft wesentlichsten Risikofaktoren aufgeführt. Die Risikofaktoren in dieser Zusammenfassung basieren auf Annahmen, die sich als falsch erweisen könnten.

- Das Geschäftsmodell der Gesellschaft basiert auf ihrer Fähigkeit, geeignete Unternehmen als Akquisitionsziele zu identifizieren, und ist von ihrem Beschaffungsnetzwerk und ihrer Marktrecherche abhängig, um sie zu günstigen Bedingungen zu erwerben. Das zukünftige Wachstum und die Rentabilität der BCM-Gruppe könnte beeinträchtigt werden, falls die Vorteile ihres Netzwerks nachlassen und die Gesellschaft nicht in der Lage sein sollte, weitere attraktive Zielunternehmen zu günstigen Bedingungen zu erwerben.
- Wenn die Gesellschaft in Auktionsprozessen mit anderen Bietern konkurrieren muss, könnte es der Gesellschaft nicht gelingen, weitere Zielunternehmen zu günstigen Bedingungen oder überhaupt zu erwerben und die Wachstumsstrategie der BCM-Gruppe nicht oder nur verzögert umzusetzen.
- Die Finanzierung oder Refinanzierung künftiger Erwerbe von Zielunternehmen könnte zu ungünstigen Bedingungen oder gar nicht möglich sein.
- Die Gesellschaft könnte den Wert der Zielunternehmen und ihr Entwicklungspotenzial falsch einschätzen, entweder aufgrund nicht offengelegter oder unvorhergesehener rechtlicher oder anderer Risiken in Bezug auf die Zielgesellschaften, und geringere Investitionsrenditen als ursprünglich erwartet erzielen.
- Die BCM-Gruppe beabsichtigt, die Leistung ihrer Tochtergesellschaften durch die Umsetzung maßgeschneiderter strategischer und operativer Initiativen zu verbessern. Die dafür vorgesehenen Maßnahmen könnten nicht die gewünschte oder nur eine geringere Wirkung als ursprünglich erwartet haben und die Verbesserungen können hinter dem geplanten Zeitplan und Budget zurückbleiben.
- Die Gesellschaft und ihre Schlüsselpersonen könnten einen Reputationsschaden erleiden, der die Identifizierung und den Erwerb weiterer Zielunternehmen erschweren und damit das weitere Wachstum der BCM-Gruppe gefährden könnte.
- Der Erfolg der BCM-Gruppe hängt von mehreren Schlüsselpersonen ab, und die Gesellschaft könnte nicht in der Lage sein, ihre Schlüsselpersonen zu halten oder im Falle ihres Verlusts zu ersetzen, was ihre Wachstumsstrategie und die Managementfähigkeiten in Bezug auf ihre Tochtergesellschaften beeinträchtigen könnte.

Risiken im Zusammenhang mit Geschäftsaktivitäten und Branchen von BCM-Tochtergesellschaften

- Der zukünftige Erfolg der BCM-Gruppe wird primär von der operativen Leistung ihrer gegenwärtigen und zukünftigen Tochtergesellschaften abhängen. Daher könnte die Realisierung von operativen Risiken in den Tochtergesellschaften die Einnahmen und den Cashflow der BCM-Gruppe sowie die Fähigkeit der Tochtergesellschaften Gewinne an die Gesellschaft auszuschütten negativ beeinflussen.
- Da die derzeitigen und zukünftigen Tochtergesellschaften der BCM-Gruppe überwiegend in Nischenmärkten tätig sind und sein werden, in denen die Anzahl der Kunden möglicherweise begrenzt ist, könnte der Verlust bedeutender Kunden oder Vertriebspartner nicht durch die Entwicklung neuer Geschäfte ausgeglichen werden.
- Die Tochtergesellschaften der BCM-Gruppe konkurrieren mit Konkurrenten in ihren jeweiligen (Nischen-)Märkten, und ein verstärkter Wettbewerb könnte sich negativ auf das Preisniveau und auf die Akzeptanz der Produkte der jeweiligen Tochtergesellschaften auswirken.
- Der Erfolg der BCM-Gruppe wird in hohem Maße davon abhängen, dass sich die BCM-Gruppe bei der weiteren Entwicklung und dem operativen Management auf eine ausreichende Anzahl erfahrener Geschäftsführer und Schlüsselmitarbeiter der übernommenen Tochtergesellschaften stützen kann. Sollte es der BCM-Gruppe nicht gelingen, diese Mitarbeiter in den Tochtergesellschaften zu halten, könnte dies den laufenden Geschäftsbetrieb und die weitere Entwicklung der Tochtergesellschaften der BCM-Gruppe negativ beeinflussen.

Finanzielle und bilanzielle Risiken

- Die BCM-Gruppe könnte nicht in der Lage sein, bei Bedarf eine Finanzierung für das weitere Wachstum ihrer Tochtergesellschaften zu finanziell attraktiven Bedingungen und wenn diese gebraucht werden, zu erhalten und allen zukünftigen Zahlungsverpflichtungen nachzukommen, was sogar dazu führen könnte, dass die Gesellschaft Fristen für Zins- und Tilgungszahlungen im Rahmen ihrer Finanzierungsvereinbarungen versäumen könnte.
- Die Verletzung von Zusicherungen oder die Nichteinhaltung anderer Verpflichtungen aus den Finanzierungsvereinbarungen der BCM-Gruppe könnte zu erhöhten Zinssätzen, erheblichen Zahlungsverpflichtungen für die BCM-Gruppe und zur Zwangsvollstreckung aus als Sicherheit bestellten Pfandrechten über Geschäftsanteile führen, einschließlich eines Verkaufspreises deutlich unterhalb des Marktwerts der Sicherheiten.
- Die BCM-Gruppe kann einen Verlust durch konzerninterne Eigen- oder Fremdkapitalfinanzierungen erleiden, die sie ihren Tochtergesellschaften im Rahmen von Unternehmenserwerben oder zu anderen Zwecken zur Verfügung stellt.

Abschnitt C – Basisinformationen über die Wertpapiere

Welches sind die wichtigsten Merkmale der Wertpapiere?

Art, Gattung und ISIN der Wertpapiere

Diese Zusammenfassung bezieht sich auf nennwertlose Namensaktien (Stückaktien) der Gesellschaft; ISIN: DE000A2GSU42; Wertpapierkennnummer (WKN): A2GSU4, Börsenkürzel: BKHT („**Aktien**").

Zum Datum dieses Prospekts sind die Aktien der Gesellschaft frei übertragbar.

Währung, Stückelung, Nennwert, Anzahl der begebenen Wertpapiere und Laufzeit der Wertpapiere

Zum Datum dieses Prospekts beträgt das Grundkapital der Gesellschaft EUR 6.793.058,00 und ist eingeteilt in 6.793.058 nennwertlose Namensaktien (*Stückaktien*) („**Bestehende Aktien**"). Jede Aktie der Gesellschaft repräsentiert einen anteiligen Betrag des Grundkapitals der Gesellschaft von EUR 1,00. Alle Aktien der Gesellschaft sind voll eingezahlt.

Mit den Wertpapieren verbundene Rechte

Jede Aktie der Gesellschaft verleiht eine Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Stimmrechtsbeschränkungen. Die Aktien der Gesellschaft sind ab dem 1. Januar 2020 voll gewinnberechtigt.

Relativer Rang der Wertpapiere in der Kapitalstruktur des Emittenten im Fall einer Insolvenz

Die Aktien der Gesellschaft sind im Falle einer Insolvenz der Gesellschaft gegenüber allen anderen Wertpapieren und Forderungen nachrangig.

Beschränkungen der freien Handelbarkeit der Wertpapiere

Zum Datum dieses Prospekts sind die Bestehenden Aktien frei übertragbare Namensaktien. Es wird keine Veräußerungsbeschränkungen oder Einschränkungen hinsichtlich der Übertragbarkeit der Aktien der Gesellschaft geben, mit Ausnahme bestimmter Veräußerungsverbote, die zwischen der Gesellschaft, den Joint Global Coordinators und allen bestehenden Aktionären abgeschlossen wurden.

Dividendenpolitik

Die Gesellschaft hat in den vergangenen drei Geschäftsjahren keine Dividenden gezahlt. In naher Zukunft beabsichtigt die Gesellschaft, die verfügbaren liquiden Mittel vorwiegend für die Erweiterung der Geschäftsaktivitäten zum Aufbau der BCM-Gruppe zu einem führenden Technologiekonzern durch den Erwerb von Zielunternehmen und deren weiterem Wachstum zu verwenden. Sobald die BCM-Gruppe ausreichend stabile Cashflows aus ihren Tochtergesellschaften in Form von Dividenden oder Gewinnabführungsverträgen erwirtschaftet, beabsichtigt die BCM-Gruppe, in Zukunft eine angemessene Dividende an ihre Aktionäre auszuschütten. Dies wird jedoch zum großen Teil von dem vorherrschenden wirtschaftlichen Umfeld, dem Finanzierungsbedarf der Gesellschaft für weiteres Wachstum sowie anderen Umständen, die die Gesellschaft in Betracht ziehen könnte, abhängen. Insbesondere könnte sich die Gesellschaft dafür entscheiden, die Dividendenausschüttung zu senken, um opportunistische Akquisitionen von Zielunternehmen zu ermöglichen.

Wo werden die Wertpapiere gehandelt?

Die Gesellschaft wird die Zulassung der Aktien der Gesellschaft zum Handel im Regulierten Markt der Frankfurter Wertpapierböse mit gleichzeitiger Zulassung zum Teilbereich des Regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen.

Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

Der Preis für die Aktien an der Börse und das Handelsvolumen der Aktien könnten erheblich schwanken, und die Investoren könnten ihre Investition ganz oder teilweise verlieren.

Abschnitt D – Basisinformationen über das öffentliche Angebot von Wertpapieren und die Zulassung zum Handel an einem Regulierten Markt

Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

Bedingungen und Konditionen des Angebots sowie Plan für den Vertrieb

Entfällt. Ein öffentliches Angebot von Wertpapieren ist nicht Gegenstand dieses Prospekts.

Voraussichtlicher Zeitplan des Angebots

Entfällt. Ein öffentliches Angebot von Wertpapieren ist nicht Gegenstand dieses Prospekts.

Preisspanne und Angebotspreis

Entfällt. Ein öffentliches Angebot von Wertpapieren ist nicht Gegenstand dieses Prospekts.

Änderungen der Angebotsbedingungen

Entfällt. Ein öffentliches Angebot von Wertpapieren ist nicht Gegenstand dieses Prospekts.

Stabilisierungsmaßnahmen, Mehrzuteilung und Greenshoe-Option

Im Zusammenhang mit der Platzierung der Platzierungsaktien (wie nachstehend definiert) und soweit nach Art. 5 Abs. 4 der Verordnung (EU) Nr. 596/2014 (Marktmissbrauchsverordnung) zulässig, wird Citigroup für Rechnung der Konsortialbanken als sogenannter Stabilisierungsmanager ("**Stabilisierungsmanager**") tätig und kann, gemäß den gesetzlichen Bestimmungen, Stabilisierungsmaßnahmen an der Frankfurter Wertpapierbörse ergreifen, um den Marktpreis der Aktien der Gesellschaft während des Stabilisierungszeitraums zu stützen und damit einem Verkaufsdruck entgegenzuwirken. Der Stabilisierungsmanager ist nicht verpflichtet, Stabilisierungsmaßnahmen durchzuführen. Zur Stützung des anfänglichen Börsenkurses können solche Maßnahmen ab dem Datum der Börsennotierung der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse ergriffen werden und müssen spätestens am dreißigsten Kalendertag nach diesem Datum beendet werden ("**Stabilisierungszeitraum**"). Im Hinblick auf mögliche Stabilisierungsmaßnahmen können Investoren zusätzlich zu den Neuen Aktien die Mehrzuteilungsaktien im Rahmen der Zuteilung der Platzierungsaktien zugeteilt werden ("**Mehrzuteilung**"). Zur Deckung der möglichen Mehrzuteilung werden dem Stabilisierungsmanager bis zu 468.750 Mehrzuteilungsaktien in Form eines Wertpapierdarlehens zur Verfügung gestellt; die Anzahl der Mehrzuteilungsaktien wird 15% der Summe der endgültigen Anzahl der platzierten Neuen Aktien nicht überschreiten.

Falls und soweit die Mehrzuteilungsanteile platziert wurden, gibt der Stabilisierungsmanager das Mehrzuteilungsdarlehen durch Lieferung einer entsprechenden Anzahl von (i) Aktien, die der Stabilisierungsmanager im Zusammenhang mit Stabilisierungsmaßnahmen innerhalb des Stabilisierungszeitraums erworben hat, und/oder (ii) zusätzlicher neuer Aktien aus einer Kapitalerhöhung, die von der außerordentlichen Hauptversammlung am oder um den 9. Juli 2020 beschlossen wird ("**Greenshoe-Aktien**") an den Mehrzuteilungsaktionär zurück. Die Gesellschaft hat dem Stabilisierungsmanager für Rechnung der Konsortialbanken die Option eingeräumt, eine Anzahl von Aktien der Gesellschaft zu erwerben, die den Greenshoe-Aktien der Gesellschaft zum Angebotspreis abzüglich vereinbarter Provisionen und Gebühren entspricht ("**Greenshoe-Option**").

Einzelheiten der Zulassung zum Handel an einem Regulierten Markt

Zum Zwecke der Zulassung zum Handel am Regulierten Markt der Frankfurter Wertpapierbörse und der gleichzeitigen Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse bezieht sich dieser Prospekt auf bis zu 9.918.058 Aktien der Gesellschaft mit voller Dividendenberechtigung ab dem 1. Januar 2020 bestehend aus:

- 6.793.058 Bestehende Aktien, und
- bis zu 3.125.000 neue nennwertlose Namensaktien (Stückaktien) aus einer von der außerordentlichen Hauptversammlung am 7. Juli 2020 beschlossenen Kapitalerhöhung unter Ausschluss des Bezugsrechts der Aktionäre gegen Bareinlage ("**Neue Aktien**").

Am 7. Juli 2020, im Vorgriff auf die erwartete Zulassung der Aktien der Gesellschaft zum Handel im Segment des Regulierten Marktes der Frankfurter Wertpapierbörse und die gleichzeitige Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse, haben die Gesellschaft, Citigroup, sowie die Jefferies GmbH, Frankfurt am Main, Deutschland ("**Jefferies**", und zusammen mit der Citigroup die "**Joint Global Coordinators**") und die COMMERZBANK Aktiengesellschaft, Frankfurt am Main, Deutschland ("**Commerzbank**" und zusammen mit den Joint Global Coordinators die "**Joint Bookrunners**" oder "**Underwriters**") eine Privatplatzierung an bestimmte institutionelle und andere Investoren ("**Privatplatzierung**") initiiert.

Die Privatplatzierung bezieht sich auf den Verkauf von 3.593.750 nennwertlosen Namensaktien der Gesellschaft (Stückaktien) mit einem rechnerischen Anteil am Aktienkapital der Gesellschaft von EUR 1,00 und mit voller Dividendenberechtigung ab dem 1. Januar 2020, bestehend aus den Neuen Aktien und 468.750 bestehenden nennwertlosen Namensaktien (Stückaktien) aus dem Aktienbesitz der Falkenstein Heritage GmbH, die auf der Grundlage eines Aktiendarlehens zum Zweck einer möglichen Mehrzuteilung zur Verfügung gestellt wurden ("**Mehrzuteilungsaktien**", und zusammen mit den Neuen Aktien die "**Platzierungsaktien**"). Die Gesellschaft zielt auf einen Bruttoemissionserlös in Höhe von EUR 100 Millionen ab (Erlöse aus der Ausübung der Greenshoe Option nicht eingeschlossen). Das Volumen der Kapitalerhöhung soll mindestens 25% der Marktkapitalisierung von BCM nach Durchführung der Platzierungskapitalerhöhung (wie unten definiert) (ohne Ausübung der Greenshoe Option) betragen.

Die Privatplatzierung besteht aus einem Angebot in Deutschland und anderen Mitgliedsstaaten des Europäischen Wirtschaftsraums ("**EWR**") an Personen oder Einrichtungen, die "qualifizierte Anleger" im Sinne von Artikel 2 lit. e) der Prospektverordnung sind und an eine begrenzte Anzahl von nicht-qualifizierten Investoren unter der Prospektausnahme gemäß Artikel 1 Absatz 4 lit. b) der Prospektverordnung sowie Privatplatzierungen an institutionelle Investoren in bestimmten anderen Rechtsordnungen. In den Vereinigten Staaten werden die Aktien der Gesellschaft nur qualifizierten institutionellen Käufern ("**QIBs**") gemäß der Definition in Rule 144A des United States Securities Act von 1933 in der geänderten Fassung ("**Securities Act**") angeboten und verkauft. Außerhalb der Vereinigten Staaten werden die Aktien des Unternehmens nur im Rahmen von "Offshore-Transaktionen" im Sinne von und beruhend auf Regulation S des US-Wertpapiergesetzes angeboten und verkauft. Die Platzierungsaktien wurden und werden nicht gemäß dem Securites Act oder bei einer Wertpapieraufsichtsbehörde eines Bundesstaates oder einer anderen Gerichtsbarkeit in den Vereinigten Staaten registriert.

Die Kapitalerhöhung zur Schaffung der Neuen Aktien ("**Platzierungskapitalerhöhung**") wurde auf einer außerordentlichen Hauptversammlung der Gesellschaft am 7. Juli 2020 beschlossen.

Der Antrag auf Notierung und Zulassung zum Handel der Platzierungsaktien am Regulierten Markt der Frankfurter Wertpapierbörse wurde am 7. Juli 2020 gestellt. Es wird erwartet, dass die Zulassung der Platzierungsaktien zur Notierung und zum Handel am 10. Juli 2020 mit der Aufnahme des Handels an der Frankfurter Wertpapierbörse am 14. Juli 2020 erfolgt.

Plan für den Vertrieb

Entfällt. Ein öffentliches Angebot von Wertpapieren ist nicht Gegenstand dieses Prospekts.

Betrag und Prozentzahl der sich aus dem Angebot ergebenden unmittelbaren Verwässerung

Entfällt. Ein öffentliches Angebot von Wertpapieren ist nicht Gegenstand dieses Prospekts.

Schätzung der Gesamtkosten der Emission und/oder des Angebots, einschließlich der geschätzten Kosten, die dem Anleger von dem Emittenten oder Anbieter in Rechnung gestellt werden

Entfällt. Ein öffentliches Angebot von Wertpapieren ist nicht Gegenstand dieses Prospekts.

Wer ist der Anbieter?

Entfällt. Ein öffentliches Angebot von Wertpapieren ist nicht Gegenstand dieses Prospekts.

Handelszulassung

Die Zulassung ihrer Aktien zur Notierung und zum Handel wird um den 10. Juli 2020 mit Aufnahme des Handels am 14. Juli 2020 erwartet. Citigroup handelt als Zulassungsantragssteller (*Listing Agent*) und wird gemeinsam mit der Gesellschaft den Antrag auf Zulassung zum Handel stellen.

Weshalb wird dieser Prospekt erstellt?

Gründe für das Angebot und die Zulassung zum Handel an einem Regulierten Markt

Die Gesellschaft beabsichtigt durch die Zulassung der Aktien zum Handel am Regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse einen besseren Zugang zu den Kapitalmärkten zu erlangen.

Zweckbestimmung der Erlöse und die geschätzten Nettoerlöse

Entfällt. Ein öffentliches Angebot von Wertpapieren ist nicht Gegenstand dieses Prospekts.

Angabe, ob das Angebot einem Übernahmevertrag mit fester Übernahmeverpflichtung unterliegt, wobei jeder nicht erfasste Teil anzugeben ist

Entfällt. Ein öffentliches Angebot von Wertpapieren ist nicht Gegenstand dieses Prospekts.

Angabe der wesentlichsten Interessenkonflikte in Bezug auf das Angebot oder die Zulassung zum Handel

Im Zusammenhang mit der Privatplatzierung und der Zulassung der Aktien zum Handel an der Frankfurter Wertpapierbörse haben die Joint Bookrunners eine vertragliche Beziehung mit der Gesellschaft. Die Joint Bookrunners beraten die Gesellschaft hinsichtlich der Privatplatzierung und koordinieren die Strukturierung und Durchführung der Privatplatzierung. Bei erfolgreicher Durchführung der Privatplatzierung erhalten die Joint Bookrunners eine Provision. Aufgrund dieser vertraglichen Beziehungen haben die Joint Bookrunners ein finanzielles Interesse am Erfolg der Privatplatzierung.

Darüber hinaus wurde die Baader Bank Aktiengesellschaft, Weihenstephaner Straße 4, 85716 Unterschleißheim, Deutschland, zum Designated Sponsor für die Aktien ernannt, für die sie ebenfalls eine Vergütung erhält.

Ferner kann in Verbindung mit der Privatplatzierung jeder der Joint Bookrunners und jedes ihrer jeweiligen Tochterunternehmen, die als Investoren auf eigene Rechnung handeln, Aktien in der Privatplatzierung erwerben und in dieser Eigenschaft solche Aktien oder damit verbundene Investitionen auf eigene Rechnung behalten, kaufen oder verkaufen und solche Aktien oder andere Investitionen anders als in Verbindung mit der Privatplatzierung anbieten oder verkaufen. Darüber hinaus können einige der Joint Bookrunners oder ihrer Tochterunternehmen mit Investoren Finanzierungsvereinbarungen (einschließlich Swaps oder Differenzgeschäfte) abschließen, in deren Zusammenhang die Joint Bookrunners (oder ihre Tochterunternehmen) von Zeit zu Zeit Aktien erwerben, halten oder veräußern können. Keiner der Joint Bookrunners beabsichtigt, den Umfang solcher Investitionen oder Transaktionen abgesehen von einer entsprechenden gesetzlichen oder regulatorischen Verpflichtung oder wie in diesem Prospekt offengelegt.

Da die Gesellschaft die Nettoerlöse aus der Privatplatzierung der Platzierungsaktien, sowie ggf. auch der Greenshoe-Aktien, erhält und diese die Eigenkapitalbasis der Gesellschaft stärken werden, damit die Gesellschaft ihre Wachstumsstrategie verfolgen kann, haben alle unmittelbaren und mittelbaren Aktionäre der Gesellschaft ein Interesse am Erfolg der Privatplatzierung.

Insbesondere die Vorstandsmitglieder, Herr Marco Brockhaus (einschließlich der von ihm kontrollierten Gesellschaften Falkenstein Heritage GmbH und BPE GmbH), Herr Dr. Marcel Wilhelm sowie die Teammitglieder Herr Georg Ganghofer und Herr Harald Henning halten jeweils Anteile an der BCM AG. Die Genannten haben daher ein Interesse am Erfolg der Privatplatzierung.

Die Gesellschaft kann nach eigenem Ermessen und abhängig vom Ergebnis der Privatplatzierung beschließen, im Falle einer erfolgreichen Privatplatzierung und Börsennotierung den Vorstandsmitgliedern, weiteren Mitarbeitern der BCM AG sowie bestimmten Mitgliedern der Geschäftsleitung und weiteren Schlüsselmitarbeitern ihrer Tochtergesellschaften einen Bonus von insgesamt bis zu EUR 1,6 Millionen zu gewähren. Diese Mitglieder der Geschäftsleitung und die Mitarbeiter können daher ein Interesse am Erfolg der Privatplatzierung haben.

Die Gesellschaft hat mit Herrn Henning Gebhardt, einem ihrer Aktionäre (kein Vorstandsmitglied), eine Vereinbarung abgeschlossen, die eine Vergütung für die Vorstellung neuer Investoren, die sich an der Privatplatzierung beteiligen, durch diesen Aktionär vorsieht. Diese Investoren werden ihre Aufträge ausschließlich bei den Konsortialbanken einreichen. In dem Umfang, in dem vom Aktionär vorgestellte Investoren Aktien im Rahmen der Privatplatzierung zeichnen, erhält der Aktionär diese Vergütung. Dieser Aktionär hat daher ein Interesse am Erfolg der Privatplatzierung.

Zusätzlich zu den oben genannten Interessen gibt es keine Interessen, insbesondere keine Interessenskonflikte, die für die Privatplatzierung wesentlich sind.

3. Risk factors

*Investing in the shares ("**Shares**") of Brockhaus Capital Management AG ("**BCM AG**" or "**Company**" and, together with its respective consolidated subsidiaries, "**BCM Group**") involves a high degree of risks. Investors should carefully read and consider the material risks and uncertainties described below and the other information contained in this prospectus ("**Prospectus**") before making a decision to invest in the Shares.*

The risk factors described below represent those risks which are material and specific to the Company and/or the Shares being admitted to trading and are based on assumptions that may be incorrect. The Company believes that the risk factors described below represent the principal risks inherent in investing in the Shares.

Based on a qualitative as well as a quantitative analysis, the Company has divided the following risks in several categories and assessed the materiality of the risk factors on the basis of the probability of their occurrence and the expected magnitude of their negative impact. The Company considers the first two risk factors within each category as the most material of the risk factors contained in the relevant category. The risks mentioned herein may materialise individually or cumulatively.

3.1 Risks related to BCM Group's structure and its acquisition strategy

3.1.1. The Company's business model is based on its ability to identify companies as suitable acquisition targets and is dependent upon its sourcing network and its own research to acquire them on favourable terms. The future growth and profitability of BCM Group could be impaired, should the benefits of its network decline and should the Company be unable to further acquire attractive target companies on favourable terms.

BCM Group is a technology group focused on acquisitions of majority stakes in high-margin and high growth businesses which it believes to be technology and innovation champions within the German *Mittelstand*, (*i.e.* small to medium-sized enterprises) as well as the strategic and operational enhancement of such companies to foster long-term profitable growth. As of the date of this Prospectus, BCM Group has acquired two companies, Palas GmbH Partikel- und Lasermeßtechnik ("**Palas GmbH**"), a developer and manufacturer of certified fine dust and nanoparticle measurement devices, acquired at the end of 2018 and "**IHSE**" (*i.e.* IHSE Holding GmbH together with its consolidated subsidiaries), an information technology ("**IT**") infrastructure and related software company producing technology components for secure data transmission in "mission critical" applications, which was acquired at the end of 2019. In the medium term, and as a result of further acquisitions, BCM Group intends to become a leading publicly listed technology group. BCM Group's strategy and business model are therefore based on its ability to identify attractive target companies matching its technology focus, such as environmental technologies, security technologies, medical technologies (MedTec) and software. This, in turn, depends on the Company obtaining accurate and timely information about, and access to, any acquisition opportunities for potential target companies at attractive prices.

For identifying its acquisition opportunities, BCM AG has a proven multi-channel sourcing system in place. The Company identifies its acquisition opportunities through three channels: (i) proprietary sourcing, (ii) its industry network and (iii) structured auction processes (*i.e.* bidding procedures characterised by a pre-defined limited circle of bidders). In particular, the Company's proprietary sourcing and industry network are of key importance as they enable the Company to approach potential sellers directly and exclusively while possibly avoiding bidding or auction processes.

The Company believes that its proven sourcing process is a significant competitive advantage as it enables the Company to identify target companies early that competitors may not find and therefore to acquire them on attractive terms. Furthermore, even in auction processes, direct contacts and trust-based relationships within its sourcing network are helpful to finally become the successful bidder, due to the fact that – in the Company's experience – potential sellers, especially in the mid-market, not only take the price to be achieved for their business as the basis for their sales decision, but also rely on factors such as the buyer's reputation and further development opportunities for their business. However, there is no guarantee that the Company's sourcing network and its proprietary sourcing activities will provide it with sufficient and attractive acquisition opportunities or that the Company will be able to maintain its sourcing network in the future.

The benefits of the Company's existing sourcing network may decline or be lost altogether, for example, if the Company and its key personnel lose their reputation (see "*– 3.1.6 The Company and its key individuals could suffer damages to their reputation, which could make it more difficult to identify and to acquire additional target companies, thereby threatening the further growth of BCM Group*."), or if competitors gain access to the same sources of information. As a result, the Company may in future be increasingly forced to engage external advisers for mergers and acquisitions ("**M&A**") to obtain access to and participate in auction processes, which may, in the Company's view, require it to pay higher purchase prices in order to outbid other bidders. In addition, auctions are competitive and the Company may not be able to acquire target companies at all if outbid by other bidders (see "*– 3.1.2 If the Company has to compete with other bidders in auction processes, the Company might not be successful in acquiring additional target companies on favourable terms or at all and the growth strategy of BCM Group might not be implemented at all or only with a delay*"). In this case, BCM Group would be unable to amortise advisory and other costs against any future profits expected from an acquisition, in particular the costs of third party advisers conducting legal, financial or other forms of due diligence on potential target companies on behalf of the Company.

For any of these reasons, BCM Group may fail to acquire a sufficient number of additional attractive target companies on favourable terms or at all, which may prevent BCM Group from implementing its growth strategy, and could result in additional costs in the acquisition process, all of which could have material adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.1.2. *If the Company has to compete with other bidders in auction processes, the Company might not be successful in acquiring additional target companies on favourable terms or at all and the growth strategy of BCM Group might not be implemented at all or only with a delay.*

A direct and exclusive access to acquisition targets resulting from its proprietary sourcing activities or from its sourcing network regularly enables the Company to initiate a purchase process without competitors. If the Company is not granted such exclusive access, as is typically the case with auction processes, the Company has to compete with other investors for suitable acquisition opportunities, such as strategic investors, financial investors, *e.g.* private equity funds, family offices as well as other listed investment companies. Some of these competitors may have greater financial resources, lower costs of capital and better access to funding sources than the Company, which may create competitive disadvantages for the Company. In addition, some of these competitors may have a higher tolerance for risk, assess risk differently or have lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively for target companies than the Company. Furthermore, the current and potentially ongoing low interest rate environment has not only led to high company valuations in the M&A market, but also intensified the competition for acquisitions of private companies.

Due to competition in auction processes, BCM Group may fail to acquire a sufficient number of additional attractive target companies on favourable terms or at all, which may prevent BCM Group from implementing its growth strategy, and BCM Group may incur additional costs in the acquisition process, all of which could have material adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.1.3. *The financing or refinancing of future acquisitions of target companies might not be possible on favourable terms or at all.*

When acquiring target companies, BCM Group typically uses a combination of both equity and debt to finance and refinance an acquisition. Until the date of the Prospectus, any equity portion used to finance acquisitions resulted from capital increases that the Company consummated in exchange for new shares in BCM AG. Additionally, in parallel to a due diligence process, the Company typically initiates discussions with potential external financing partners regarding the suitable amount and corresponding terms of debt financing. In the foreseeable future, BCM Group intends to continue to finance future acquisitions of target companies mainly with equity supplemented to an appropriate extent with debt.

However, equity raisings such as the issue of new shares to shareholders and new investors may not be successful or feasible on favourable terms, whether due to general market conditions prevailing when the Company seeks to raise new equity financing or due to the operational performance of BCM Group, resulting in a lack of investor interest.

When BCM Group also complements equity financings with alternative forms of financing, especially debt financing, there is no guarantee that such financing will meet BCM Group's expectations and needs with regard to timing, terms and conditions, or that such financing can sufficiently be secured, *e.g.* by way of share pledges to be granted in favour of its creditors (see "*3.3 Financial and accounting risks – 3.3.2 The breach of covenants or the non-observance of other obligations under BCM Group's financing agreements may result in increased interest rates, substantial payment obligations for BCM Group and could lead to the enforcement of share pledges granted as collateral, including sales at prices substantially below fair value of the related collateral.*"). If such financing cannot be obtained, or can only be obtained on relatively unattractive terms, BCM Group may not be able to finance or refinance the acquisition of target companies and thus may not be able to consummate such transactions and implement its plans for growth as currently anticipated.

If financing of future acquisitions of target companies is not possible or only possible at unfavourable terms and BCM Group therefore fails to implement its growth plans due to the lack of such acquisitions on favourable terms or at all, this could have material adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.1.4. The Company might incorrectly assess the value of target companies and their potential for development, either due to undisclosed or unforeseen legal or other risks related to the target companies, generating lower revenues and profitability than initially expected.

Prior to agreeing to acquire any target company, the Company regularly conducts a due diligence examination considered by it to be appropriate for the respective target company and valuation of the target company, commissioning external advisers in order to evaluate the legal, financial, technical, commercial, tax and other aspects of its business, including its potential for enhancement of growth and profitability, and to identify risks connected with them.

Nevertheless, BCM Group or its external advisers may not detect all material risks related to a transaction or the business to be acquired during the due diligence exercise. Information provided during a due diligence exercise by the target company, the seller or any of their advisers or otherwise obtained by BCM Group may prove to have been incomplete, inaccurate or insufficient for other reasons following the acquisition, or such information may become inaccurate or insufficient following the conclusion of the due diligence exercise. Even where the Company is provided with sufficient information, there is no guarantee that the Company will be able to correctly identify all risks, or to correctly identify, evaluate and predict the impact of the risks identified, based on the information that it receives or any other aspects, which are relevant to the Company's evaluation of the target company.

Furthermore, assumptions the Company relied upon when agreeing to the purchase price could turn out to be incorrect.

In particular, the Company may assess the potential for the future development of a target company too optimistically, for example due to an incorrect assessment of the technology, the respective trends affecting the business and corresponding regulatory aspects. Consequently, the potential cash flows from such target company may be incorrectly calculated and, hence, may turn out to be lower than originally anticipated. If cash flows are lower than anticipated they may be insufficient to meet all expected operating expenses and financial liabilities incurred with the acquisitions, which could, among others, require BCM Group to incur additional indebtedness.

Furthermore, certain legal, tax, financial and other operational risks associated with target companies or their acquisition may not be detected or may be misjudged by the Company. Some of these risks are customarily covered by representations and warranties made by the respective seller. However, these representations and warranties are often limited in scope and may fail to sufficiently cover all risks and potential problems. In addition, warranty claims may be unenforceable due to a seller's insolvency or for other reasons. Moreover, any warranty and indemnity ("**W&I**") insurance arranged in connection with the acquisition of target companies, might turn out to be insufficient. This could lead to lower revenues from and profitability of target companies than originally expected, which could have material adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.1.5. BCM Group intends to enhance the performance of its subsidiaries by implementing customised strategic and operational initiatives. The measures intended for this purpose may not have the desired effect or may only bring about a smaller effect than initially anticipated and enhancements may fall short of the planned schedule and budget.

The Company has a systematic process for identifying and implementing strategic initiatives to enhance operational performance of its subsidiaries, and the Company uses knowledge obtained during the due diligence process as a basis for implementation of such strategic initiatives which typically include the development of systematic sales and marketing strategies, expansion into other vertical or geographic markets, product portfolio review or strengthening of management teams, among others. These initiatives are aimed at further increasing the sales and profitability of its subsidiaries in accordance with their respective potential and business strategy.

However, these initiatives may not lead to the desired results or may fail completely for a number of reasons, including:

- The Company may base the initiatives and strategies for its subsidiaries on assumptions or models that may turn out to be wrong;

- Unforeseen operational risks in the subsidiaries' businesses may materialise, which, in retrospect, make the strategy appear to be wrong and require a strategic adjustment (see "– *3.2 Risks related to business activities and industries of BCM Group's subsidiaries*");

- The Company may fail to implement an efficient risk management and reporting system to monitor the implementation of developed strategies;

- The acquired subsidiaries must rely on an adequate number of experienced managing directors and key employees for the implementation of the strategy and the operational management, and BCM Group may not succeed in retaining these employees in its subsidiaries;

- The strategies may not be implemented by the management of the respective subsidiary as intended by the Company.

Due to any of these or other factors, the intended goals for enhancement of performance of the relevant subsidiary may not be realised in part or at all or with a delay.

The measures intended for this purpose may not have any effect or only a smaller effect and the intended development may fall short compared to the enhancement plans as originally scheduled and budgeted.

If the strategic and operational initiatives regarding the subsidiaries do not have the desired effects, one or more subsidiaries may generate lower revenues and / or show less profitability than originally expected, which could have material adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.1.6. The Company and its key individuals could suffer damages to their reputation, which could make it more difficult to identify and to acquire additional target companies, thereby threatening the further growth of BCM Group.

The Company started its business activities only in July 2017 with raising equity. Until the date of this Prospectus, BCM Group acquired two subsidiaries, Palas GmbH at the end of 2018 and IHSE at the end of 2019. Since BCM Group aims at becoming a leading publicly listed technology group, its strategy and business model are based on its ability to identify and acquire attractive target companies (see "– *3.1 Risks related to BCM Group's structure and its acquisition strategy – 3.1.1 The Company's business model is based on its ability to identify companies as suitable acquisition targets and is dependent upon its sourcing network and its own research to acquire them on favourable terms. The future growth and profitability of BCM Group could be impaired, should the benefits of its network decline and should the Company be unable to further acquire attractive target companies on favourable terms.*"). Despite the relatively short period of operating history, key individuals at the Company have a long-standing expertise in identifying and acquiring companies in their capacities as managing directors or employees of Brockhaus Private Equity GmbH ("**BPE GmbH**"). This applies in particular, to Mr Marco Brockhaus, being the founder and sole shareholder of BPE GmbH and also the chairman (*Vorsitzender*) of the Company's management board (*Vorstand*, "**Management Board**"). BPE GmbH has initiated and/or advises certain private equity fund programmes ("**Brockhaus Funds**", and each individually a "**Brockhaus Fund**"). The historical performance and the track record of the Brockhaus Funds are – in the Company's view – the key factors for the reputation of the Company and its management team as regards their capability of identifying and acquiring promising businesses within the German *Mittelstand*. The Company believes that this reputation, which is primarily based on the track record of BPE GmbH and its management and employees, is integral to the future success of BCM Group, as it depends on this reputation whether the Company is offered acquisition opportunities from its sourcing network, whether entrepreneurs or other potential sellers are willing to sell their business to the Company and whether BCM Group will be successful in raising additional funds for the implementation of its growth strategy.

The Company's reputation could suffer in a number of ways, for example, if a market perception develops, for example due to negative press, even if unfounded, that the Company is unable to effectively and professionally implement transactions, if acquired subsidiaries are not successful or become insolvent, or if the Company's behaviour generally does not correspond to the standards expected by market participants, including the violation of confidentiality obligations regarding information provided to it, or the non-fulfilment of its obligations under share purchase agreements (*e.g.* timely payment of the purchase price).

Such reputational damage would generally reduce the Company's prospects for acquiring further promising target companies, would impede BCM Group's growth plans and would therefore have material adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.1.7. The success of BCM Group depends on several key individuals at the Company and the Company might not be able to retain its key individuals, or may not be able to replace such personnel in the event of their loss, which may impair its growth strategy and management capabilities regarding its subsidiaries.

BCM Group relies on its capacity to acquire attractive subsidiaries by means of directly approaching potential sellers after having identified suitable target companies. In this regard, BCM Group largely depends on its sourcing network based on personal contacts of the key individuals at BCM AG. Accordingly, the success of BCM Group depends – to a material extent – on the performance of its management and key employees, in particular, Mr Marco Brockhaus, who established BCM AG with its current business model in 2017 and who is the chairman (*Vorsitzender*) of the Company's Management Board, as well as other key employees who have substantial expertise and experience in the relevant industries. Furthermore, the Company's opportunities to successfully participate in competitive auction processes are often based on personal contacts of the members of its Management Board.

The loss of a member of its Management Board or other key employees could materially adversely impair the growth of BCM Group and could have a negative impact on the management functions at BCM AG, if BCM AG were unable to hire suitably qualified replacement personnel or suitable external service providers. In particular, it is possible that BCM AG might lose its sourcing network and its personal contacts in whole or in part if Mr Marco Brockhaus or other members of the Management Board or certain other key employees at BCM AG were to leave the Company. As a consequence, it may become more difficult for BCM Group to identify suitable acquisition targets at attractive prices which could substantially impair the further implementation of BCM Group's growth strategy.

BCM AG might also be unable to continue implementing pending projects or addressing potential problems in its existing business operations in a timely manner if it is not able to replace qualified personnel in the event of termination.

Therefore, the loss of key individuals and the inability to replace them with qualified personnel could materially adversely affect the business, results of operations, financial condition and prospects of BCM Group.

3.1.8. *In order to successfully implement its growth strategy, the Company will need to find and hire additional employees and the inability to do so when required or at all may jeopardise the further growth of BCM Group.*

As of the date of this Prospectus, the Company has ten employees, including the members of the Management Board. Based on the timing and the number of completed acquisitions of additional subsidiaries and due to the intended listing of the Shares, the Company will require a significant number of additional employees for a variety of functions, including management and advisory of the subsidiaries as well as financial, investor relations and other administrative activities.

If the Company is unable to successfully hire sufficiently qualified employees in a timely manner or at all, it may experience delays in the intended growth of BCM Group or it may face difficulties in managing and advising its then existing subsidiaries leading to a delay or even failure of the intended enhancement strategies for its subsidiaries possibly resulting in lower revenues and / or profitability of the subsidiaries. This could have a material adverse effect on BCM Group's business, results of operations, financial condition and prospects.

3.1.9. *BCM Group might not be able to implement effective accounting, internal control and group-wide risk management systems in line with the planned growth of BCM Group, which could*

result in BCM Group's actual business performance deviating from its business planning and impair the development of its subsidiaries and BCM Group as a whole.

Until the date of this Prospectus, BCM Group acquired two subsidiaries. The business model of BCM Group is based on the continuous acquisition of target companies. These future additional subsidiaries require BCM AG to implement and adapt additional organisational and technical structures at the Company level and across BCM Group. In particular, the improvement and expanding of existing accounting and internal control measures at the Company level are necessary for the successful integration of these subsidiaries into BCM Group for reporting and monitoring purposes.

There may be unforeseen costs or technical or logistical difficulties which arise in the implementation of these new systems and structures. BCM Group cannot guarantee that it will succeed in implementing the necessary measures when needed, to the extent necessary or even at all.

The Company may fail to develop the internal organisational, information, risk monitoring, and risk management structures required in connection with the planned further growth of BCM Group or a possibly changing environment for business operations. Due to such failure, the Company might be unable to identify, assess, monitor, and manage potential risks associated with unfavourable business or administrative developments at all or in a timely manner, which could have material adverse effects on BCM Group's business, results of operation, financial condition and prospects.

3.1.10. The Company's cash flows depend to a material degree on the profitability of its subsidiaries and may vary significantly from period to period.

The Company is the parent company of BCM Group and its operating business is carried out through its subsidiaries. Therefore, the Company's operating cash flows and, consequently, its ability to cover its current expenses and to pay dividends in the future, will derive to a material degree from profit distributions of its subsidiaries. While, as of the date of the Prospectus, the subsidiaries may not pay dividends to the Company due to relevant restrictions in finance agreements, these distributions may strongly fluctuate in the future since the existing subsidiaries do not have a lot of significant contractual recurring revenues due to the lack of ongoing framework agreements with its customers leading to a risk of a high volatility in sales. Volatility in sales from period to period may also result from the timing of large orders, requests for delays in the delivery of orders from one period to another or the postponement of projects from the client side. This may also apply to potential future subsidiaries yet to be acquired.

It is not certain whether these distributions will always be sufficient to meet all future payment obligations of the Company. If distributions would not be sufficient to meet BCM AG's future payment obligations, the Company would be required to obtain additional financing (see "– *3.3 Financial and accounting risks – 3.3.1 BCM Group may not be able to obtain financing as and when needed for the* *further growth of its subsidiaries on financially attractive terms and to meet all future payment obligations, which could even make the Company miss deadlines for interest and principal payments under its financing agreements*.").

Such fluctuations in the distributions from its subsidiaries may have a negative impact on the cash position of BCM Group.

3.1.11. It may not be possible for BCM AG to dispose of acquired companies, either on favourable terms or in the desired timeframe.

Even though the Company's strategy is predominantly geared towards a long-term holding of majority shareholdings in its subsidiaries, the Company may, within the scope of its articles of association ("**Articles of Association**"), if appropriate in the individual case, also look to dispose of subsidiaries for strategic reasons related to such specific subsidiary. These reasons may include changes in the competitive landscape of such subsidiary and its products, regulatory changes affecting the specific product or changing market trends and customer demands.

However, the Company cannot guarantee that the sale of a subsidiary can be realised at all or at a certain sale price which may be below the initial purchase price, as a sale depends on many uncertainties, in particular, the prevailing economic environment, market conditions and other unforeseeable factors at the time of the attempted sale, which all have a significant impact on the sale price and the level of distributable proceeds. In the event of a negative economic and/or industry environment or weak financial markets at the time of an anticipated sale, disposals may not be possible or may only be possible with considerable price discounts. Moreover, there can be no guarantee that the achievable sales proceeds will cover the Company's historical acquisition costs attributable to that certain subsidiary and further investments attributable to it. Accordingly, the Company would either need to postpone a sale or accept an unfavourable price reduction if it were forced to sell, which could be the case for a number of reasons, for example, due to liquidity requirements of BCM Group.

The delay of a sale of an acquired company when desired or only on less favourable terms could thus have adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.1.12. The Company may opportunistically acquire minority stakes in target companies, resulting in limited influence on the management and other shareholders of the respective target company who could make decisions detrimental to BCM Group's interests.

In general, the Company aims to acquire at least a controlling majority stake in target companies in order to be able to influence business decisions based on the basis of a long-term growth strategy for each target company. However, BCM Group may also opportunistically acquire a minority interest in a target company.

Even though the interests of minority shareholders may be protected by shareholders' agreements entered into in the course of the acquisition, BCM Group cannot guarantee that it will be able to conclude an agreement to this effect or it may turn out that the protection under such an agreement is insufficient. In these circumstances, BCM Group's influence as a shareholder could be limited, including by the relative size of its interest and voting rights in the target company and the contractual and statutory rights of a shareholder, *e.g.* under the constitutional documents and governing law of the relevant subsidiary. Minority shareholders are, by their nature, often unable to have significant access to management and its operational and strategic decisions for the business. Not being able to participate in operational decisions of the management of the subsidiaries could have a material adverse effect on BCM Group, as such decisions may prevent the implementation of the respective enhancement strategy connected with slower growth and enhancement of the respective company as anticipated by BCM Group. Minority shareholders may also be outvoted in relation to material shareholders' resolutions of the respective subsidiaries, which could be contrary to the business interests of BCM Group. BCM Group could also, depending on the specific rights and obligations which are attached to any given minority investment based on a shareholders' agreement, be compelled to sell its minority stake in the subsidiary when a sale is – in BCM Group's view – inopportune or inadvisable.

BCM Group's possibly limited influence as a minority shareholder could thus have an adverse effect on the business, results of operations, financial condition and prospects of BCM Group.

3.1.13. The Company's Management Board as well as its key employees are also members of the management of BPE GmbH, which could give rise to conflicts of interest between BPE GmbH and the Company, in particular, in case of an acquisition of a target company by BCM Group held by a fund advised by BPE GmbH.

The Company's Management Board and key employees of the Company are also in parallel engaged as managing directors and key employees of BPE GmbH. As of the date of this Prospectus, BPE GmbH indirectly advises Brockhaus Private Equity III (Scottish) L.P. ("**BPE III**"), the only remaining fund programme of the Brockhaus Funds, which currently holds two remaining investments in companies. Existing business activities of BPE GmbH might result in conflicts of interest with the business activities of BCM AG. For example, one or both of the remaining investments held by BPE III could be sold to BCM Group (as in the case of IHSE, which was acquired from BPE III), in which case the Management Board of the Company as buyer would also advise the potential seller in their capacity as managing directors of BPE GmbH.

Furthermore, the Company's Management Board might not be able to fully dedicate their attention to the Company in case their responsibility for BPE GmbH and the advice on the remaining investments of BPE III require more personal resources than expected. This could impair the future development of BCM AG.

If such conflict of interest is resolved unfavourably to BCM Group this could have adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.2 Risks related to business activities and industries of BCM Group's subsidiaries

3.2.1. The future success of BCM Group will depend primarily on the operational performance of its current and future subsidiaries. As such, the realisation of operational risks in its subsidiaries could negatively affect BCM Group's revenues and cash flows as well as the subsidiaries' ability to distribute profits to the Company.

The Company is the parent company of BCM Group and its success will primarily depend on the performance of its current and future subsidiaries. BCM Group's operations and the results of its operations are subject to a number of factors that could adversely affect its business. Many of these are common to technology and innovation driven businesses – which are in the acquisition focus of BCM AG – and the Company believes the most significant factors include the following:

- BCM Group's current and future subsidiaries should identify and capitalise on technology and innovation and should address global megatrends, such as digitalisation, automation, cybersecurity or sustainability. Thus, the future success of these subsidiaries depends on their ability to set and maintain technological standards in specific areas and to adapt continually their existing range of products to technological development as well as changing customer demands. Changes in customer demands and preferences, frequent product and service introductions as well as the emergence of new substitute technologies or evolving industry standards and megatrends may render the subsidiaries' existing products obsolete or less attractive;

- The technical developments required to set and maintain technological standards sought by one or more of BCM Group's subsidiaries may be affected by technical problems or delays, may prove to be wholly or partially unsuccessful or may not be accepted by the respective market. As a result, considerable costs for new developments and improvements or production start-up costs may ultimately not be offset by income, or only to a lesser extent than originally expected;

- In innovation-driven businesses, BCM Group may overestimate particular trends, *e.g.* demographic trends or underestimate changes in the regulatory environment for innovative products;

- BCM Group's products rely and will likely continue to rely on proprietary technology. The subsidiaries may fail to protect their proprietary rights and business secrets, and unauthorised parties or competitors may copy or otherwise obtain and use BCM Group's products or technology. The same applies in case subsidiaries decide to seek for only partial protection of their proprietary rights. Actions to enforce existing rights may result in substantial costs and diversion of management resources and it cannot be guaranteed that any such actions will be successful. A failure to protect its technology could put BCM Group at a competitive disadvantage;

- BCM Group's business operations are dependent upon information technology networks that could be affected by shutdown, computer viruses, cyberattacks, other external hazards and human error that could result in an operational disruption, which, if sustained or repeated, could result in a deterioration of BCM Group's ability to write and process new and existing business, provide customer service or perform other necessary business functions;

- The products of BCM Group are exposed to product liability risks in the design, manufacturing and distribution. BCM Group currently has product liability insurances; however, it may not be able to maintain the insurance at a reasonable cost or in sufficient amounts, or insurances might turn out to be insufficient to adequately protect BCM Group against losses.

The impact of any of these or similar factors related to operational risks (or a combination of them) may cause a reduction in BCM Group's revenues and cash flows and could therefore have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

3.2.2. Since the current and future subsidiaries of BCM Group are and will be active predominantly in niche markets, where the number of customers may be limited, the loss of significant customers or distribution partners may not be offset by developing new business.

The current and future subsidiaries of BCM Group are and will be companies with high-technology or innovative products in niche markets potentially with a relatively limited number of customers or distributors. The loss or reduction of any significant contracts with any of these customers or distributors could materially reduce the respective subsidiary's revenue and cash flows.

For example, in the fiscal year 2018, IHSE's largest sales partner, Blackbox Corporation, which accounted for 30% of IHSE's revenue in the fiscal year 2017, got into severe financial trouble and was eventually acquired by AGC Networks and was thus unable to place further orders. Even though IHSE was capable of significantly reducing the share of sales to this sales partner to 16% in the fiscal year 2019 by acquiring additional customers and sales partners while maintaining its profitability, there still remains a risk that IHSE, or other subsidiaries of BCM Group, may unexpectedly lose a significant customer or sales partner and cannot fully or immediately compensate the loss or any unexpected delay in orders received from such customers or sales partners. There is also no guarantee that BCM Group's future subsidiaries are able to reduce such customer dependencies when approaching predominantly niche markets.

Therefore, the loss of a significant customer or salespartner in a niche market of the respective subsidiary could have material adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.2.3. *The subsidiaries of BCM Group compete with competitors in their respective (niche) markets and increased competition may have a negative impact on price level and on the acceptance of the respective subsidiaries' products.*

The subsidiaries of BCM Group compete and are expected to continue to compete with competitors in their respective (niche) markets (see *"– 3.2 Risks related to business activities and industries of BCM Group's subsidiaries – 3.2.2 Since the current and future subsidiaries of BCM Group are and will be active predominantly in niche markets, where the number of customers may be limited, the loss of significant customers or distribution partners may not be offset by developing new business*"). For example, Palas GmbH, a niche supplier, must compete against large measurement technology suppliers (*e.g.*, Thermo Fisher Scientific) as well as the perceived market leaders in the fine particle area (*e.g.*, Met One Instruments Inc.) and the nanoparticle and filter test area (*e.g.* TSI Incorporated). Although Palas GmbH has a clear strategy for substituting these competing products and, in particular, establishing measurement processes using the optical measuring technology developed by Palas GmbH, this attractive niche is increasingly attracting competitors from other markets that may have more research and development resources and financing power resulting in additional price pressure. The result of this increased competition may be downwards pressure on pricing which could have a negative impact on the price achievable by Palas GmbH for its products.

Furthermore, an increased number of competing products could reduce the market acceptance of a subsidiary's products. Moreover, competitors may be able to adapt to changing customer preferences more quickly or more successfully than the Company's subsidiaries are able to, due to, for example, those competitors having greater research and development resources or access to more financing to develop and market new products, which could impair the market position and competitiveness of these subsidiaries. In particular, because the Company's subsidiaries operate in technology driven markets, technological innovation or change could impair the subsidiaries' competitiveness and as a consequence reduce their revenues and profitability as customers and market expectations could focus on a technology other than that offered by the Company's subsidiaries. For example, in the case of IHSE, IHSE competes with competitors offering Keyboard, Video and Mouse ("**KVM**") devices based on the internet protocol (so called KVM over IP) while IHSE offers KVM devices operating with a proprietary protocol. If customers increasingly would prefer KVM over IP or other technical solutions of IHSE's competitors IHSE could lose some of its current market share.

The negative effect of competition in niche markets would be even intensified, if a subsidiary were to produce only a limited number of products, as is the case with Palas GmbH, where its growth was mainly connected with its “Fidas” product family consisting of fine dust measurement systems accounting for approximately half of the revenue in the fiscal years 2019 and 2018.

Therefore, increased competition in the respective niche market could lead to reduced price levels for, and acceptance of, the respective subsidiary’s products leading to lower revenues and cash flows of the respective subsidiary. These factors could have material adverse effects on BCM Group’s business, results of operations, financial condition and prospects.

3.2.4. The success of BCM Group will largely depend on BCM Group being able to rely on an adequate number of experienced managing directors and key employees of the acquired subsidiaries for their further development and operational management. If BCM Group does not succeed in retaining these employees in its subsidiaries, this could negatively affect the ongoing business operations and the further enhancement of BCM Group’s subsidiaries.

The success of BCM Group will depend on BCM Group being able to rely on an adequate number of experienced managing directors and key employees of the acquired subsidiaries as well as their qualified employees for the further development and operational management of the subsidiaries. A key determinant of the success of the business model will be BCM Group’s ongoing ability to have access to qualified personnel with the relevant practical experience in the relevant industry and managerial and/or sales talent. Labour shortages in these industries and sub-industries could undermine the ability of the Company to maintain the highly skilled workforce, which its subsidiaries require to effectively operate their respective businesses. This is of particular relevance as BCM Group’s current and future subsidiaries are penetrating and will predominantly penetrate niche markets, where market experience and specialised know-how are key factors of business success. Given its focus on technology and innovation leaders, BCM Group depends and will continue to depend on highly qualified specialists from a variety of high-tech areas, such as IT, electronics, optics and various sub-areas of physics. BCM Group may, for these and other reasons, become unable to provide suitable management resources to the relevant subsidiaries such that the further development of subsidiaries may not be implemented as planned.

The ability to retain and motivate qualified employees and, if needed, recruit new, well-trained personnel is one of the material prerequisites for the success of the Company’s subsidiaries. Economic deterioration at subsidiaries and the related uncertainties can lead to difficulties in retaining existing employees and therefore, result in a greater turnover among personnel at the subsidiaries. The loss of qualified management or other personnel, particularly those individuals with significant knowledge of the business, can have a negative impact on the business activities of subsidiaries. There is no guarantee that current and future subsidiaries of the Company will be able to find suitably qualified and experienced replacements in time.

For example, until 2017, the management of IHSE consisted only of its managing director Dr Littmann, who was integral to the successful development of IHSE. Although the management of IHSE has been expanded in the meantime, Dr Littmann's continued involvement in the management of IHSE remains a key factor for the further successful development of IHSE.

Similarly, the managing director of Palas GmbH, Dr Weiß heads the entire organisation at Palas GmbH, especially production and development and is a key factor of Palas GmbH's business strategy.

The loss of experts with the required know-how, such as Dr Littmann or Dr Weiß, or experienced sales staff could substantially negatively affect the ongoing business operations of BCM Group's subsidiaries, and have a material adverse effect on the business, financial condition and results of operations of the respective subsidiary, which, in turn, could also have material adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.3 Financial and accounting risks

3.3.1. BCM Group may not be able to obtain financing as and when needed for the further growth of its subsidiaries on financially attractive terms and to meet all future payment obligations, which could even make the Company miss deadlines for interest and principal payments under its financing agreements

BCM Group may require additional funds to finance working capital requirements of its subsidiaries, which the subsidiaries may need for their further development and to maintain their respective businesses as a going concern. The extent of BCM Group's future capital requirements will depend on many factors, which may be beyond BCM Group's control, and its ability to meet its capital requirements will depend on its future operating performance and ability to generate cash flows. Additional sources of financing may include equity, but on the level of subsidiaries, in particular debt financing (as it was the case in connection with the acquisition of IHSE, for which IHSE AcquiCo GmbH as borrower entered into a loan agreement in an amount of EUR 38 million as of 31 March 2020 to refinance the existing financing of IHSE and to partially finance the purchase price for the shares in IHSE). There can be no assurance, however, that BCM Group will be able to obtain additional financing or refinancing on acceptable terms when required due to market conditions, interest rate levels, and perceptions about its creditworthiness or other factors.

If BCM Group does not generate sufficient cash flows or if BCM Group is unable to obtain sufficient funds from future debt financings or at acceptable interest rates, BCM Group may not be able to pay its debts as they come due or to fund its other liquidity needs. Adverse conditions in the financial markets (as caused *e.g.* by the current COVID-19 pandemic) could furthermore impede the subsidiaries' respective businesses and have adverse effects on their development and growth.

Any of the foregoing factors could limit BCM Group's operating flexibility and the further growth of its subsidiaries, and therefore, may have material adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.3.2. *The breach of covenants or the non-observance of other obligations under BCM Group's financing agreements may result in increased interest rates, substantial payment obligations for BCM Group and could lead to the enforcement of share pledges granted as collateral, including sales at prices substantially below fair value of the related collateral.*

BCM Group has borrowed debt (defined as non-current financial liabilities plus current financial liabilities), in particular in connection with the acquisition of its existing subsidiaries in an amount of EUR 60.75 million as of 31 March 2020. The corresponding loan agreements provide for *e.g.* an interest margin step-up in case certain covenants (*e.g.* debt ratio) are not met or exceeded. Furthermore, if the respective borrower does not fulfil its obligations, this may trigger an event of default. If the respective borrower of BCM Group is not able to satisfactorily cure or avoid the occurrence of any events of default under the respective loan agreement, the lender is entitled to terminate the respective loan agreement, which would lead to an immediate obligation of the borrower to repay the entire outstanding balance of the loan plus any accrued interest. Cross default provisions in the loan agreements may even result in additional loans become immediately due and repayable in their respective outstanding amount plus any accrued interest.

Moreover, BCM Group's cash is currently ring fenced in part at subsidiary level as a consequence of respective contractual undertakings in connection with financing agreements at subsidiary level. Such funds can therefore not be used to service debt at the level of another subsidiary or possibly in the future also at the level of BCM AG.

Furthermore, the loans granted by banks for the purpose of acquiring target companies are usually secured by first-ranking share pledges on the shares of the acquired entity in favour of the lending bank. In connection with the financing of the acquisition of Palas GmbH, Palas Holding GmbH, as borrower, entered into a loan agreement with Raiffeisenlandesbank Niederösterreich-Wien AG as creditor, amounting to EUR 11.8 million as of 31 March 2020, among others, the shares in Palas Holding GmbH held by BCM AG as well as the shares in Palas GmbH held by Palas Holding GmbH have been pledged to the creditor. In order to finance the acquisition of IHSE, IHSE AcquiCo GmbH as borrower entered into a loan agreement with RV AIP S.C.S. SICAV-SIF as lender, with an outstanding loan amount of EUR 37.1 million as of 31 March 2020. This loan agreement was secured by, among others, first-ranking pledges of present and future shares owned by the Company and / or IHSE AcquiCo GmbH or other subsidiaries.

If the relevant borrowing entity of BCM Group (typically a direct or indirect subsidiary of BCM AG) or, as the case may be, BCM AG itself, does not fulfil its obligations under the loan, for example, repayment of principal and interest when they become due, or a potential breach of covenants or undertakings are not cured within the cure period, the lending bank may be entitled to enforce the share pledge, which may lead to a sale of the pledged shares in the acquired target or other BCM Group companies at prices substantially below fair value.

Therefore, increased interest rates, substantial payment obligations and the enforcement of collateral due to a default under BCM Group's financing agreements may have a material adverse impact on BCM Group's business, financial condition, cash flow, results of operations and prospects and may – eventually – even result in an insolvency of the respective subsidiary or even of BCM AG.

3.3.3. BCM Group may suffer a loss from equity or debt intra-group financing that it provides to its subsidiaries in the context of company acquisitions or other purposes.

In order to finance acquisitions, the Company has to finance one or more subsidiaries acting as buyers in the respective situation. The Company may either fund its subsidiaries acting as acquisition vehicle through equity or debt. In addition, the Company may grant further (shareholder) loans to subsidiaries as intra-group financing, *e.g.* to provide its subsidiaries with the required working capital. Under German law, such shareholder loans are subordinated *vis-à-vis* all other creditors of the respective borrowing subsidiary with the consequence that, in case of a default, claims of all other creditors will rank senior to the repayment claim of the Company.

Should such subsidiary for any reason whatsoever, default under its outstanding debt, this may result in the Company having to write-off the intra-group financing in part or in full which may result in a complete loss of its repayment claims. In case of an equity funding of the respective subsidiary, the Company might have to impair the equity participation in its balance sheet or even suffer a complete loss.

These factors might have a material adverse impact on BCM Group's financial condition, cash flow, results of operations and prospects.

3.3.4. The Company may be obliged to compensate losses occurred by its subsidiaries under profit and loss transfer agreements.

The Company is a holding company whose results of operations and liquidity position depends and will depend on distributions and access to cash of its subsidiaries, also in connection with profit and loss transfer agreements ("**PLTA**"). Currently, the Company has not entered into any PLTA with any of its current subsidiaries. However, the Company is currently considering to agree with IHSE on a PLTA and it cannot be excluded that the Company will enter into a PLTA with other subsidiaries in the future.

Under a PLTA, BCM AG is obliged to compensate its subsidiaries for any losses incurred by them. If some subsidiaries therefore incur losses, this will also have a negative impact on BCM Group's results of operations, financial condition and cash flows.

3.3.5. *The acquisition of less profitable target companies may initially lower the profit margins of BCM Group as a whole. Measures to support growth and to increase profitability to compensate for this may not be implemented quickly enough or at all.*

Although BCM Group intends to acquire subsidiaries with high revenue growth rates and high profitability, target companies available for purchase by the Company may be generally less profitable than the existing subsidiaries of BCM Group due to the potential for operational enhancement of the target companies. Thus, the acquisition of less profitable subsidiaries initially dilutes the profit margins of BCM Group. The time required for the successful implementation of enhancement measures differs from case to case (see "*– 3.1 Risks related to BCM Group's structure and its acquisition strategy – 3.1.5 BCM Group intends to enhance the performance of its subsidiaries by implementing customised strategic and operational initiatives. The measures intended for this purpose may not have the desired effect or may only bring about a smaller effect than initially anticipated and enhancements may fall short of the planned schedule and budget*."). If measures to support growth and to increase profitability are not successfully implemented on time or at all, this could have a material adverse effect on the financial condition and results of operations of BCM Group.

3.3.6. *During the period of historical financial information presented in this Prospectus the Company has changed its fiscal year twice, leading to short fiscal years. Furthermore, BCM Group has grown rapidly since 2018 through acquisitions, so that the Company's historical earnings and other historical financial results are limited as to their comparability and are not predictive of future earnings or other financial results of the Company or BCM Group.*

The financial information of the Company included in this Prospectus relates to the past performance of the Company since 1 January 2017. In connection with the transformation of the Company from a limited liability company to a stock corporation in September 2017, the Company changed its fiscal year, which up to this point corresponded to the calendar year, to a deviating fiscal year resulting in a short fiscal year from 1 January 2017 to 31 July 2017, with the reporting period thus covering seven months only. This fiscal year, which covered the period from 1 August 2017 to 31 July 2018 differed from the calendar year, and was changed back to the calendar year upon entry in the commercial register (*Handelsregister*) on 13 December 2018 in accordance with the resolution of the shareholders' meeting on 5 December 2018. The consolidated financial statements for the period from 1 August 2018 to 31 December 2018 again relate to a short fiscal year, with the reporting period covering five months. Following the change to the calendar year, the reporting period for the fiscal year 2019 was twelve months. The financial information on the individual statement of comprehensive income and the individual statement of cash flows for the short fiscal years from 1 January 2017 to 31 July 2017 and from 1 August 2018 to 31 December 2018 can therefore only be compared to a very limited extent with the financial information for the full twelve-month fiscal year ended 31 July 2018 and 31 December 2019.

Additionally, BCM Group has grown rapidly since 2018 due to the acquisitions of Palas GmbH and IHSE. Due to the size of these transactions and the fact that the acquisition and initial consolidation took place for Palas GmbH at the end of the short fiscal year 2018 and for IHSE at the end of the fiscal year 2019, the financial information for the fiscal year 2017/2018, the short fiscal year 2018 and fiscal year 2019 are only comparable to a very limited extent. The same applies to the financial statements for the first quarter of the year 2020, where the acquisition of IHSE is fully reflected in the first quarter of the fiscal year 2020, but not included in the first quarter of the fiscal year 2019 due to the acquisition in December 2019. In addition, comparability is limited by the fact, that upon acquisition of Palas GmbH in the short fiscal year 2018, the Company has prepared its first consolidated financial statements. Financial statements before short fiscal year 2018 were prepared on an individual basis. As a result, the Company's historical earnings and other historical financial results are limited as to their comparability and are not predictive of future earnings or other financial results of the Company or BCM Group.

Furthermore, the information presented in this Prospectus sometimes involves forward-looking statements which are based on estimates and assumptions of the Company as of the date of this Prospectus. There can be no assurance that these estimates and assumptions will be accurate, reasonable or correct in every market condition, and the Company may fail to accurately predict future developments.

The changes of the fiscal years of the Company as well as the rapid growth of BCM Group lead to reduced comparability of the financial information and are not predictive of future earnings and other financial results of the Company or BCM Group.

3.3.7. Pro Forma Financial Information describes only a hypothetical situation and is not necessarily indicative of what BCM Group's actual financial condition or results of operations would have been, if the acquisition of IHSE had occurred on 1 January 2019.

In December 2019, BCM Group acquired IHSE, which has a material impact on the assets, financial position and results of operations of BCM AG as of the date of this Prospectus, since IHSE constituted 27% of BCM Group's assets as of 31 December 2019 and generated revenues in 2019 (according to IHSE's consolidated financial statements for the fiscal year 2019 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*, "**HGB**") and the German generally accepted principles of proper accounting (together with HGB "**German GAAP**")) of EUR 40.3 million compared to BCM Group's revenues in an amount of EUR 16.6 million in accordance with the Company's consolidated financial statements for the same period. The Company has for purposes of this Prospectus prepared a pro forma statement of comprehensive income for the period from 1 January 2019 to 31 December 2019, supplemented by pro forma notes (together "**Pro Forma Financial Information**"). The purpose of the Pro Forma Financial Information is to show the material effects the acquisition of IHSE (which closed on 16 December 2019) would have had on the Company's consolidated statements of comprehensive income for the period from 1 January 2019 to 31 December 2019, as if the acquisition of IHSE had occurred on 1 January 2019. Therefore, the Pro Forma Financial Information describes only a hypothetical situation and is not necessarily indicative of what BCM Group's actual financial condition or results of operations would have been had the acquisition of IHSE not been completed on the date indicated.

The presentation of the Pro Forma Financial Information of the Company is based on information available, preliminary estimates and certain pro forma assumptions and is intended for illustrative purposes only. In addition, the Pro Forma Financial Information does not represent a forecast of the financial position and results of operations of BCM Group at any future date or for any future period following the closing of the acquisition of IHSE. Furthermore, the Pro Forma Financial Information is only meaningful in conjunction with the consolidated financial statements of the Company as of and for the fiscal year ended 31 December 2019.

The assumptions used in preparing the Pro Forma Financial Information may not prove to be accurate and other factors may affect BCM AG's financial condition or results of operations. Accordingly, BCM AG's financial condition and results of operations in the future may not be evident from or consistent with such pro forma financial information.

3.3.8. Preparing financial statements under International Financial Reporting Standards as adopted by the European Union ("IFRS") / International Accounting Standards ("IAS") or other generally accepted accounting principles ("GAAP"), in particular a required impairment of goodwill and other intangible assets resulting in a respective recognition in profit or loss, can lead to substantial additional fluctuations in results of operations and a decrease in the fair value of intangible assets may result in a loss for the Company

As the Company prepares consolidated financial statements under the international accounting standards IFRS or IAS, certain assets of the Company will be entered in the Company's balance sheet at their fair value. The result is that changes in value that may arise from a multitude of factors must be recognised and shown in the consolidated income statement. Also, goodwill resulting from acquisitions of subsidiaries is subject to annual impairment testing. As of 31 December 2019, the Company recorded a goodwill of EUR 91,358 k. Impairments tests may have the result that goodwill exceeds the realisable amount and in that case, goodwill must be impaired in part or in total. Impairment of goodwill must be recognised in profit or loss. Fair value accounting and goodwill impairment testing can lead to significant fluctuations in the profit of the group, which go beyond the level of the fluctuations in profit if the financial statements are prepared in accordance with the provisions of applicable law (German GAAP). These additional fluctuations could have material adverse effects on the assets, financial situation and results of operations of the Company.

The additional fluctuations of the profit can also have the result that the profit of the Company falls short of market analysts' and investors' expectations, which can adversely influence the valuation of the Company, also when issuing additional stock in capital increases. This could have material adverse effects on the assets, financial situation and results of operations of the Company.

3.3.9. Profits and losses of subsidiaries, which are active in markets outside the Eurozone, are subject to fluctuations in currency exchange rates. Furthermore, BCM Group cannot exclude that it will be subject to currency fluctuations, which could have an effect on BCM Group's revenues, profits and losses.

When acquiring new target companies, BCM Group's focus is on the German market and, opportunistically, on other European markets. However, the current subsidiaries of BCM Group also have business operations in the United States of America ("**USA**") and Asia, which could also be the case for future subsidiaries, even to a larger extent. Thus, they are subject to currency risks that arise if, for example, subsidiaries operate businesses with a connection to foreign countries, for example, by exporting products to foreign countries or procuring deliveries and services from foreign countries. Furthermore, the results of operations and financial position of current and future foreign subsidiaries and affiliates of BCM Group are and will continue to be reported in foreign currencies and are then translated into Euro at the applicable exchange rates for inclusion in BCM Group's consolidated financial statements, which are stated in Euro. A decline in the foreign currency relative to the Euro would have an adverse effect on the Euro value of such subsidiaries and their assets, as reflected in BCM Group's financial statements.

The results of operation of such subsidiaries may therefore be influenced to a substantial degree by currency exchange rate fluctuations, which could have a material adverse effect on BCM Group's results of operations and financial condition.

3.4 Market-related risks affecting BCM Group's business activities

3.4.1. The business operations of the existing and future subsidiaries depend on market and economic conditions, in particular in the Federal Republic of Germany ("Germany") and Europe, and other sales markets depending on the business of the respective subsidiaries. An adverse change in one or more of the relevant market environments could have a material adverse effect on the business operations and revenues of BCM Group's subsidiaries.

Due to the investment focus of BCM Group on target companies in Germany and opportunistically also other European countries, the business operations of these companies depend on the general economic situation in particular in Germany and, more generally, in Europe, which, in turn, could be influenced by macro-economic factors in the world economy due to the export-oriented economy especially in Germany. Furthermore, the business operations of BCM Group may also be affected by such factors in other regions depending on the business of its subsidiaries and their respective sales markets. Therefore, a global economic downturn in the world economy and especially in those markets, where BCM Group is already active or could become active, could negatively affect the demand for BCM Group's products.

The present and future political and other events and the resulting economic and political uncertainty can have adverse consequences for the gross domestic product ("**GDP**") in Germany and Europe and especially lead to a deterioration in the labour market in Europe and, thus, to *e.g.* lower consumption by consumers. Reasons for such uncertainties could include, for example, the exit of the United Kingdom from the European Union (so-called Brexit), protectionism in the USA and China, which may lead to trade barriers between the USA and China as well as the USA and Europe, the economic development of China, Russia and Italy, the current crises in the Middle East as well as COVID-19 pandemic caused by the novel coronavirus SARS-CoV-2, all of which could adversely impact and lead to a decrease in the GDP.

Due to the geographical focus of BCM Group's current and future subsidiaries being Germany and opportunistically, Europe, BCM Group may not be able to offset the regional risks in this region through subsidiaries in other countries and regions. An economic downturn in Germany and Europe may, therefore have negative consequences for the business of the subsidiaries, which in turn may have an adverse impact on the financial condition and prospects of the Company.

Accordingly, regional and/or global economic conditions could substantially impair the future economic development of BCM Group and its business, results of operations, financial condition and prospects.

3.4.2. The economic performance of BCM Group very much depends on the further development of the COVID-19 pandemic, which is not yet foreseeable, and demand for BCM Group's products and its business operations may be materially negatively affected, which may even result in an insolvency of BCM AG.

The ongoing COVID-19 outbreak resulted in a high degree of uncertainty as to how the pandemic will unfold and how strong it will negatively impact the global economy and the businesses of BCM Group in particular. While COVID-19 could turn out to be just a temporary disruption, it could also be the beginning of sustained stress in markets in general, given that vaccine clinical trials are only beginning and the impact of monetary policy measures typically take time before affecting the economy. COVID-19 has spread globally and has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place orders, and shutdowns. The outbreak has significantly increased economic and demand uncertainty and it is likely that the current outbreak or continued spread of COVID-19 will cause an economic slowdown, and it is possible that it could cause a global recession and / or a partial or complete collapse of BCM Group's business activities. In particular, in February and March 2020 the COVID-19 outbreak caused stock markets worldwide to lose significant value and impacted economic activity worldwide. According to the German Council of Economic Experts ("**GCEE**" – *Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*) the economic forecast predicts a GDP decrease for Germany of 6.5% in 2020 (point forecast) (*Source: Economic Forecast 2020 and 2021, 23 June 2020, https://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/Konjunkturprognosen/2020/KJ2020_Gesamtausgabe.pdf*) as opposed to the presumed projection in March 2020 for a GDP decrease by 2.8% (baseline scenario) or a GDP decrease by 4.5% (risk scenario) in 2020 (*Source: Special Report 2020, The economic outlook in the coronavirus pandemic, 22 March, 2020*). The Federal Statistical Office of Germany (*Statistisches Bundesamt, Destatis*) announced on 9 June 2020 that exports from Germany decreased by 31.1% in April 2020 as compared to April 2019, which was the largest decline of exports in a month compared with the same month a year earlier since the introduction of foreign trade statistics in 1950 (*Source: Federal Statistacl Office of Germany, press release, 9 June 2020, www.destatis.de)*. In its *World Economic Outlook Update, June 2020*, the International Monetary Fund (IMF) projects global growth in 2020 at -4.9% and for BCM Group's key markets Germany, US and China at –7.8% for Germany, -8.0% for the US and 1.0% for China in 2020 (*Source: International Monetary Fund, World Economic Outlook Update, June 2020*).

Although the outbreak seems to decrease as of the date of the Prospectus, the negative development could intensify due to the raising cases in the US or because of a possible new COVID-19 outbreak in Europe, also in the near future. If authorities were to re-implement protective measures such as travel restrictions/bans, quarantine and business shutdowns over a certain period this could materially deteriorate BCM Group's economic performance. Customers could postpone orders or projects, *e.g.* leading to a significant decrease in order intake as it was the case with IHSE in April 2020, or get into economic difficulties themselves, or the manufacturing process could be disturbed if supply chains were disrupted or if facilities of BCM Group's subsidiaries are affected by quarantine measures or shutdowns.

All these factors have led to some customers delaying the delivery of their orders (as was the case with IHSE in April 2020) and led Palas to implement partial short-time working in April 2020 (which was abandoned in May 2020 to address strong order intake) resulting in a drop of revenue at BCM Group level in April and May 2020 clearly below 2019 levels. These developments may cause a decline in demand for products of BCM Group's subsidiaries and additional production downtime, which may lead to increasing costs while being forced to lower prices, all of which would result in lower revenues and lower profit margins.

Accordingly, the outbreak of COVID-19 could substantially impair the future economic development of BCM Group and its business, results of operations, financial condition and prospects and may even result in the insolvency of the Company.

3.4.3. Market conditions could prevent the Company from acquiring further target companies due to shortfalls of companies available for sale, which may hamper the future growth of BCM Group.

BCM Group's strategy and business model are based on its ability to continuously identify and acquire attractive target companies to implement its growth strategy. Besides the further development of acquired subsidiaries, the further growth and success of BCM Group depends to a significant degree on its ability to acquire attractive target companies on attractive terms (see "*– 3.1 Risks related to BCM Group's structure and its acquisition strategy – 3.1.1 The Company's business model is based on its ability to identify companies as suitable acquisition targets and is dependent upon its sourcing network and its own research to acquire them on favourable terms. The future growth and profitability of BCM Group could be impaired, should the benefits of its network decline and should the Company be unable to further acquire attractive target companies on favourable terms.*").

Factors that influence the M&A market and thus the availability of target companies for acquisition may include the following: (i) the general economic situation influencing the climate for investments, (ii) the availability of equity and debt capital, (iii) the development of tax parameters or (iv) the scope of regulation applicable to newly establishing companies and in technology and innovation-driven environment of such businesses. If there is an insufficient supply of eligible target companies both proprietarily and in the M&A market, further acquisitions might not be possible or might only be possible on unfavourable terms.

In this case, BCM Group's inorganic growth strategy could not be implemented as intended, which could have material adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.4.4. A deterioration of the economic conditions in general could negatively affect the development of BCM Group's business.

In case of a deterioration of economic conditions in general, more businesses may undergo financial difficulties and, overall, more companies could be available for sale. However, the acquisition of a target company and its subsequent development at a time of negative economic conditions can be more difficult and costly due to overriding macroeconomic factors including the availability of funds to finance the acquisitions, which could be negatively affected by the reluctance of banks to grant loans due to negative economic conditions or outlook. This could in turn directly negatively affect the development of BCM Group's business. On the other hand, if the sale of one or more of the Company's subsidiaries were to become necessary during a recession, third parties could act with greater reluctance when purchasing, so that it cannot be guaranteed that the relevant subsidiaries can be sold by the Company on favourable terms or at all.

Therefore, adverse economic conditions have material adverse effects on BCM Group's business, results of operations, financial condition and prospects.

3.4.5. *An increase in interest rates would increase financing costs of BCM Group.*

Interest rates and therefore refinancing costs are closely linked to the main refinancing rate as determined by the European Central Bank ("**ECB**"). The ECB's key interest rates are expected to remain at their present or lower levels until the ECB has seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon (*Source: ECB Press Release, 30 April 2020*). The low level of interest rate is one of the macroeconomic measures used by governments and central banks to stimulate and support economic development over the last ten years. While low interest rates have generally not led to the targeted levels of inflation, they have benefitted *e.g.* the Eurozone economies and supported demand for equity investments, due to the resulting availability of inexpensive financing. Once the COVID-19 pandemic subsides and should overall economic growth accelerate, the ECB could become more vigilant with regard to inflationary pressures and begin a cycle of monetary tightening, including progressive increases in base interest rates. This could lead to a rise in interest rates in Germany and throughout the Eurozone with *e.g.* financing and refinancing costs likely to increase.

BCM Group requires debt financing to finance or refinance (i) – together with equity – acquisitions of subsidiaries, and (ii) the development of its existing subsidiaries. Therefore, an increase in interest rates could adversely affect BCM Group's business. When negotiating financing agreements or extending such agreements, BCM Group depends on its ability to negotiate terms and conditions that will provide for interest payments that will not impair its profit targets, and for amortisation schedules that do not restrict its ability to pay intended dividends in the future. The current low interest rate environment has led to attractive conditions for external financing for the purpose of company acquisitions. If the current low-interest rate environment is replaced by increasing interest rates, BCM Group's financing costs may increase, which would have a materially adverse effect on BCM AG's margins, profitability and results of operations.

Further, although BCM Group generally follows a long-term strategy in relation to subsidiaries ("buy-and-hold strategy"), subsidiaries could be sold on a case-by-case basis. Increasing interest rates could lead to a downturn in the demand on the buy side and/or reduce the valuation of companies for sale since potential buyers would also be burdened by increased costs of financing. In this event, BCM Group could be forced to carry out the sale of a subsidiary on less attractive terms.

Therefore, increasing interest rates could adversely affect BCM Group's business, results of operations, financial condition and prospects.

3.5 Legal, regulatory and tax risks

3.5.1. The businesses of BCM Group, including its subsidiaries are and will continue to be subject to a variety of legal risks.

BCM Group's business might be negatively affected in the future, if legal risks materialise, especially due to the involvement in administrative and court proceedings in connection with its normal business activities. These risks include disputes or proceedings that may result from:

- share purchase agreements when acquiring target companies, especially with regard to non-fulfilment of commitments, *e.g.* confidentiality obligations, purchase price adjustments or the breach of representations and warranties;
- operational activities of the subsidiaries, such as product warranty or product liability claims;
- the regulatory environment, in which subsidiaries might be active, *e.g.* approval procedures in the area of health care;
- disputes and appeal proceedings with activist shareholders of the Company following the listing of the Shares;
- (alleged) breach of money laundering provisions or sanctions;
- the grant of public subsidies and the (alleged) breach of the respective grant conditions.

The results of pending legal disputes as well as any future legal disputes cannot be predicted with certainty. Therefore, expenses could be incurred based on decisions by courts or public authorities that are not covered at all or are not covered sufficiently by the provisions made for such matters. Furthermore, even in the case where the relevant subsidiary within BCM Group obtains a favourable outcome in court proceedings, it is not certain that the costs of the proceedings to be borne by the respective other party to those proceedings can be collected. Furthermore, larger or unexpected proceedings may distract or delay management from implementing BCM Group's business strategy.

Should any of these legal risks materialise this could have a material adverse effect on BCM Group's business, results of operations, financial condition and prospects.

3.5.2. *BCM AG does not consider itself an investment fund within the meaning of Sec. 1 para. 1 sentence 1 German Investment Code (Kapitalanlagegesetzbuch, "KAGB"). There is no certainty that BCM AG will be permanently excluded from the regulations under the KAGB. If the Company falls within the scope of the KAGB, this would require a licence or registration of BCM AG with competent authorities and could ultimately lead to a complete shutdown of the business activities of BCM AG.*

The Company's business operations are not structured to manage an investment fund and the Company neither has any license nor registration with the competent authorities. By letter dated 8 September 2017, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**") confirmed that the Company's business model does not fall within the scope of application of the KAGB.

However, there is a risk that BCM AG could, in whole or in part, be subject to the KAGB in the future if based on an overall re-evaluation of its business model or due to modifications of the relevant legal provisions or, if BaFin might change its administrative practice. In this case, the following consequences, by way of example, could have material adverse effects on BCM AG's business:

- BCM AG would be required to have a licence or registration with the competent authorities as an investment management company or as an internally managed investment fund;

- If BCM AG decides to be managed by an external investment management company, there is the risk that it might not find such a company in a timely manner or not be able to establish a company on time or at all;

- BCM AG would have to engage a custodian approved by BaFin.

These requirements would lead to significant time and costs spent and could result in an interruption or permanent shutdown of the business activities of BCM AG. Furthermore, there might be negative consequences for the shareholders with regard to taxation of ongoing distributions and capital gains.

If BCM AG were to become subject to the KAGB each of these above-mentioned factors could have a material adverse effect on BCM Group's business, results of operations, financial condition and prospects.

3.5.3. *BCM Group is subject to the tax environment in Germany and other jurisdictions, in which its subsidiaries conduct their business. BCM Group's tax burden may increase following current*

or future tax assessments, tax audits or court proceedings based on changes in tax laws or changes in the application or interpretation thereof.

BCM Group is subject to the tax environment in Germany and other jurisdictions, in which its subsidiaries conduct their business. BCM Group’s tax burden primarily depends on various aspects of tax laws, as well as their application and interpretation. Amendments to tax laws may have a retroactive effect, and the application or interpretation of tax laws by tax authorities or courts may change. Furthermore, court decisions are occasionally limited to their facts by tax authorities. Any of these developments may increase or alter BCM Group's tax burden.

A number of factors may also affect BCM Group's tax situation. BCM Group is required to file tax declarations in Germany and in other jurisdictions where it has business operations, from time to time, and any tax assessments that deviate from BCM Group's tax declarations may increase or alter BCM Group's tax obligations, which could possibly materially exceed the provisions made in its financial statements. The individual entities of BCM Group are and will be regularly subject to tax audits by the competent tax authorities, which may result in increases in BCM Group's tax obligations or penalties and fines. For example, most recently, IHSE Holding GmbH, IHSE GmbH, IHSE Beteiligungs GmbH and IHSE Immobilien GmbH have been the subject of tax audits with respect to the periods 2016 to 2018, which did not give rise to any objections. However, in the event of a future tax audit by the tax authorities, differences in the tax authoritiy’s interpretation of matters could result in follow-up tax liabilities that will lower results of operations. In addition, changes in the legal and tax environment may affect the outcome of any audit. BCM Group may also be subject to administrative or judicial proceedings with respect to its tax declarations and may incur substantial time and effort in addressing and resolving tax issues.

Furthermore, following the acquisition of a target company, there could be adverse tax consequences which, despite prior due diligence in respect of the target company, have either remained undiscovered or have been incorrectly valued and for which no or insufficient guarantees have been provided (see “*– 3.1 Risks related to BCM Group’s structure and its acquisition strategy – 3.1.4 The Company might incorrectly assess the value of target companies and their potential for development, either due to undisclosed or unforeseen legal or other risks related to the target companies, generating lower revenues and profitability than initially expected.*”).

In addition, changes in tax legislation, administrative practice or case law, which are possible at any time and may occur on short notice, could have adverse tax consequences for BCM Group. The applicable tax rates, for example with respect to corporate income tax, capital gains tax, may also change rapidly and with short notice. Despite a generally existing prohibition on retroactive effects, changes in applicable laws, regulations and guidelines may also have a retroactive effect under certain circumstances. Additionally, divergent statutory interpretations by the tax authorities or the courts are possible.

Any changes to applicable tax regimes in the relevant regions may have a material adverse effect on the business, results of operations, financial condition and prospects of BCM Group.

3.5.4. *BCM Group could be subject to claims for damages in connection with violations of data protection law and trade secrets laws.*

BCM Group collects, stores and uses personal data, for example, with regard to employees, business partners and subsidiaries and risks may arise in connection with the electronic storage and use of such business-crucial data. The unauthorised access by third parties, the misuse or unintended disclosure of confidential data by employees or third parties commissioned may result not only in the disclosure of business secrets, but also violate privacy provisions and, thus, constitute administrative or criminal offences and substantiate claims for damages and/or the issuance of cease and desist orders as well as trigger public penalties, such as administration fines. IT security incidents, any unauthorised leakage of data may constitute violations of applicable law, such as violations of the EU General Data Protection Regulation ("**GDPR**"), which has entered into force on 25 May 2018 together with corresponding amendments to national regulations such as the Federal Data Protection Act (*Bundesdatenschutzgesetz*). The GDPR imposes stricter rules on the processing or storage of personal data. Processing of personal data, which is unlawful under the regulation, may be fined with up to EUR 20 million or 4% of the total group revenues of a company in the fiscal year preceding the violation, whichever is higher. Further, leakages of confidential information of business partners may violate provisions in certain non-disclosure agreements and the provisions of the German Trade Secret Act (*Geschäftsgeheimnisschutzgesetz*).

Any of the violations can result in claims and damages and harm the reputation of BCM Group and any claim could have an adverse effect on BCM Group's financial condition and results of operations and may also cause considerable damage to BCM Group's reputation.

3.5.5. *Environmental compliance costs and liabilities due to laws and regulations relating to environmental protection could increase the Company's expenses.*

The operations and properties of future subsidiaries of BCM Group may be subject to laws and regulations relating to environmental protection, including air emissions, water discharges, waste management and workplace safety. These laws and regulations can result in the imposition of substantial fines and sanctions for violations and could require the installation of pollution control equipment or operational changes to limit pollution emissions and/or decrease the likelihood of accidental hazardous substance releases. BCM Group's operations and properties must comply with these laws and adapt to regulatory requirements in the countries in which BCM Group operates as these requirements change.

BCM Group expects to incur costs relating to compliance with environmental laws and regulations. In connection with future acquisitions of companies, BCM Group may assume significant environmental liabilities, some of which – notwithstanding efforts to uncover any such liabilities through due diligence prior to acquisition of the relevant subsidiary – BCM Group may not be aware of at the time of acquisition. In addition, new laws and regulations, stricter interpretation of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require BCM Group to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on BCM Group’s business, results of operations, financial condition and prospects.

3.5.6. *BCM Group’s insurance coverage may be insufficient for certain risks that are associated with its business operations. In addition, adequate insurance coverage may not be available on acceptable terms in the future.*

BCM Group has insurance coverage for various risks that are associated with the business operations of its subsidiaries. The Company believes that BCM Group is currently adequately insured against operational risks. However, there is no assurance that BCM Group will not incur losses or that claims that exceed the scope of the existing insurance coverage will not be made. It is not certain either that BCM Group will be successful in the future in obtaining adequate insurance coverage on acceptable terms, also for future subsidiaries. If BCM Group suffers damage for which it is not insured or is not adequately insured, or if insurance coverage is only available on uneconomical terms in the future or for future subsidiaries, this could have a material adverse effect on the business, results of operations, financial condition and prospects of BCM Group

3.5.7. *Following the admission to trading of its Shares, BCM AG will have to fulfil additional administrative obligations including the preparation and publication of interim financial statements and will incur high ongoing costs following the listing.*

Following the admission to trading of the Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), BCM AG will for the first time be subject to the corresponding legal provisions resulting from a listing on the regulated market (*Regulierter Markt*) of Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), including the provisions of Regulation (EU) no. 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse ("**Market Abuse Regulation**"). These requirements include, for example, periodic financial reporting (including reporting required by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)) and the publication of ad-hoc notifications regarding insider information under certain circumstances. There can be no assurance that the Company's accounting, controlling and legal or other corporate functions will be capable of responding to these additional requirements without difficulties and inefficiencies that cause the Company to incur significant additional costs and/or possibly lead to substantial fines or penalties.

Furthermore, due to the Company's obligation to publish insider information, it is possible that these notifications may contain sensitive information about target companies of BCM AG, possibly at a stage, at which the respective transaction has not been closed or a self-exemption from disclosing such insider information has not been processed. If such information were to be published, this could turn out to be a competitive disadvantage compared to other companies which compete with BCM AG for attractive subsidiaries and which are not subject to any such duties, or for which the acquisition or sale of subsidiaries does not trigger any duty to notify or only does so in an exceptional manner as a result of the size of such companies.

Any of the above-mentioned factors could have material adverse effects on the business, results of operations, financial condition and prospects of the Company.

3.6 Risks related to the Shares

3.6.1. The price for the Shares on the stock exchange and trading volume of the Shares could fluctuate significantly, and investors could lose all or part of their investment.

Following the listing of the Shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the trading volume and share price of the Shares may fluctuate significantly affected primarily by the supply and demand for the Shares in response to numerous factors, many of which are beyond the Company's control. These factors include, among others, the materialisation of risks described in this section 3, fluctuations in actual or projected revenues or earnings or failure to meet securities analysts' earnings expectations, changes in trading volumes in the Shares, changes in macroeconomic conditions, including fluctuations in foreign currencies, the activities of competitors and suppliers, changes in the market valuations of similar companies, changes in investor and analyst perception of the Company or in the industry for technological companies, and other factors.

As the parent company and holding company of BCM Group, the Company's performance largely depends on the performance of its subsidiaries (at the respective time), most of which are and are expected to be technology and innovation-driven companies with a high-growth potential. Consequently, the price of the Shares might be affected by developments of the capital markets and/or the respective market segments for technology and innovation-driven companies in general, which have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Therefore, general market conditions and fluctuations of share prices and trading volumes, particularly of shares of other technology companies, could lead to pressure on the price of the Shares, even though there is no connection to the Company's business performance or earnings outlook. If the price or the trading volume of the Shares declines as a result of any or all of these events happening, investors could lose part or all of their investment in the Shares.

3.6.2. *The Company's largest shareholder may use its influence at shareholders' meetings to adopt resolutions or may otherwise exercise material influence over BCM Group thereby serving its own interests, which may conflict with the interests of other shareholders.*

The Company's chairman of the Management Board (*Vorsitzender des Vorstands*), Mr Marco Brockhaus ("**Major Shareholder**"), presently holds indirectly through Falkenstein Heritage GmbH and BPE GmbH 27.97% of the registered share capital (including treasury shares) and 30% of voting rights in the Company and accordingly has significant influence on the Company. Following the listing, the Major Shareholder – depending on the amount of the capital increase – may continue to indirectly hold more than 22% of the outstanding Shares and of the voting rights in BCM AG.

Due to the concentration of share ownership, the Major Shareholder and other significant shareholders, if applicable, may be able to exert influence (through actual or factual majority in shareholders' meetings) and cast their votes to take resolutions or implement measures that are in their own interest or not supported by or in the best interest of other shareholders. Neither may they always serve BCM Group's strategy, policies and objectives. Such voting behaviour or the exertion of influence in any other way may have a significant adverse effect on the price of the Shares and thus adversely affect the Company's ability to raise further capital following the listing. The concentration of share ownership could also delay or prevent certain major corporate actions, including a change of control in the Company, and could thus deter mergers, consolidations, acquisitions or other forms of combination that might be advantageous for investors. Besides such influence on the shareholders' meeting, pursuant to Sec. 9 clause 2 of the Articles of Association of the Company, Falkenstein Heritage GmbH, which is ultimately controlled by the Major Shareholder, will also have the right to appoint one third of the members of the Company's supervisory board ("**Supervisory Board**") as long as it holds at least 10% of the Company's share capital. Based on this right, the Major Shareholder will also be able to indirectly exercise influence on the Company through the members of the Supervisory Board appointed by him, even if his portion of the share capital decreases.

Furthermore, the Major Shareholder as the chairman of the Management Board has the right to exercise a veto with regard to certain matters. This concerns in particular matters, in which a resolution by the Management Board is required by law, by the Articles of Association or the rules of procedure for the Management Board (*Geschäftsordnung des Vorstands*). This includes matters of particular importance for the Company's or its subsidiaries' business.

Due to the aforementioned opportunities for the Major Shareholder to exercise influence, there is a risk for other shareholders that the Major Shareholder will act in its own interests, which may not be in line with the interests of the other shareholders.

3.6.3. *There is no existing market for the Shares and the development of an active trading market may be limited. As a result, the market price and trading volume of the Shares could fluctuate considerably, which may result in substantial losses for investors.*

Prior to the listing, there has been no public market for the Shares, and there is no certainty that an active trading market with sufficient liquidity in the Shares will develop. All existing shareholders of the Company representing in total 100% of the existing share capital as of the date of this Prospectus are subject to a lock-up agreement. Accordingly, the market in the Shares may be relatively illiquid or subject to fluctuation, and it may therefore be more difficult for investors to sell any of the Shares. The Company cannot predict the extent to which investor interest will lead to an active trading market or how liquid that market might become. The lack of an active trading market in the Shares could affect an investor's ability to sell the Shares at a desired price, at a desired time and/or in a desired quantity. Following the listing, the trading volume and price of the Shares may fluctuate significantly, in particular, as there has been no public market for the Shares beforehand. The price at which the Placement Shares will be placed in the Private Placement may not be indicative of prices that will prevail in the trading market and if the share price declines significantly, potential investors may be unable to resell the Shares at or above their purchase price.

Some of the factors that could negatively affect the price of the Shares or result in fluctuations in the price or trading volume of the Shares include *e.g.* changes in the Company's actual or projected results of operations or those of its competitors, changes in earnings projections or failure to meet investors' and analysts' earnings expectations, investors' evaluations of the success and effects of the strategy described in this Prospectus, as well as the evaluation of the related risks, changes in general economic conditions, outbreak of health epidemics or pandemics (such as COVID-19), and changes in the Shareholder base and liquidity as well as large purchases or sales of the Shares.

3.6.4. *There is no certainty that the Company will pay dividends in the future.*

The Company has not paid dividends in the past three fiscal years and it may only pay dividends out of distributable profits (*Bilanzgewinn*) as shown in the annual financial statements of the Company prepared in compliance with the German Commercial Code (*Handelsgesetzbuch*) and the German generally accepted principles of proper accounting. It cannot be excluded that the Company’s subsidiaries and in turn the Company are not able to generate sufficient cash flow and distributable profits, which would negatively affect the amount of, and the Company’s ability to pay, future dividends. Furthermore, in the near future, the Company intends to use available liquid funds predominantly to expand the business activities of BCM Group through the acquisition of target companies and continued growth of those companies.

As soon as BCM Group generates sufficient stable cash flow from its subsidiaries in form of distributions, BCM Group intends to pay an appropriate dividend to its shareholders in the future, however, this will in large part depend on the prevailing economic environment, the Company's funding needs for further growth, as well as other circumstances which the Company may take into consideration.

Due to the expansion of the business activities and the uncertainties connected with generating profits from distributions of dividends from the subsidiaries, the Company will likely not distribute any dividend to its shareholders in the foreseeable future.

3.6.5. Future capital measures could result in a substantial dilution of the Shares of the Company's existing shareholders and future offerings of equity or equity-linked securities by the Company may adversely affect the market price of the Shares.

The Company will require additional funds in the future to finance its business activities and its intended growth, in particular, for acquiring additional subsidiaries. Both procuring additional equity by issuing new shares as well as the potential exercise of warrants and options by holders of convertible bonds and option bonds, which may be issued in the future, can lead to a dilution of the shareholders' economic and voting interests, especially if the issuance takes place under exclusion of the statutory subscription right of the shareholders. Even if the subscription rights of the shareholders were not excluded, a shareholder would have to participate in the capital measure and subscribe to shares and convertible bonds and exchangeable bonds in lieu of any payment of the issuing price, in order to avoid dilution. Furthermore, shareholders outside Germany may not be able to exercise their subscription rights unless the Company decides to comply with applicable local laws and regulations. The Company cannot assure *vis-à-vis* any shareholders outside Germany (in particular in the USA) that steps will be taken to enable them to exercise their subscription rights, or to permit them to receive any proceeds or other amounts relating to their subscription rights.

The issuance of new shares in the Company in connection with an acquisition of other companies or shareholdings in companies in a situation involving a capital increase in kind as well as the exercise of stock options by management personnel and employees of the Company or subsidiaries in the context of the stock option programme adopted by the ordinary shareholders meeting of BCM AG on 27 June 2019 or the issuance of shares to management personnel and employees of the Company or of subsidiaries in the context of future employee participation programmes will lead, in any event, to a dilution of the shareholders' interest.

As the timing and nature of any future issuance of securities by the Company would depend on market conditions, it is not possible to predict or estimate the amount, timing or nature of future issuances. Furthermore, a proposal to the ordinary shareholders' meeting to take any of the above-mentioned measures, with dilutive effects on the existing shareholdings, or any other announcement thereof, could adversely affect the market price of the Shares.

3.6.6. Future sales of the Shares by its shareholders, or the perception that such sales occur, could depress the price of the Shares.

Sales of a substantial number of the Shares via the stock exchange following the listing of the Shares, or the perception that such sales might occur, could depress the market price of the Shares and could impair the Company's ability to raise capital through the sale of additional shares. While the shares owned by all existing shareholders are subject to a lock-up period of 180 calendar days following the listing of the Shares, which is subject to certain exemptions, the Team Shareholders are subject to a lock-up of 360 days. If, after expiry of the lock-up period or in case of an exemption, one or more of the Company's shareholders effect a sale or sales of a substantial number of the Shares, or if the market believes that such sales might take place, this could have a material adverse effect on the share price of the Shares.

3.6.7. If research analysts do publish adverse research reports or cease to publish research reports about the Company, or if the Shares or the Company's sector were to be downgraded, the share price and trading volume of the Shares could decline.

The trading market for the Shares will be influenced by, among other things, the research and reports that industry or securities analysts publish about the Company, its business, its markets, and its competitors. If any of the analysts who cover the Company at that time issue an adverse opinion regarding its stock, the price of the Shares would likely decline. If one or more of these analysts cease coverage of the Company or fail to publish reports on it regularly, the Company could lose visibility in the financial markets, which in turn could cause its share price or trading volume to decline.

4. General information and subject matter of the Prospectus

4.1 Responsibility for the content of the Prospectus

Brockhaus Capital Management AG, with its business address at Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany, having its registered seat in Frankfurt am Main, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main under HRB 109637, Legal Entity Identifier ("**LEI**") 5299007DQ4OLATJQIX97 ("**BCM AG**" or "**Company**" and, together with its consolidated subsidiaries at the respective time, "**BCM Group**") as well as Citigroup Global Markets Limited, business address Citigroup Centre, Canada Square, London E145LB, United Kingdom (telephone +44 (0) 20 7986 4000; website: www.citigroup.com), LEI XKZZ2JZF41MRHTR1V493 ("**Citigroup**"), Jefferies GmbH, business address Bockenheimer Landstraße 24, 60323 Frankfurt am Main, Germany (telephone +49 (0) 69 7191870, website: www.jefferies.com), LEI 5493004I3LZM39BWHQ75 ("**Jefferies"** and, together with Citigroup, the "**Joint Global Coordinators**") and COMMERZBANK Aktiengesellschaft, business address Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany (telephone: +49 (0) 69 1 36 20, website: www.commerzbank.de), LEI 851WYGNLUQLFZBSYGB56 ("**Commerzbank**" and, together with the Joint Global Coordinators, the "**Joint Bookrunners**" or "**Underwriters**") assume responsibility for the content of this prospectus ("**Prospectus**") in accordance with Sec. 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and Article 11 para. 1 of Regulation (EU) 2017/1129 of the European Parliament and of the Council as of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC ("**Prospectus Regulation**"), and declare, that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and that the Prospectus makes no omission likely to affect its import. Notwithstanding Article 23 of the Prospectus Regulation neither the Company nor the Underwriters are required by law to update this Prospectus.

In the event that an investor files claims before a court in connection with the information contained in this Prospectus, the investor appearing as the plaintiff may be obligated to bear the cost of procuring a translation of the Prospectus before the commencement of proceedings in accordance with the provisions of law applicable in the individual state of the European Economic Area ("**EEA**").

4.2 Subject matter of this Prospectus

This Prospectus relates to the admission to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), of up to 9,918,058 ordinary registered shares (*Namensaktien*) of the Company with no par value (*Stückaktien*) with a notional value in the share capital of the Company of EUR 1.00 each and with full dividend rights from 1 January 2020 ("**Listing**") consisting of:

- 6,793,058 ordinary registered shares (*Namensaktien*) of the Company with no par value (*Stückaktien*) (corresponding to the Company's entire share capital prior to the Placement Capital Increase as defined in "*5. The Listing – 5.1 Background to the private placement*") ("**Existing Shares**"), and

- up to 3,125,000 new ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*) from a capital increase under exclusion of subscription rights of the shareholders against cash contribution as resolved by the extraordinary shareholders' meeting on 7 July 2020 ("**New Shares**").

4.3 Approval of the Prospectus

This Prospectus has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Germany (telephone +49 (0) 228 4108 0; Website: www.bafin.de), as competent authority under the Prospectus Regulation, on 9 July 2020. BaFin only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or of the quality of the shares that are the subject matter of this Prospectus. Investors should make their own assessment as to the suitability of investing in the shares.

Information contained on the Company's website (www.bcm-ag.com) is not incorporated by reference in this Prospectus and is not part of this Prospectus.

4.4 Validity of the Prospectus

This Prospectus is valid until the time when trading on a regulated market begins on 14 July 2020. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies relating to the information included in the Prospectus which may affect the assessment of the securities and which arises or is noted between the time when the Prospectus is approved and the time when trading on a regulated market begins does not apply after the time when trading of the up to 9,918,058 shares of the Company in the Regulated Market (Regulierter Markt) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) begins on 14 July 2020, and the Prospectus will not be supplemented thereafter (Article 23 of the Prospectus Regulation).

4.5 Consent regarding the subsequent use of the Prospectus

Consent by the Company regarding the use of this Prospectus for a subsequent resale or final placement of Shares by financial intermediaries has not been granted.

4.6 Forward-looking statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that relates to facts or events that occur after publication of this Prospectus and is identified by formulations such as "expects", "anticipates", "intends", "plans", "forecasts", "seeks", "will" and "estimates". This applies to statements in this Prospectus that reflect the current views of BCM Group's management with respect to BCM Group's anticipated financial and operational performance, future events, plans and expectations regarding the business and management of BCM Group, the future growth and profitability of BCM Group and future general economic conditions and future regulatory requirements as well as other matters that may affect BCM Group. A forward-looking statement is any statement that is not based upon historical facts or events.

Forward-looking statements appear in a number of places in this Prospectus, in particular, in the Sec. "*3. Risk factors", "9. Dividends, earnings per share and dividend policy*", "*12. Management's discussion and analysis of financial condition and results of operations – 12.1. Overview of the business activities – 12.2 Key factors influencing the results of operations of BCM Group – 12.8 Segments – 12.13.2 Liquidity risk*", "*14. Market and competition*" and "*22. Recent developments and outlook*" and wherever the Prospectus contains statements on the future financial results, plans, or expectations regarding the business and management of BCM Group, its future growth profitability and future general economic conditions and future regulatory requirements as well as other matters affecting BCM Group. The forward looking statements are based on the present assessments made to the best knowledge by BCM Group. Such forward looking statements are based on assumptions and factors and are subject to risks and uncertainties, the occurrence or non-occurrence of which can have the result that the actual events, including the financial position and the profitability of BCM Group, materially deviate from, or have a negative result compared to what is expressly assumed or described or implied in these statements. Therefore, investors are strongly advised to read the entire Prospectus, and in particular the Sec. *"3. Risk factors", "9. Dividends, earnings per share and dividend policy", "12. Management's discussion and analysis of financial condition and results of operations - 12.1. Overview of the business activities - 12.2 Key factors influencing the results of operations of BCM Group - 12.13.2 Liquidity risk", "14. Market and competition" and "24. Recent developments and outlook*", which contain detailed discussions about those factors, which can influence the development of BCM Group's business or the fields of business in which BCM Group is active.

In light of the risks, uncertainties and assumptions, future events to which reference is made in this Prospectus might not occur. Therefore, the Company does not assume any guarantee for the actual occurrence of the forecast development. Aside from this, it must be pointed out that the Company does not assume any obligation which goes beyond its legal obligation to update such forward-looking statements and adapt the statements to future events and developments. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements contained herein.

4.7 Information from third parties

This Prospectus contains information sourced from third parties, especially in the form of industry and market data as well as statistics taken from industry reports and studies, publicly available information and commercial publications. To the extent not otherwise indicated, such information sourced from third parties contained in this Prospectus on the market environment, market, developments, growth rates, market trends and competition in the markets in which BCM Group operates, are based on the Company's assessments. As such, it may differ from the estimates of BCM Group's competitors or information gathered in the future by market research institutes or other independent sources.

The following sources were used in the preparation of this Prospectus:

- International Federation of Robotics, IFR Press Conference, Shanghai, 18 September 2019
- Report prepared by Oxford Economics, *Country Economic Forecast Germany*, dated 10 March 2020
- Report prepared by The Economist Intelligence Unit, *Country Report February 2020*, Germany, 2019
- Report prepared by the German Federal Statistical Office (*Statistisches Bundesamt* (Destatis)), *Ranking of Germany's Trading Partners in Foreign Trade, 2019*, dated 18 March 2020
- Report prepared by Statista, *IT Security Report*, 2019
- Report prepared by Statista, *Global Mega Trends* 2017, 2017
- Report prepared by the United Nations, *World Urbanization Prospects*: The 2018 Revision, dated 16 May 2018
- Report prepared by the United Nations, *World Population Ageing 2019*, 2020
- Report prepared by the United Nations, Human Development Report 2019, *Inequalities in Human Development in the 21st Century*, Germany, 2019

- Report prepared by KfW Group, *Annual analysis of the structure and development of SMEs in Germany*, 2019

- Report prepared by KfW Group, *SME succession in Germany: 'Mittelstand' needs 152,000 successors by the end of 2021 – external investors wanted*, 2019

- Report prepared by Bpifrance et al., *Internationalisation of European SMEs – Taking Stock and Moving Ahead*, 2018

- Report prepared by German Private Equity and Venture Capital Association (*Bundesverband Deutscher Kapitalbeteiligungsgesellschaften, BVK*), *Statistics full year*, 2019

- Report prepared by PricewaterhouseCoopers, *Creating the smart cities of the future*, 2018

- Report prepared by the German Council of Economic Experts ("**GCEE**", *Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*), Special Report 2020 – *The Economic Outlook in the Coronavirus Pandemic*, www.sachverstaendigenrat-wirtschaft.de/en/special-report-2020.html?returnUrl=%2Fen.html&cHash=3b29536db7246d97e1aac4902ee5beaf, dated 22 March 2020

- Report prepared by the German Council of Economic Experts ("**GCEE**", *Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*), Economic Forecast 2020 and 2021, *https://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/Konjunkturprognosen/2020/KJ2020_Gesamtausgabe.pdf,* dated 23 June 2020

- Report prepared by the International Monetary Fund, World Economic Outlook Update, June 2020, https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020

- Report prepared by the ifo Institute – Leibniz Institute for Economic Research at the University of Munich (*ifo Institut – Leibniz-Institut für Wirtschaftsforschung an der Universität München e.V.*, "**ifo**") ifo Konjunkturprognose Sommer 2020: Deutsche Wirtschaft – es geht wieder aufwärts, *https://www.ifo.de/publikationen/2020/aufsatz-zeitschrift/ifo-konjunkturprognose-sommer-2020-deutsche-wirtschaft*, dated July 2020

- Simon, Hermann, *Hidden Champions: Speerspitze der deutschen Wirtschaft*, Zeitschrift für Betriebswirtschaft (ZfB), p. 876, 1990

- The World Bank, www.datacatalog.worldbank.org, accessed on 6 April 2020

- The World Bank, www.data.worldbank.org, accessed on 6 April 2020
- Organisation for Economic Cooperation and Development, OECD, www.stats.oecd.org, accessed on 6 April 2020
- Skills Panorama, www.skillspanorama.cedefop.europa.eu, accessed on 6 April 2020
- German Federal Ministry for Economic Affairs and Energy (*Bundesministerium für Wirtschaft und Energie, BMWi*), *Digitalisierung*, https://www.bmwi.de/Redaktion/DE/Dossier/digitalisierung.html, accessed on 7 April 2020
- United Nations environment programme, *Cut global emissions by 7.6 percent every year for next decade to meet 1.5 Paris target – UN report*, https://www.unenvironment.org/news-and-stories/press-release/cut-global-emissions-76-percent-every-year-next-decade-meet-15degc, dated 26 November 2019
- CNBC, *Germany's $59 billion climate change package isn't enough, analyst says*, https://www.cnbc.com/2019/09/23/germany-climate-package-of-54-billion-euros-isnt-enough.html, dated 23 September 2019
- ECB Press Release, *Monetary policy decisions,* https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200430~1eaa128265.en.html, dated 30 April 2020,
- Gartner Inc., *Gartner Says 5.8 Billion Enterprise and Automotive IoT Endpoints Will Be in Use in 2020*, https://www.gartner.com/en/newsroom/press-releases/2019-08-29-gartner-says-5-8-billion-enterprise-and-automotive-io, dated 29 August 2019
- Cybercrime Magazine, *Global Cybercrime Damages Predicted To reach $6 Trillion Annually By 2021*, https://cybersecurityventures.com/cybercrime-damages-6-trillion-by-2021/, dated 7 December 2018
- Organisation for Economic Cooperation and Development, OECD, *Environment at a Glance 2020*, https://www.oecd-ilibrary.org/sites/ac4b8b89-en/index.html?itemId=/content/publication/ac4b8b89-en, dated 18 November 2019
- Brookings Institution, *How Much Does the World Spend on the Sustainable Development Goals*, https://www.brookings.edu/blog/future-development/2019/07/29/how-much-does-the-world-spend-on-the-sustainable-development-goals/, dated 29 July 2019

- Handelsblatt, *Secrets of German SME success revealed*, https://www.handelsblatt.com/today/companies/mittelstand-secrets-of-german-sme-success-revealed/23580982.html?ticket=ST-794717-MmIWk9fag6WYEtbaRgzE-ap3, dated 2 March 2018

- Rödl & Partner, *Weltmarktführerindex Deutschland "WMF"*, https://weltmarktfuehrerindex.de/search, accessed on 6 June 2020

- United Nations – Department of Economic and Social Affairs, *World Population Prospects 2019*, dated August 2019

To the extent information has been sourced from third parties, the relevant information has been accurately reproduced together with the respective source. As far as the Company is aware and to the extent the Company is able to ascertain from the information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Commercial publications generally state that the information they contain comes from sources assumed to be reliable, but that the exactness and completeness of such information is not guaranteed and that the calculations contained in the information are based on a number of assumptions. Such data and calculations have not been examined by the Company independently with regard to their accuracy, nor has the reasonableness of such assumptions been questioned. Market studies are frequently based on information and assumptions which might not be exact or appropriate. The methodology is by its nature forward-looking and speculative. Consideration should be given to the fact that assessments by the Company are also based on such market studies by third parties. The Company has not examined the numerical information, market data and other information upon which third parties have based their studies, and the Company accordingly does not assume any responsibility or guarantee for the accuracy of the information from studies of third parties contained in this Prospectus.

In addition, many sources of market data included in this Prospectus were prepared before the pandemic spread of COVID-19, a novel strain of the coronavirus, and have not been updated for the potential effects of this pandemic. The Company is not able to determine whether the third parties who have prepared such sources will revise their estimates and projections due to the potential impact of COVID-19 on future market developments.

Furthermore, it must be noted that the market information contained in this Prospectus, for example about the size of markets, market growth and market shares – to the extent not expressly stated otherwise – are not based exclusively on market studies of independent institutions and instead are based in part also on assessments by the Company which, in turn, are based on assumptions and assessments of third parties.

4.8 Presentation of figures

4.8.1. Currency presentation

This Prospectus contains information in the currency Euro. Information in Euro has been marked and abbreviated with "**EUR**" for Euro or "**EUR k**" for thousand Euro or "**EUR million**" for millions of Euros. If numerical information is set forth in any other currency, this is expressly noted at the relevant number or numbers by designating the corresponding currency.

4.8.2. Rounding method

Figures represented in tables have been commercially rounded. Since this rounding method does not always preserve the sum, it is possible that the calculated values (totals or subtotals or differences or numerical ratios) in the following tables are not consistent in all instances with the underlying (unrounded) values contained elsewhere in this Prospectus. Furthermore, it is possible that these rounded values do not add up to the total values in these tables. In light of the financial information contained in this Prospectus, a hyphen ("–") means that the corresponding number is not available, while a zero means that the corresponding number is available but that it has been rounded to zero ("**0**") or is zero ("**0**").

4.8.3. Presentation of financial information

If the financial information in this Prospectus has been designated as "audited", this means that the information has been taken (i) from the Company's audited annual financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**") applicable on the reporting date for the short fiscal year from 1 January 2017 to 31 July 2017 ("**Audited IFRS Individual Financial Statements Short Fiscal Year 2017**"), the fiscal year from 1 August 2017 to 31 July 2018 ("**Audited IFRS Individual Financial Statements 2017/18**"), the short fiscal year from 1 August 2018 to 31 December 2018 ("**Audited IFRS Consolidated Financial Statements Short Fiscal Year 2018**") and for the fiscal year ended 31 December 2019 ("**Audited IFRS Consolidated Financial Statements 2019**"), (ii) from the Company's audited individual financial statements as of and for the fiscal year ended 31 December 2019 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*, "**HGB**") and the German generally accepted principles of proper accounting (together with HGB "**German GAAP**") ("**German GAAP Financial Statements 2019**"), (iii) from the audited individual financial statements of Palas GmbH Partikel- und Lasermeßtechnik as of and for the fiscal year ended 31 December 2018 (including comparative figures for the previous year 2017), prepared in accordance with German GAAP ("**Palas GmbH German GAAP Individual Financial Statements**"), (iv) the audited consolidated financial statements of Palas Holding GmbH as of and for the fiscal year ended 31 December 2019, prepared in accordance with German GAAP ("**Palas Holding German GAAP Consolidated Financial Statements**") as well as (v) from the audited consolidated financial statements of IHSE as of and for the fiscal years ended 31 December 2019, 31 December 2018 and 31 December 2017 prepared in accordance with German GAAP (together "**IHSE Holding GmbH German GAAP Consolidated Financial Statements**"), or (vi) from the audited individual financial statements of IHSE GmbH as of and for the fiscal years ended 31 December 2016, 31 December 2015 and 31 December 2014 (including the comparative figures for the fiscal year ended 31 December 2013), prepared in accordance with German GAAP (together "**IHSE GmbH German GAAP Individual Financial Statements**").

If any financial information in this Prospectus has been designated as "unaudited", the financial information was taken from (i) the Company's unaudited consolidated condensed interim financial statements as of and for the three-months ended 31 March 2020 ("**Unaudited IFRS Consolidated Interim Financial Statements**") prepared in accordance with IAS 34, the accounting department of the Company or the management reports of the Company or is based on calculations with numbers from the above-mentioned sources, (ii) from the relevant accouting records of Palas GmbH Partikel- und Lasermeßtechnik or is based on calculations with numbers from the above-mentioned sources with respect to Palas GmbH Partikel- und Lasermeßtechnik, as well as (iii) from the relevant accounting records of IHSE or IHSE GmbH or is based on calculations with numbers from the above-mentioned sources with respect to IHSE or IHSE GmbH. All information about increases in value (as absolute numbers and percentages) and information about ratios in this Prospectus was calculated by the Company and has not been audited.

4.8.4. Reference to alternative performance measures

This Prospectus includes certain alternative performance measures ("**APMs**") for BCM Group as the Company believes that these are best suited for the purpose of monitoring value-enhancing measures and BCM Group's performance management. For this reason, BCM's Management Board believes that the disclosure of these APMs is also of interest to potential investors.

Definition of APMs

The APMs included in this Prospectus for BCM Group include Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBIT, Adjusted EBIT Margin, Adjusted Earnings and Adjusted Earnings per Share (each as defined below) that are not required by, or presented in accordance with, IFRS, German GAAP or other generally accepted accounting principles.

These measures are derived from BCM Group's Audited IFRS Consolidated Financial Statements 2019, the Unaudited IFRS Consolidated Interim Financial Statements as well as from the Company's accounting records and its internal reporting. These are alternative performance measures as defined in the guidelines issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 on alternative performance measures ("**ESMA Guidelines**"). The Company believes that the presentation of these APMs included in this Prospectus complies with the ESMA Guidelines.

In addition to line items and subtotals of the Group's statement of comprehensive income, such as revenue, Total Output, Gross Profit, EBITDA and EBITA, the Company considers Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBIT, Adjusted EBIT Margin, Adjusted Earnings and Adjusted Earnings per Share (each as defined below) to be useful metrics for evaluating BCM Group's performance as they facilitate the analysis of their core operating results by removing the impact of its capital structure (net financial result), asset base and effects of capital consolidation (depreciation and amortisation), tax consequences and specific cost items.

Further, the Company believes that these and similar measures are frequently used by securities analysts, investors and other interested parties in evaluating companies in its industry.

The definitions of the APMs may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should, therefore, not be considered in isolation or as a substitute for analysis of BCM Group's operating results as reported under IFRS or German GAAP. APMs such as Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBIT, Adjusted EBIT Margin, Adjusted Earnings and Adjusted Earnings per Share (each as defined below) are not measurements of BCM Group's or the Company's performance or liquidity under IFRS or German GAAP and should not be considered as alternatives to results for the period or any other performance measures derived in accordance with IFRS, German GAAP or other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. The APMs of BCM Group should be considered in conjunction with its Audited IFRS Consolidated Financial Statements 2019 and its Unaudited IFRS Consolidated Financial Statements and the respective notes thereto. For a reconciliation of APMs to results or any other performance measures, see "*12. Management's discussion and analysis of financial condition and results of operations – 12.6 Alternative performance measures (APMs)*".

BCM Group has defined each of the following APMs as follows:

- "**Adjusted EBITDA**" means EBITDA adjusted for expensed cost of M&A transactions, expensed cost of equity capital measures and expensed share-based compensation.
- "**Adjusted EBITDA Margin**" means Adjusted EBITDA expressed as a percentage of revenue.
- "**Adjusted EBIT**" means EBIT adjusted for amortisation and impairment losses on acquisition-related intangible assets, expensed share-based compensation, expensed cost of equity capital measures and expensed cost of M&A transactions.

- "**Adjusted EBIT Margin**" means Adjusted EBIT expressed as a percentage of revenue.

- "**Adjusted Earnings**" means profit or loss adjusted for the expenses of share based compensation, financial result from NCI Put (as defined in section "*12. Management's discussion and analysis of financial condition and results of operations– 12.6 Alternative performance measures (APMs)*"), expenses related to the cost of equity capital measures, the cost of M&A transactions, amortisation and impairment losses on acquisition-related intangible assets less deferred tax income attributable thereto.

- "**Adjusted Earnings per Share**" means Adjusted Earnings divided by the weighted average number of shares outstanding. When shares were issued as part of the financing of acquisitions that are included in the consolidated statement of comprehensive income on a pro forma basis, the number of shares before closing of such transaction is adjusted accordingly.

4.8.5. Selected other key performance metrics of the current subsidiaries of BCM Group

Due to the relatively recent acquisition of these subsidiaries and their relevance to the financial performance of BCM Group, the Company's Management Board believes that presenting certain key performance metrics of BCM Group's subsidiaries Palas' and IHSE's operational performance, also for preceding years, is of significant relevance for potential investors for evaluating to invest in the Company as these measures provide an enhanced understanding of the subsidiaries of underlying results and past performance.

Palas

The Company holds 70% of the common equity and 80.89% of the voting rights in Palas Holding GmbH. Palas Holding GmbH ("**Palas Holding**") is the only shareholder of Palas GmbH Partikel- und Lasermeßtechnik ("**Palas GmbH**", both entities together "**Palas**"). Palas GmbH was acquired by BCM Group on 6 December 2018 and therefore Palas' income and expenses are only included in the Company's consolidated statement of comprehensive income for approximately one month in the Financial Statements Short Fiscal Year 2018. Therefore, in order to enable potential investors to evaluate the financial performance of Palas, selected key performance metrics are included in this Prospectus. These key performance metrics are derived from the Palas GmbH German GAAP Individual Financial Statements and from Palas' audited consolidated annual financial statements as of and for the fiscal year ended 2019 prepared in compliance with German GAAP ("**Palas Holding German GAAP Consolidated Financial Statements**") and from the related accounting records of Palas.

The Palas Holding German GAAP Consolidated Financial Statements refer to Palas Holding including Palas GmbH as consolidated accounts. The Palas GmbH German GAAP Individual Financial

Statements were prepared as individual accounts and are those of Palas GmbH only. This is due to Palas Holding having no operations before the acquisition of Palas Holding by BCM AG. Palas Holding was set up to serve as an acquisition vehicle to structure the acquisition financing consisting of equity provided by BCM AG and Palas' management as well as debt facilities.

Palas' key performance metrics include EBITDA, EBITDA Margin, EBIT, Adjusted EBIT and Adjusted EBIT Margin, Total Output, Gross Profit and Free Cash-Flow (pre-tax) which BCM Group defines for Palas as follows:

- "**EBITDA**" means earnings before taxes, financial result, depreciation and amortisation;
- "**EBITDA Margin**" means EBITDA expressed as a percentage of revenue;
- "**EBIT**" means earnings before taxes and financial result;
- "**Adjusted EBIT**" means EBIT adjusted for amortisation of goodwill and of acquisition-related intangible assets;
- "**Adjusted EBIT Margin**" means Adjusted EBIT expressed as a percentage of revenue;
- "**Total Output**" means the sum of revenue, change in finished goods and work in progress and other own work capitalised;
- "**Gross Profit**" means Total Output less cost of materials; and
- "**Free Cash-Flow (pre-tax)**" means Adjusted EBITDA adjusted for changes in trade working capital, changes in other working capital and capex real estate and M&A.

These key performance metrics of Palas are not APMs as they do not relate to the issuer or the issuer's financial statements.

IHSE

The Company holds all shares and voting rights in IHSE AcquiCo GmbH. IHSE AcquiCo GmbH is the only shareholder of IHSE Holding GmbH which directly and indirectly holds equity stakes in IHSE Beteiligungs GmbH (100%), IHSE GmbH (100%), IHSE USA LLC (100%), IHSE GmbH Asia Pacific Pte Ltd (100%) and IHSE Immobilien GmbH (89.9%) (IHSE Holding GmbH together with its consolidated subsidiaries "**IHSE**"). The remaining 10.1% stake in IHSE Immobilien GmbH is directly owned by BCM AG.

IHSE was acquired by BCM Group on 16 December 2019 and therefore IHSE's income and expenses are included in the Company's consolidated statement of comprehensive income for only one month in the Audited IFRS Consolidated Financial Statements 2019.

Therefore, in order to enable potential investors to evaluate the financial performance of IHSE, selected key performance metrics of IHSE, which are included in this Prospectus, are taken or derived from IHSE Holding GmbH German GAAP Consolidated Financial Statements as well as from the relevant accounting records of IHSE Holding GmbH.

Before the acquisition by BCM Group, the majority of IHSE was held by Brockhaus Private Equity III (Scottish) L.P. ("**BPE III**"), which during the holding period of BPE III in IHSE was indirectly advised by members of BCM AG's investment team. Therefore, the Company believes that certain key performance metrics of IHSE GmbH from the fiscal years 2013 to 2016 are also of significant relevance to potential investors. These key performance metrics of IHSE GmbH were taken or derived from the IHSE GmbH German GAAP Individual Financial Statements, as well as from the relevant accounting records of IHSE GmbH.

The IHSE Holding GmbH German GAAP Consolidated Financial Statements were prepared as consolidated accounts at the level of IHSE Holding GmbH. The IHSE GmbH German GAAP Individual Financial Statements were prepared for the scope of IHSE GmbH solely. These periods for the presentation of the selected key performance metrics relating to IHSE were included in this Prospectus due to the availability of audited financial statements for these periods, and financial statements for preceding periods are unaudited.

German GAAP differs in certain material respects from IFRS. Therefore, the selected financial data and key performance metrics derived from financial statements prepared in accordance with German GAAP may differ substantially from the presentation of financial information and performance metrics derived from financial statements prepared in accordance with IFRS and are not comparable.

IHSE's and IHSE´s GmbH´s key performance metrics include EBITDA or Adjusted EBITDA, EBITDA Margin or Adjusted EBITDA Margin, EBIT or Adjusted EBIT and EBIT Margin or Adjusted EBIT Margin as well as Total Output or Adjusted Total Output, Gross Profit or Adjusted Gross Profit, Gross Profit Margin or Adjusted Gross Profit Margin and Free Cash-Flow (pre-tax) which BCM Group defines as follows:

- "**EBITDA**" means consolidated net income for the year or net income for the year before income taxes, other taxes, other interest and similar income, interest and similar expenses and amortisation, depreciation and write-downs of intangible assets and property, plant and equipment;

- “**EBITDA Margin**” means EBITDA expressed as a percentage of revenue;

- “**Adjusted EBITDA**” for IHSE for the years 2018 and 2017 means EBITDA adjusted for first time consolidation effects IHSE USA, LLC, comprising first-time inter-company profit elimination on inventories, release of hidden reserves in inventories from the purchase price allocation and write-down of customer demonstration inventories in connection with the accounting policy unification, as well as for specific non-recurring items;

- “**Adjusted EBITDA Margin**” means Adjusted EBITDA expressed as a percentage of revenue;

- “**EBIT**” means consolidated net income for the year or net income for the year before income taxes, other taxes, other interest and similar income, interest and similar expenses;

- “**EBIT Margin**” means EBIT expressed as a percentage of revenue;

- “**Adjusted EBIT**” for IHSE means EBIT adjusted for amortisation of goodwill, for first-time consolidation effects IHSE USA ,LLC, comprising first-time intercompany profit elimination on inventories, release of hidden reserves in inventories from purchase price allocation and write-down of customer demonstration inventories in connection with the accounting policy unification, and for specifc non-recurring items;

- “**Adjusted EBIT Margin**” means Adjusted EBIT expressed as a percentage of revenue;

- “**Total Output**” means the sum of revenue, increase/decrease in finished goods and work in process and other own work capitalised;

- **“Adjusted Total Output**” for IHSE for fiscal year 2017 means Total Output adjusted for first time consolidation effects IHSE USA, LLC from first-time intercompany profit elimination on inventories;

- “**Gross Profit**” means Total Output less cost of materials;

- “**Adjusted Gross Profit**” for IHSE for fiscal year 2017 means Adjusted Total Output less cost of materials adjusted for first time consolidation effects IHSE USA, LLC from release of hidden reserves in inventories from purchase price allocation and write-down of customer demonstration inventorires in connection with the accouting policy unification;

- “**Gross Profit Margin**” or “**Adjusted Gross Profit Margin**” means Gross Profit or Adjusted Gross Profit expressed as a percentage of revenue;

- "**Free Cash-Flow (pre-tax)**" means EBITDA or Adjusted EBITDA adjusted for Changes in Trade Working Capital, Changes in Other Working Capital and Capex excluding real estate and M&A.

These key performance metrics of IHSE are not APMs as they do not relate to the issuer or the issuer's financial statements.

4.9 Auditors

4.9.1. KPMG

KPMG AG Wirtschaftsprüfungsgesellschaft, Klingelhöferstraße 18, 10785 Berlin, Germany, Niederlassung Frankfurt am Main, Germany, The Squaire, Am Flughafen, 60549 Frankfurt am Main, Germany ("**KPMG**") was appointed as the auditor for the Company. KPMG is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

KPMG has audited the annual financial statements of the Company prepared in accordance with IFRS presented in this Prospectus, *i.e.* the Audited IFRS Individual Financial Statements Short Fiscal Year 2017, the Audited IFRS Individual Financial Statements 2017/18, the Audited IFRS Consolidated Financial Statements Short Fiscal Year 2018, as well as the Audited IFRS Consolidated Financial Statements 2019, as well as the German GAAP Financial Statements 2019 in accordance with Section 317 HGB and in compliance with the German generally accepted standards for financial statement audits promulgated by the German Institute of Accountants (*Institut der Wirtschaftsprüfer*, "**IDW**"). In each case, KPMG has issued an unqualified independent auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon.

KPMG was also appointed as the auditor for IHSE Holding GmbH for the fiscal year 2019. KPMG audited the IHSE Holding GmbH German GAAP Consolidated Financial Statements as of and for the fiscal year ended 31 December 2019 presented in this Prospectus in accordance with Section 317 HGB and in compliance with the German generally accepted standards for financial statement audits promulgated by the IDW and has issued an unqualified independent auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon.

4.9.2. EY

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Ravensburg, Parkstraße 40, 88212 Ravensburg, Germany, ("**EY**") was appointed as the auditor for IHSE Holding GmbH for the fiscal years 2018 and 2017. EY is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

EY has audited the IHSE Holding GmbH German GAAP Consolidated Financial Statements as of and for the fiscal years ended 31 December 2018 and 31 December 2017 presented in this Prospectus in accordance with Section 317 HGB and in compliance with the German generally accepted standards for financial statement audits promulgated by the IDW and has issued in each case an unqualified independent auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon.

4.9.3. AC CHRISTES

AC CHRISTES & PARTNER GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Baumwall 7, 20459 Hamburg, Germany, ("**AC CHRISTES**") was appointed as the auditor for Palas GmbH for the fiscal year 2018. AC CHRISTES is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

AC CHRISTES has audited the Palas GmbH German GAAP Individual Financial Statements as of and for the fiscal years ended 31 December 2018 presented in this Prospectus in accordance with Section 317 HGB and in compliance with the German generally accepted standards for financial statement audits promulgated by the IDW and has issued in each case an unqualified independent auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon.

4.10 Documents available for inspection

For the duration of the validity of this Prospectus, the following documents (or copies thereof) referred to in this Prospectus will be available for inspection during regular business hours at the offices of Brockhaus Capital Management AG, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany and for the duration of the validity of this Prospectus are available on the website of the Company under www.bcm-ag.com under the section "Investor Relations":

- this Prospectus;
- the Company's articles of association (*Satzung*, "**Articles of Association**");
- the Company's audited annual financial statements for the short fiscal year from 1 January 2017 to 31 July 2017 ("**Audited IFRS Individual Financial Statements Short Fiscal Year 2017**");
- the Company's audited annual financial statements for the fiscal year from 1 August 2017 to 31 July 2018 ("**Audited IFRS Individual Financial Statements 2017/18**");

- the Company’s audited annual financial statements for the short fiscal year from 1 August 2018 to 31 December 2018 (“**Audited IFRS Consolidated Financial Statements Short Fiscal Year 2018**”);

- the Company’s audited annual financial statements for the fiscal year from 1 January to 31 December 2019 (“**Audited IFRS Consolidated Financial Statements 2019**“);

- the Company’s unaudited consolidated interim financial statements as of and for the three-months ended 31 March 2020 (“**Unaudited IFRS Consolidated Interim Financial Statements**”), and

- the Company’s audited individual financial statements as of and for the fiscal year ended 31 December 2019 prepared in accordance with HGB and German GAAP (“**German GAAP Financial Statements 2019**”).

Future annual financial statements, half-year financial statements and quarterly reports of the Company will be made available to investors in electronic form on the aforementioned website.

5. The Listing

5.1 Background to the private placement

On 7 July 2020, in anticipation of the expected admission to trading of the Company's shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company, Citigroup, as well as Jefferies GmbH, Frankfurt am Main, Germany ("**Jefferies**" and, together with Citigroup, the "**Joint Global Coordinators**") and COMMERZBANK Aktiengesellschaft, Frankfurt am Main, Germany ("**Commerzbank**" and, together with the Joint Global Coordinators, the "**Joint Bookrunners**" or "**Underwriters**") initiated a private placement to certain institutional and other investors ("**Private Placement**").

The Private Placement relates to the sale of 3,593,750 ordinary registered shares (*Namensaktien*) of the Company with no par value (*Stückaktien*) with a notional value in the share capital of the Company of EUR 1.00 each and with full dividend rights from 1 January 2020 consisting of:

- 3,125,000 New Shares, and
- 468,750 Existing Shares from the shareholding of Falkenstein Heritage GmbH provided on the basis of a share loan for the purpose of a potential over-allotment ("**Over-allotment Shares**", and together with the New Shares, the "**Placement Shares**").

The Private Placement consists of an offering to persons or entities in Germany and other member states of the European Economic Area ("**EEA**") that are a "qualified investor" as defined in Article 2 lit. e) of the Prospectus Regulation and to a limited number of non-qualified investors under the prospectus exemption pursuant to Article 1 para. 4 lit. b) of the Prospectus Regulation as well as private placements to institutional investors in certain other jurisdictions. In the United States, the Company's Shares will be offered and sold only to qualified institutional buyers ("**QIBs**") as defined in Rule 144A under the United States Securities Act of 1933, as amended ("**Securities Act**"). Outside the United States, the Company's Shares will be offered and sold only in "offshore transactions" within the meaning of, and in reliance on, Regulation S under the Securities Act. The Placement Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States.

The capital increase to create the New Shares ("**Placement Capital Increase**") was resolved by an extraordinary shareholders' meeting of the Company on 7 July 2020. For the purpose of a potential over-allotment, with the total number of such shares not to exceed 15% of the final number of New Shares placed in the Private Placement, the shareholder Falkenstein Heritage GmbH ("**Greenshoe**

Shareholder") has agreed to provide Citigroup as stabilisation manager ("**Stabilisation Manager**"), acting for the account of the Underwriters, Over-Allotment Shares under a share loan ("**Over-Allotment Share Loan**"). If and to the extent the Over-Allotment Shares have been placed, the Stabilisation Manager will return the Over-Allotment Share Loan by way of delivery to the Greenshoe Shareholder of a corresponding number of (i) Shares the Stabilisation Manager has acquired in connection with stabilisation measures within the Stabilisation Period (as defined in "*–5.6 Stabilisation, Over-Allotment and Greenshoe Option*"), and /or (ii) additional new shares ("**Greenshoe Shares**", together with the New Shares, the "**Total New Shares**") from a capital increase resolved by the extraordinary shareholders' meeting on 9 July 2020 ("**Greenshoe Capital Increase**"). In the latter case, the Greenshoe Shareholder and the Stabilisation Manager, acting for the account of the Underwriters, have agreed that the Over-Allotment Share Loan will be extended until the consummation of the Greenshoe Capital Increase is registered with the commercial register (*Handelsregister*) and the Greenshoe Shares thereby have come into existence.

In connection with the Private Placement, the Company will receive the net proceeds from the issuance and sale of the Total New Shares (after deduction of fees and commissions). This includes the proceeds from the issuance and sale of the Greenshoe Shares if and to the extent that the Greenshoe Option (as defined below) is exercised and the Greenshoe Capital Increase is implemented (see "*– 5.6 Stabilisation, Over-Allotment and Greenshoe Option*").

The Company targets gross proceeds of EUR 100 million (excluding the proceeds from the exercise of the Greenshoe Option). The minimum size of the planned capital increase shall correspond to at least 25% of the Company's market capitalization (without exercise of the Greenshoe Option) following the Placement Capital Increase.

5.2 Placement Price and Bookbuilding Period

The placement price was set at EUR 32.00 per Placement Share ("**Placement Price**").

The period of the bookbuilding process, during which offers to purchase may be submitted, will begin on 7 July 2020 and is expected to end on 9 July 2020 at 14:00 CEST ("**Bookbuilding Period**"). Multiple purchase orders are permitted.

The final number of Placement Shares to be placed in the Private Placement will be determined jointly by the Company and the Joint Bookrunners following a bookbuilding process during the Bookbuilding Period.

The final number of Placement Shares placed in the course of the Private Placement is expected to be determined on 9 July 2020. After the final number of Placement Shares has been set, the Placement Shares will be allotted to investors on the basis of the offers to purchase then available. The final number of Placement Shares (*i.e.*, the result of the Private Placement) is expected to be published on or about 9 July 2020 on the Company's website and by means of an ad-hoc release on an electronic information dissemination system.

In the event that the placement volume should prove to be insufficient to fill all orders placed at the Placement Price, the Joint Bookrunners reserve the right to reject orders in part or in its entirety.

5.3 Legal basis for the creation of shares

The legal basis for the creation of the New Shares from the Placement Capital Increase and the creation of the Greenshoe Shares, if any, from the Greenshoe Capital Increase are provisions of the German Stock Corporation Act (*Aktiengesetz*, "**AktG**"), Sec. 182 and Sec. 186 AktG.

The creation of the New Shares from the Placement Capital Increase was resolved by an extraordinary shareholders' meeting of the Company on 7 July 2020. In this extraordinary shareholders' meeting, the Company's shareholders resolved to increase the statutory share capital of the Company from EUR 6,793,058.00 by up to EUR 3,125,000.00 to up to EUR 9,918,058.00 by issuing up to 3,125,000 new ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*) and vested with full dividend rights as from 1 January 2020, each with a notional par value of EUR 1.00 in the share capital at an issue price of EUR 1.00 per share against cash contribution. The shareholders' subscription rights are excluded. The Company's management board with the consent of the Company's supervisory board is authorised to determine the further details of the Placement Capital Increase, its implementation and terms of the issuance of the New Shares. The shareholder's resolution regarding the Placement Capital Increase is expected to be implemented with the registration of the consummation of the Placement Capital Increase with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main until on or around 10 July 2020. Upon registration of the consummation of the Placement Capital Increase with the commercial register (*Handelsregister*), the Company's outstanding share capital will amount to up to EUR 9,918,058.00 and will be divided into up to 9,918,058 ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*).

The creation of the Greenshoe Shares, if any, is expected to be resolved by an extraordinary shareholders' meeting on or around 9 July 2020. If and to the extent the Greenshoe Option is exercised and the Greenshoe Capital Increase is implemented, further up to 468.750 Greenshoe Shares pursuant to the Greenshoe Capital Increase as resolved by the extraordinary shareholders' meeting of the Company on or around 9 July 2020 will be issued.

5.4 Admission to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (Prime Standard)

The entire share capital of the Company including the Existing Shares, the New Shares and the Greenshoe Shares, if any, shall be admitted to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The application for admission to trading of the Existing Shares and the New Shares was made on 7 July 2020. The decision of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to be made on or about 10 July 2020.The commencement of trading of the Existing Shares and the New Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is scheduled for 14 July 2020.

If additional shares of the Company are issued as a result of the exercise of the Greenshoe Option (as defined below), the Company will also apply for the admission of such Greenshoe Shares to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Such application for admission to trading will be based on the exemption from the requirement to publish a prospectus pursuant to Article 1 para. 5 a) of the Prospectus Regulation.

5.5 Delivery and payment

The delivery of the Placement Shares against payment of the Placement Price is expected to take place on 14 July 2020. The Placement Shares will be made available to shareholders as co-ownership rights in the respective global share certificate to be deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream**").

5.6 Stabilisation, Over-Allotment and Greenshoe Option

In connection with the placement of the Placement Shares and as far as permissible under Art. 5 para. 4 of the Market Abuse Regulation, the Stabilisation Manager, acting for the account of the Underwriters may, in accordance with legal requirements (Art. 5 para. 4 and 5 of the Market Abuse Regulation in conjunction with Art. 5 through 8 of the Commission Delegated Regulation (EU) 2016/1052), take stabilisation measures on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in order to support the market price of the Company's shares during the Stabilisation Period (as defined below) and to thereby counteract any selling pressure.

The Stabilisation Manager is not obligated to conduct stabilisation measures. Therefore, no assurance can be given that stabilisation measures will be undertaken. In the event that stabilisation measures are initiated, they can be terminated at any time without prior notice. To support the initial stock exchange price, such measures may be taken from the date the Company's shares are listed on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must be terminated no later than the thirtieth calendar day after such date ("**Stabilisation Period**"). Any losses out of or in connection with stabilisation measures shall be borne by the Joint Bookrunners. Profits earned from stabilisation shall be split so that the Underwriters receive 50% of such net profit (retained by the Stabilisation Manager) and the Company receives the other 50% of such net profit.

These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level.

With regard to possible stabilisation measures, investors may, in addition to the New Shares, be allocated the Over-Allotment Shares as part of the allocation of the Placement Shares ("**Over-Allotment**"). To cover the potential Over-Allotment, the Stabilisation Manager, acting for the account of the Underwriters, will be provided with up to 468.750 Over-Allotment Shares in the form of a securities loan; the number of Over-Allotment Shares will not exceed 15% of the sum of the final number of placed New Shares.

The Company has granted the option to the Stabilisation Manager, acting for the account of the Underwriters to purchase a number of Company's shares equal to the Greenshoe Shares of the Company at the Placement Price less agreed commissions and fees ("**Greenshoe Option**"). The Greenshoe Option will terminate 30 calendar days after commencement of the stock exchange trading of the Company's shares.

The Stabilisation Manager has undertaken to subscribe for and to purchase the Greenshoe Shares at the Placement Price per share less agreed fees and commissions in the event of the exercise of the Greenshoe Option. The Company will issue the Greenshoe Shares, that the Company is obligated to deliver due to the Greenshoe Option, on the basis of the Greenshoe Capital Increase expected to be resolved by the extraordinary shareholders' meeting on or around 9 July 2020. The Greenshoe Capital Increase solely serves the purpose to enable the Stabilisation Manager to fulfil its retransfer obligation under the security loan vis-à-vis the Greenshoe Shareholder. With regard to the Greenshoe Capital Increase, the Greenshoe Shareholder and the Stabilisation Manager, acting for the account of the Underwriters, have undertaken to prolong the existing duration of the security loan until the Greenshoe Capital Increase has been implemented and registered and the Greenshoe Shares have come into existence.

The Stabilisation Manager shall inform the Company within two business days following the expiry of the Stabilisation Period if any and to which extent stabilisation measures have been taken and how many shares the Stabilisation Manager, acting for the account of the Underwriters, has purchased in that respect and in that regard shall ask the Company to effect the Greenshoe Capital Increase. The Stabilisation Manager, acting for the account of the Underwriters, may decide and notify the Company to execute the Greenshoe Option in whole or in part already at any time prior to the expiry of the Stabilisation Period. The Company's Management Board, with the consent of the Supervisory Board, will resolve upon the implementation of the Greenshoe Capital Increase within two business days following this decision. Once issued, the Greenshoe Shares shall be delivered to the Greenshoe Shareholder (together with any shares purchased in the market) and then be admitted to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) as soon as practicable and feasible.

The Greenshoe Option may only be exercised to the extent that Over-Allotment Shares have been placed in the course of the Over-Allotment. The Stabilisation Manager, acting for the account of the Underwriters, is authorised under certain circumstances, to re-sell shares they have purchased in the course of stabilisation measures within the Stabilisation Period. The extent of the Greenshoe Option is however reduced by the amount of shares of the Company which the Stabilisation Manager, acting for the account of the Underwriters, holds on the day of the exercise of the Greenshoe Option and which they have purchased in connection with the stabilisation measures with regard to the shares of the Company.

Once the Stabilisation Period has ended, an announcement will be made within one week in various media outlets distributed across the entire EEA as to whether stabilisation measures were taken, the date when price stabilisation started and finished, and the price range within which the stabilisation measures were taken, for each occasion on which price stabilisation measures were taken and the trading venue(s) on which the stabilisation measures were carried, where applicable.

5.7 Pre-commitments

Certain members of the Management Board and of the Supervisory Board as well as employees of the Company and members of the senior management of the subsidiaries Palas and IHSE have committed to purchase Placement Shares in an aggregate amount up to EUR 1 million in the course of the Private Placement. On the assumption that all New Shares are sold in the Private Placement at the Placement Price, these members and employees may purchase a maximum number of 31,250 Placement Shares on the basis of their commitments subject to full allocation.

5.8 Market protection agreement (lock-up)

5.8.1. Lock-up of the Company

The Company has undertaken vis-à-vis with the Joint Bookrunners that it will not, without the prior written consent from the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed) until the end of a period of 180 days following the day of the commencement of trading of the Shares on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*),

(a) announce or implement an increase of the share capital of the Company out of authorised capital (*genehmigtes Kapital*)

(b) announce, implement or otherwise effect an issuance of securities with conversion rights in or option rights on shares of the Company;

(c) propose, or initiate any of its shareholders to propose, to its shareholders' meeting to resolve upon an increase of the Company's share capital or the issuance of securities with conversion rights in or option rights on shares of the Company; or

(d) announce, enter into a transaction or perform any action economically similar to those described above under (a) to (d).

Excluded from this undertaking are,

- the issuance of the New Shares and the Greenshoe Shares, if any,

- the issuance of up to 425,200 stock option rights shares of the Company to employees and members of the management of the Company or its subsidiaries in accordance with the employee stock option programme (as described under "*19.5 Stock option programme*"), and

- the issuance of Shares for the purpose of establishing a joint venture or the acquisition of a company, provided that the recipients of the issued Shares will enter into the lock-up undertakings for the remainder of a period of 180 days following the day of the commencement of trading of the Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

5.8.2. *Lock-up of the Team Shareholders and managing directors of Palas and IHSE*

The Team Shareholders (as defined in "*19. General information about the capital of the Company and applicable regulations – 19.7 Share loans*") as well as the managing directors of Palas and IHSE have each individually and with regard to their respective shareholding as of the date of this Prospectus undertaken vis-à-vis the Underwriters, that they will not, until the end of a period of 360 days following the day of the commencement of trading of the Shares on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) without the prior written consent from the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed in case of any hardships due to material unforeseeable payment obligations that occur more than 180 calendar days following the day of the commencement of trading of the Shares on the Frankfurt Stock Exchange and which consent relates to less than 50% of the respectice Team Shareholders's or the subsidiaries' managing directors' Restricted Securities), to

(a) offer, pledge, allot, market, distribute, sell, contract to sell, market, transfer or otherwise dispose of any Restricted Securities;

(b) grant, issue or sell any option or conversion rights on any Restricted Securities;

(c) purchase any option to sell, grant any option, right or warrant to purchase, transfer to another person or otherwise dispose of, directly or indirectly (including, but not limited to, the issuance or sale of any securities exchangeable into Shares), any Restricted Securities;

(d) propose or vote in favour of a proposed increase of the share capital of the Company (including the implementation or renewal of an authorised capital (*genehmigtes Kapital*) or conditional capital (*bedingtes Kapital*));

(e) propose or vote in favour of a proposed issuance (or authorisation of the management board to effect such issuance) of financial instruments constituting or including options or warrants convertible into or entitling to receive delivery of Shares;

(f) announce, enter into a transaction or perform any action economically similar to those described in (a) through (e) above, in particular enter into any swap or other agreement that transfers to another, in whole or in part, the economic risk of ownership of Restricted Securities, whether any such transaction is to be settled by delivery of Restricted Securities, in cash or otherwise;

in each case of (a) through (f) above other than for the purposes of the issuance of the New Shares and the Greenshoe Shares and in the case of (d) and (e) above (i) for a shortened period of 180 calendar days following the day of the commencement of trading of the Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and (ii) other than as contemplated by this Prospectus. The Team Shareholders and the managing directors of Palas and IHSE may, either directly or indirectly, sell, transfer or otherwise dispose of Restricted Securities by means of an over-the-counter- (OTC-) transaction at any time to any third party, provided that such third party has agreed in advance in a written undertaking to the Joint Global Coordinators to be bound by the undertaking set forth in (a) to (f) or the remaining time of the restricted period.

Additionally, the members of the Team Shareholders and the managing directors of Palas and IHSE have committed to a lock-up period of one additional year (subject to customary exceptions) *vis-à-vis* the Company.

As regards the Placement Shares allocated to the Team Shareholders as well as employees of the Company and the management directors of Palas and IHSE based on their committments to purchase Placement Shares in an aggregate amount of up to EUR 1 million in the course of the Private Placement (see " – *5.7 Pre-commitments*), these shares are subject to a separate lock-up agreement with the Company also for the benefit of the Joint Bookrunners for a period of 180 days following the day of the commencement of trading of the Shares on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

5.8.3. Lock-up of remaining shareholders

All remaining shareholders of the Company have entered vis-à-vis the Underwriters into identical lock-up undertakings as the Team Shareholders, however, only for a shortened period of 180 days following the day of the commencement of trading of the Shares on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*),

5.9 Target market assessment

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placement Shares have been subject to a product approval process, which has determined that the Placement Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II ("**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Placement Shares may decline and investors could lose all or part of their investment; the

Placement Shares offer no guaranteed income and no capital protection; and an investment in the Placement Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Private Placement. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placement Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Placement Shares and determining appropriate distribution channels.

5.10 Interests of parties participating in the Private Placement; conflicts of interest

In connection with the Private Placement and the admission to trading of the Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Joint Bookrunners have entered into a contractual relationship with the Company. The Joint Bookrunners are advising the Company on the Private Placement and coordinate the structuring and execution of the Private Placement.

Upon successful implementation of the Private Placement, the Joint Bookrunners will receive a commission. As a result of these contractual relationships, the Joint Bookrunners have a financial interest in the success of the Private Placement.

In addition, Baader Bank Aktiengesellschaft, Weihenstephaner Straße 4, 85716 Unterschleißheim, Germany, has been appointed to act as designated sponsor for the Shares ("**Designated Sponsor**") for which it will receive a remuneration as well.

Furthermore, in connection with the Private Placement, each of the Joint Bookrunners and any of their respective affiliates, acting as investors for their own account, may acquire Shares in the Private Placement and in that capacity may retain, purchase or sell for its own account such Shares or related investments and may offer or sell such Shares or other investments otherwise than in connection with the Private Placement. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of Shares.

None of the Joint Bookrunners intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so or as disclosed in this Prospectus.

Since the Company will receive the net proceeds from the Private Placement of the Placement Shares and the Greenshoe Shares, if any, and these will strengthen the equity capital basis of the Company to allow the Company to pursue its growth strategy, all direct and indirect shareholders of the Company have an interest in the success of the Private Placement.

In particular, the members of the Management Board, Mr Marco Brockhaus (including the entities Falkenstein Heritage GmbH and BPE GmbH, which are controlled by him), Dr Marcel Wilhelm, and the team members Mr Georg Ganghofer and Mr Harald Henning, each hold shares in BCM AG (see "*16. Shareholder structure")*. The aforementioned therefore have an interest in the success of the Private Placement.

The Company may decide at its discretion and depending on the result of the Private Placement to grant a bonus up to an amount of EUR 1.6 million in the aggregate to the members of the Management Board, further employees of BCM AG as well as certain members of the management and further key employees of its subsidiaries in case of a successful Private Placement and Listing. These management members and the employees may therefore have an interest in the success of the Private Placement.

The Company has entered into an agreement with Mr. Henning Gebhardt, who is one of its (non-management) shareholders, providing for a financial reward for the introduction by the shareholder of new investors that take part in the Private Placement. Such investors will submit their orders solely to the Underwriters. To the extent investors introduced by the shareholder subscribe for shares in the Private Placement, the shareholder will receive the reward. This shareholder therefore has an interest in the success of the Private Placement.

In addition to the aforementioned interests, there are no interests, in particular no conflicts of interest, which are material to the Private Placement and the Listing.

6. Information on the Shares

The Placement Shares are vested with the same rights as all other Shares and do not convey any additional rights or advantages. All Shares, including the New Shares, are subject to German stock corporation law.

6.1 Share capital; form of the Shares

As of the date of this Prospectus, the share capital of the Company amounts to EUR 6,793,058.00 and is divided into 6,793,058 ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*). The share capital has been fully paid up.

In connection with and for the purpose of the Private Placement, it is expected that the Company will issue up to 3,125,000 New Shares pursuant to the Placement Capital Increase as resolved by the extraordinary shareholders' meeting on 7 July 2020. It is expected that the registration of the consummation of the Placement Capital Increase with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main will take place on 10 July 2020. Upon registration of the consummation of the Placement Capital Increase with the commercial register (*Handelsregister*), the Company's outstanding share capital will amount to up to EUR 9,918,058.00 and will be divided into up to 9,918,058 ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*).

If and to the extent the Greenshoe Option is exercised and the Greenshoe Capital Increase is implemented, further up to 468,750 Greenshoe Shares pursuant to the Greenshoe Capital Increase as resolved by the extraordinary shareholders' meeting of the Company on or around 9 July 2020 will be issued.

6.2 Voting rights, dividend rights, subscription rights, rights in the event of liquidation

Each Share carries one vote at the Company's shareholders' meeting. There are no restrictions on the voting rights. All Shares have equal rights.

The Existing Shares, the New Shares and, if and to the extent the Greenshoe Shares will be issued, the Greenshoe Shares carry full dividend rights from 1 January 2020. Clearstream will transfer any dividends to the shareholders' custodian banks for crediting to their accounts and German custodian banks are under an obligation to distribute the funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank regarding the terms and conditions applicable in their case.

Under German stock corporation law, each shareholder is generally entitled to subscription rights to newly issued shares in connection with a capital increase (including convertible bonds, option bonds, profit sharing rights (*Genussrechte*) and profit based bonds) in proportion to the respective shareholder's participation in the Company's share capital.

In the event of the Company's liquidation, any proceeds remaining after satisfaction of all liabilities of the Company will be distributed to the holders of the Shares in proportion to their interest in the Company's share capital.

6.3 Certification of the New Shares

The Existing Shares are represented by several global certificates deposited with Clearstream.

The New Shares and, if and to the extent the Greenshoe Shares will be issued, the Greenshoe Shares, will be represented by additional global certificates to be deposited with Clearstream after registration of the consummation of the Placement Capital Increase and the Greenshoe Capital Increase, respectively, in the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Frankfurt am Main. The Shares will be made available through collective safe custody deposit (*Girosammeldepotgutschrift*). The Company is entitled to issue share certificates embodying individual shares or multiples of Shares. The Articles of Association stipulate that the shareholders' right to the issuance of share certificates shall be excluded.

6.4 ISIN/ German securities number/ trading symbol

The securities codes for the Shares are as follows:

International Securities Identification Number (**ISIN**):	DE000A2GSU42
German Securities Identifications Number (*Wertpapierkennnummer*, (**WKN**)):	A2GSU4
Trading Symbol:	BKHT

6.5 Transferability of the Shares

As of the date of this Prospectus, the Existing Shares are freely transferable registered shares (*Namensaktien*). There will be no restrictions on disposals or restrictions with respect to the transferability of the shares other than certain lock-up agreements described under Sec. "*5. The Listing – 5.8 Market protection agreement (lock-up)*", entered into between the Company, the Joint Global Coordinators and all existing shareholders.

6.6 Paying agent

The Company's paying agent with regard to the Shares is KAS BANK N.V. – German Branch, Mainzer Landstraße 51, 60329 Frankfurt am Main, Germany.

6.7 Designated Sponsor

Baader Bank Aktiengesellschaft, Weihenstephaner Straße 4, 85716 Unterschleißheim, Germany, has agreed to act as designated sponsor for the shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Under the designated sponsor agreement the Designated Sponsor will, inter alia, introduce limited buy and sell orders for the Shares into the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (Xetra) during daily trading hours. This is intended to achieve greater liquidity in the market for the Shares. Among other things, the Designated Sponsor is expected to be available at all times during trading hours and, upon receipt of a request for a quote, promptly supply quotes and enter into transactions on such basis. In addition, the Designated Sponsor is expected to provide quotes throughout the opening and closing auctions.

7. Reasons for the Private Placement and the Listing, costs of the Private Placement and use of proceeds

7.1 Reasons for the Private Placement and the Listing

The Company intends to (i) finance its further growth and further development, in particular the long-term building of and expansion to a leading publicly listed technology group by acquiring further subsidiaries with the net proceeds from the Private Placement, and (ii) to gain better access to the capital markets through the admission of the Shares for trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market (*Regulierter Markt*) with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The Company believes the listing of its Shares will provide a number of benefits to BCM Group, including for potential future equity, debt or hybrid funding (*e.g.* convertible debt), an enhanced public profile and further improved brand recognition and an increased flexibility and ability for acquisitions.

7.2 Proceeds and costs of the Private Placement and Listing

The Company will receive the proceeds from the Private Placement resulting from the issuance and sale of the New Shares. In addition, the Company will receive the proceeds from the issuance and sale of the Greenshoe Shares, if and to the extent the Greenshoe Option is exercised.

Assuming a placement of all New Shares (i.e. 3,125,000 Shares) at the Placement Price of EUR 32.00 per Placement Share and no exercise of the Greenshoe Option, the Company estimates that, gross proceeds to the Company would amount to EUR 100 million, and net proceeds (including any discretionary fees to be paid to the Underwriters) to approximately EUR 90.7 million.

Assuming a placement of all Placement Shares (i.e., 3,593,750 Shares) at the Placement Price including full exercise of the Greenshoe Option (i.e., 468,750 Shares), the Company estimates gross proceeds to the Company would amount to EUR 115 million, and net proceeds (including any discretionary fees to be paid to the Underwriters) to approximately EUR 104.9 million.

The costs and expenses of the Company related to the Private Placement of the Placement Shares at the Placement Price and Listing of the Company’s entire share capital (without the Listing of Shares issued under the Greenshoe Option, if any) are expected to total approximately EUR 9.3 million (assuming no exercise of the Greenshoe Option and including underwriting and placement commissions payable to the Underwriters, including any discretionary fees to be paid to the Underwriters).

The costs and expenses of the Company related to the Private Placement of the Placement Shares at the Placement Price and Listing of the Company's entire share capital (including the Listing of Shares issued under the Greenshoe Option, if any) are expected to total approximately EUR 10.1 million (assuming full exercise of the Greenshoe Option and including underwriting and placement commissions payable to the Underwriters, including any discretionary fees to be paid to the Underwriters). Investors will not be charged expenses by the Company or the Joint Global Coordinators in connection with the role as underwriter. Investors may, however, have to bear customary transaction and handling fees charged by their depository financial institutions.

Investors should be aware that the net proceeds from the Private Placement will depend on the final number of Placement Shares placed, which will be determined only after the end of the Bookbuilding Period on the basis of a bookbuilding procedure.

7.3 Use of proceeds

The Company intends to use the net proceeds in the amount of EUR 104.9 million from the Private Placement (on the assumption of the complete placement of all Placement Shares and the execution of the Greenshoe Capital Increase at the Placement Price) primarily for the acquisition of further subsidiaries within its selective focus with the aim to create a leading publicly listed technology group. The Company has a constantly filled pipeline of accretive acquisition opportunities (see "*15. Business – 15.4 Business operations – 15.4.7 Pipeline*") and is constantly in different stages of evaluating transactions.

For as long as the net proceeds from the Private Placement are not needed to be invested for the acquisition of further subsidiaries and the development of its business, the Company intends to hold the net proceeds in a share of approximately 50% in bank accounts as cash and to invest the remaining 50% of the net proceeds in cash equivalent instruments, such as short-term certificates of deposit.

8. Dilution

The term dilution firstly relates to the dilution of the shareholdings and secondly to the dilution of value. The dilution of the shareholdings is the effect that the issuance of the Placement Shares has on the respective proportional percentage of the shareholding of the existing shareholders of the Company (see "*16. Shareholder structure*"). The dilution of value is the effect that the issuance and sale of the Placement Shares has on the net book value of the equity capital of the Company per share at a specific time.

The net book value of the Company as of 31 May 2020 amounted to EUR 122.7 million and is calculated on the basis of total assets minus total liabilities ("**Net Book Value**") (see "*10. Capitalisation and indebtedness*"). This is equivalent to approximately EUR 18.07 per Share (calculated on the basis of 6,793,058 Shares outstanding as of the date of this Prospectus).

The exact amount and the percentage of the dilutive effect of the Private Placement on the value of the Shares depend on the amount of the net proceeds from the issuance of the New Shares and of the Greenshoe Shares, if any. Such net proceeds depend on the number of New Shares issued and sold in the context of the Private Placement as well as on the amount of total costs to be borne by the Company. The following calculation is based on the Placement Price of EUR 32.00.

Assuming that only 3,125,000 New Shares are placed and the Greenshoe Option will not be exercised, the Company would obtain net proceeds from the placement of the New Shares of approximately EUR 90.7 million (see "*7. Reasons for the Private Placement and the Listing, costs of the* Private *Placement and use of proceeds – 7.2 Proceeds and costs of the Private Placement and Listing*"). If the Company had obtained this amount already as of 31 May 2020, the net book value of the Company at that time would have been about EUR 213.4 million or EUR 21.52 per Share (based on the increased number of 9,918,058 Shares after the placement of only the New Shares). Consequently, under the above-mentioned assumptions, the implementation of the Private Placement would lead to a direct increase in the net book value of the Company of around EUR 90.7 million, but to a direct dilution of EUR 10.48, or 32.8% per Share for the purchasers of the Placement Shares who acquire shares at the Placement Price.

Assuming that all the New Shares will be placed and the Greenshoe Option will be fully exercised on that basis (*i.e.* 15% of the New Shares) (maximum scenario), the Company would obtain net proceeds from the placement of the New Shares of approximately EUR 104.9 million. If the Company had obtained this amount already as of 31 May 2020, the net book value (see "*7. Reasons for the Private Placement and the Listing, costs of the Private Placement and use of proceeds – 7.2 Proceeds and costs of the Private Placement and Listing*") of the Company at that time would have been about EUR 227.7 million or EUR 21.92 per Share (based on the increased number of 10,386,808 Shares after the placement of the Total New Shares). Consequently, under the above-mentioned assumptions, the implementation of the Private Placement would lead to a direct increase in the net book value of the Company of around EUR 104.9 million, but to a direct dilution of EUR 10.08, or 31.5% per Share for the purchasers of the Placement Shares who acquire shares at the Placement Price.

9. Dividends, earnings per share and dividend policy

9.1 General rules on allocation of profits and dividend payment

The share of each individual shareholder in the profit of the Company is determined by the shareholding such shareholder holds in the registered share capital of the Company. There are neither dividend restrictions nor different procedures for shareholders residing outside Germany as compared to shareholders residing within Germany. The resolutions relating to profit allocation and thus the distribution of dividends for a given fiscal year are adopted at the ordinary shareholders' meeting held in the subsequent fiscal year, which will pass a resolution regarding the distribution of the Company's distributable profits on the basis of a non-binding proposal of the Management Board and the Supervisory Board.

German law provides that a resolution concerning dividends and the distribution thereof may be adopted only on the basis of a balance sheet profit shown in the Company's individual financial statements prepared in accordance with German GAAP. In determining the balance sheet profit available for distribution, the annual net income or loss of the respective year must be adjusted for profits and losses carried forward from the previous year and for deposits into or withdrawals from reserves. German law requires that certain reserves are created and therefore deducted, where applicable, when calculating the balance sheet profits available for distribution. In a resolution regarding the utilisation of balance sheet profits, the shareholders' meeting can include further amounts in retained earnings or carry them forward as profit.

Dividends will be paid out in accordance with the rules of the clearing system of Clearstream. Details concerning any dividends approved by the ordinary shareholders' meeting and the respective paying agents designated by the Company will be published in the German Federal Gazette (*Bundesanzeiger*).

Under German law, the claim to dividend payments generally becomes statute barred after a period of three years starting at the end of the year in which the dividend payment was approved. If such claim is represented by a dividend coupon, such claim will lapse if the dividend coupon is not presented within the four-year period of presentation. However, if the coupon is presented within the four-year period of presentation, the claim will lapse after two years following the expiration of the period of presentation. In the event that any dividend rights are statute barred, the Company may retain the dividend as extraordinary gains.

9.2 Earnings per share

The Company had no distributable profits in the previous three fiscal years.

The following table shows the net income per share for BCM AG for the short fiscal year 2018 and the fiscal year 2019.

HGB (unaudited unless stated otherwise)	1 Jan – 31 Dec 2019	1 Aug - 31 Dec 2018
Net loss (in EUR k)[1]	(3,802)	(1,161)
Number of shares outstanding[2]	6,793,058	6,793,058
Net loss per share (in EUR)	**(0.56)**	**(0.17)**

1 Audited.

2 Information per share based on the current number of outstanding Shares (as of the date of this Prospectus before implementing the Placement Capital Increase).

The following overview presents the consolidated result and the earnings per share of BCM AG for the reporting periods as indicated below (in each case in accordance with IFRS). No earnings per share were reported in the financial statements for previous reporting periods.

IFRS (audited)	1 Jan – 31 Dec 2019	1 Aug - 31 Dec 2018
Profit or loss (in EUR k)	(3,823)	(1,636)
Number of shares outstanding[1]	2,905,836	2,502,510
Earnings per share (in EUR)	**(1.32)**	**(0.65)**

1 Weighted average number of Shares outstanding over the respective reporting period.

9.3 Dividend policy

The Company has not paid dividends in the past three fiscal years. In the near future, the Company intends to use cash flows predominantly to expand its business activities, both through organic and inorganic growth, and further develop BCM AG as a leading technology group. As soon as, at some point in the future, sufficiently stable cash flows are generated from the Company's current and future subsidiaries, the Company intends to pay appropriate dividends to its shareholders. However, this will largely depend on the prevailing economic environment, funding needs for further growth, as well as other factors. In particular, the Company may decide for lower dividend payments to allow for opportunistic acquisitions of further target companies in the future.

10. Capitalisation and indebtedness

The data presented in the following tables show the capitalisation and indebtedness of the Company as of 31 May 2020 in accordance with IFRS and is derived from the internal unaudited accounting records of the Company.

10.1 Capitalisation

In EUR k (IFRS, unaudited)	**As of 31 May 2020**		
	Actual	**Adjusted for the Placement Capital Increase[1]**	**Adjusted for the Greenshoe Capital Increase[2]**
Total current debt[3]	**13,797**	**13,797**	**13,797**
thereof guaranteed	-	-	-
thereof secured[4]	5,122	5,122	5,122
thereof unguaranteed or unsecured	8,675	8,675	8,675
Total non-current debt[5]	**55,498**	**55,498**	**55,498**
thereof guaranteed	-	-	-
thereof secured[4]	50,541	50,541	50,541
thereof unguaranteed or unsecured	4,957	4,957	4,957
Shareholders' equity[6]	**122,748**	**213,407**	**227.657**
Share capital[7]	6,793	9,918	10,387
Capital reserve	123,398	214,147	227,928
Other reserves[8]	(7,443)	(10,658)	(10,658)
Total	**192,043**	**282,702**	**296,952**

1 Adjusted under the assumption that the 3,125,000 New Shares are placed at the Placement Price and the Greenshoe Option is not exercised, generating net proceeds of approximately EUR 90,659 k.
2 Adjusted under the assumption that the 3,125,000 New Shares are placed at the Placement Price and the Greenshoe Option is fully exercised, generating net proceeds of approximately EUR 104,909 k.
3 Total current debt comprises current liabilities consisting of current tax liabilities, current financial liabilities, trade payables, lease liabilities and other liabilities (including current portion of non-current debt).
4 The security comprises land charges, bank account pledges and pledges of shares in affiliates.
5 Total non-current debt comprises non-current liabilities consisting of non-current financial liabilities and lease liabilities.
6 Shareholders' equity refers to total equity attributable to owners in the company.
7 Share capital means the subscribed capital.
8 Comprises other reserves, currency translation difference and accumulated losses. The actual accumulated losses do not include net profit/loss for April and May 2020.

10.2 Indebtedness

In EUR k (IFRS, unaudited)	As of 31 May 2020		
	Actual	Adjusted for the Placement Capital Increase[1]	Adjusted for the Greenshoe Capital Increase[2]
A. Cash	21,676	112,335	126,585
B. Cash equivalent	-	-	-
C. Trading securities	-	-	-
D. Liquidity (A) + (B) + (C)	**21,676**	**112,335**	**126,585**
E. Current financial receivables[3]	**6,802**	**6,802**	**6,802**
F. Current bank debt	-	-	-
G. Current portion of non-current debt[4]	5,122	5,122	5,122
H. Other current financial debt[5]	8,675	8,675	8,675
I. Current financial debt (F) + (G) + (H)	**13,797**	**13,797**	**13,797**
J. Net current financial indebtedness (I) – (E) – (D)	**(14,681)**	**(105,340)**	**(119,590)**
K. Non-current bank loans[6]	53,824	53,824	53,824
L. Bonds issued	-	-	-
M. Other non-current loans[7]	1,674	1,674	1,674
N. Non-current financial indebtedness (K) + (L) + (M)	**55,498**	**55,498**	**55,498**
O. Net financial indebtedness (J) + (N)	**40,817**	**(49,842)**	**(64,092)**

1 Adjusted under the assumption that the 3,125,000 New Shares are placed at the Placement Price and the Greenshoe Option is not exercised, generating net proceeds of approximately EUR 90,659 k.
2 Adjusted under the assumption that the 3,125,000 New Shares are placed at the Placement Price and the Greenshoe Option is fully exercised, generating net proceeds of approximately EUR 104,909 k.
3 Current financial receivables comprise trade receivables and other financial assets.
4 Current portion of non-current debt comprise borrowed debt.
5 Other current financial debt comprises of trade payables, lease liabilities and other financial liabilities.
6 Non-current bank loans comprises borrowed debt.
7 Other non-current loans comprise liability from purchase of remaining 30% shares in Palas and lease liabilities.

10.3 Contingent liabilities

The Company has no contingent liabilities.

10.4 Working capital statement

The Company believes that BCM Group is in a position to meet its payment obligations that become due within at least the next twelve months from the date of this Prospectus.

11. Selected consolidated financial and other information

The historical financial and business information contained in the following presentation is based on the following financial statements of the Company:

- *Unaudited consolidated interim financial statements for the three-months ended 31 March 2020* ("***Unaudited IFRS Consolidated Interim Financial Statements***")

- *Audited consolidated annual financial statements for the fiscal year ended 31 December 2019* ("***Audited IFRS Consolidated Financial Statements 2019***")

- *Audited consolidated annual financial statements for the five-months short fiscal year ended 31 December 2018* ("***Audited IFRS Consolidated Financial Statements Short Fiscal Year 2018***")

- *Audited annual individual financial statements for the fiscal year ended 31 July 2018* ("***Audited IFRS Individual Financial Statements 2017/18***")

- *Audited annual individual financial statements for the short fiscal year ended 31 July 2017* ("***Audited IFRS Individual Financial Statements Short Fiscal Year 2017****", and together with the Audited IFRS Consolidated Financial Statements 2019, the Audited IFRS Consolidated Financial Statements Short Fiscal Year 2018 and the Audited IFRS individual Financial Statements 2017/18 the “****Audited IFRS Financial Statements***”)

Further historical financial and business information is taken or derived from the Company’s finance and accounting systems.

KPMG AG Wirtschaftsprüfungsgesellschaft, Klingelhöferstraße 18, 10785 Berlin, Germany, Niederlassung Frankfurt am Main, Germany, The Squaire, Am Flughafen, 60549 Frankfurt am Main, Germany has audited the Audited IFRS Financial Statements and issued an independent auditor’s report without qualifications in each case.

The Audited IFRS Financial Statements (*together with the Unaudited IFRS Consolidated Interim Financial Statements the “****Financial Statements***”) *of the Company were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (“****IFRS****”) applicable on the reporting date. The Unaudited IFRS Consolidated Interim Financial Statements were prepared in accordance with IAS 34.*

Unless otherwise indicated, the Financial Statements were prepared as consolidated financial statements.

The Financial Statements are each included in the financial section of this Prospectus reproduced on pages F-1 et seq. Insofar as information in the following tables is referred to as "audited", this information is taken from the Audited IFRS Financial Statements of the Company. Financial and business information referred to as "unaudited" in the following tables is information taken from the Unaudited IFRS Consolidated Interim Financial Statements or from the Company's internal reporting system or has been calculated based on financial data from the above-mentioned sources.

The following selected financial information should be read in conjunction with the sections "3. Risk Factors," "4. General Information and subject matter of the Prospectus – 4.8 Presentation of figures", "12. Management's discussion and analysis of financial condition and results of operations", "15. Business", as well as the Financial Statements, which are contained in the section "24. Financial Information (F-pages)" of this Prospectus.

During the period of historical financial information presented in this Prospectus, the Company has changed its fiscal year twice, resulting in short fiscal years. Furthermore, BCM Group has grown rapidly since 2018 due to the acquisition of Palas GmbH at the end of the year 2018 and IHSE at the end of the year 2019, so that the Company's historical earnings and other historical financial results are limited as to their comparability and are not predictive of future earnings or other financial results of the Company or BCM Group (see "– 11.5.Alternative performance measures (APMs) of BCM Group", "12. Management's discussion and analysis of financial condition and results of operations – 12.5 Factors affecting comparability of results of operations and financial condition").

BCM Group's historical results are not necessarily indicative of the results that should be expected in the future, and its interim results are not necessarily indicative of the results that should be expected for the year ending 31 December 2020 or any other future period.

11.1 Consolidated statement of comprehensive income

In EUR k	1 Jan – 31 Mar 2020	1 Jan – 31 Mar 2019	1 Jan – 31 Dec 2019	1 Aug 2018 – 31 Dec 2018	1 Aug 2017 – 31 July 2018	1 Jan 2017 – 31 Jul 2017
	(unaudited)		(audited)	(audited)	(audited)	(audited)
					(individual)	(individual)
Revenue	12,563	3,020	16,561	1,098	-	-
Increase/(decrease) in finished goods and work in progress	(408)	95	211	(72)	-	-
Other own work capitalised	146	109	769	26	-	-
Total Output	**12,301**	**3,224**	**17,541**	**1,052**	**-**	**-**
Cost of materials	(3,403)	(912)	(4,299)	(220)	-	-
Gross Profit	**8,898**	**2,312**	**13,242**	**832**	**-**	**-**
Personnel expenses	(4,296)	(1,344)	(6,803)	(748)	(75)	-
Other operating expenses	(2,711)	(712)	(5,558)	(1,647)	(937)	(19)
Expected credit loss allowance on trade receivables	(6)	-	(2)	(14)	-	-
Other operating income	196	73	390	263	73	-
EBITDA	**2,081**	**330**	**1,270**	**(1,314)**	**(940)***	**(19)***
Depreciation of property, plant and equipment and amortisation of intangible assets	(375)	(177)	(820)	(28)	(4)*	-
EBITA	**1,706**	**153**	**450**	**(1,342)**	**(944)***	**(19)***
Amortisation of intangible assets identified in first-time consolidation	(1,952)	(563)	(2,714)	(188)	-	-
Finance costs	(560)	(246)	(1,179)	(47)	-	-
Finance income	1	1	56	-	1	-
Financial result	(559)	(245)	(1,124)	(47)	1	-
Earnings before tax	**(804)**	**(655)**	**(3,387)**	**(1,577)**	**(943)**	**(19)**
Income tax	(310)	(17)	(436)	(59)	-	-
Profit or loss**	**(1,114)**	**(672)**	**(3,823)**	**(1,636)**	**(943)**	**(19)**
Foreign currency translation adjustments	46	-	(90)	-	-	-
Total comprehensive income**	**(1,068)**	**(672)**	**(3,913)**	**(1,636)**	**(943)**	**(19)**
Weighted number of average shares outstanding (Units)	6,266,118	2,628,000	2,905,836	2,502,510	-	-
Earnings per share (in EUR)	**(0.18)**	**(0.26)**	**(1.32)**	**(0.65)**	**-**	**-**

* Unaudited; position was not shown in the Audited IFRS Individual Financial Statements Short Fiscal Year 2017 and in the Audited IFRS Individual Financial Statements 2017/18 and the amounts were taken from the accounting records of the Company.

** The profit or loss and total comprehensive income are fully attributable to shareholders of BCM AG.

11.2 Consolidated statement of financial position

In EUR k	31 Mar 2020	31 Dec 2019	31 Dec 2018	31 Jul 2018	31 Jul 2017
	(unaudited)	(audited)	(audited)	(audited) (individual)	(audited) (individual)
Assets					
Property, plant and equipment	11,289	11,322	797	4	-
Intangible assets and goodwill	158,892	160,585	32,283	19	-
Deferred tax assets	747	982	-	-	-
Non-current assets	**170,928**	**172,888**	**33,080**	**23**	**-**
Inventories	10,735	10,676	4,281	-	-
Trade receivables and other assets	6,807	6,504	1,377	109	-
Advance payments	410	489	76	-	-
Cash and cash equivalents	20,973	17,171	31,578	45,920	2,520
Current assets	**38,925**	**34,840**	**37,312**	**46,029**	**2,520**
Total assets	**209,853**	**207,728**	**70,392**	**46,052**	**2,520**
Equity and liabilities					
Subscribed capital	6,793	6,642	4,152	4,152	25
Capital increase not yet registered	-	-	3,000	-	2,475
Capital reserve	123,398	118,727	42,078	42,140	58
Other reserves	145	97	-	-	-
Currency translation difference	(44)	(90)	-	-	-
Accumulated losses	(7,574)	(6,459)	(2,636)	(1,000)	(58)
Equity	**122,718**	**118,917**	**46,594**	**45,292**	**2,500**
Non-current financial liabilities	55,878	55,889	15,948	-	-
Other provisions	516	490	42	-	-
Deferred tax liabilities	18,054	18,556	3,415	-	-
Non-current liabilities	**74,448**	**74,935**	**19,405**	**-**	**-**
Current tax liabilities	912	736	235	-	-
Current financial liabilities	4,867	5,435	1,030	-	-
Trade payables and other liabilities	6,316	6,916	2,819	760	20
Contract liabilities	464	665	266	-	-
Other provisions	129	125	42	-	-
Current liabilities	**12,687**	**13,876**	**4,392**	**760**	**20**
Liabilities	**87,134**	**88,811**	**23,798**	**760**	**20**
Total equity and liabilities	**209,853**	**207,728**	**70,392**	**46,052**	**2,520**

11.3 Consolidated statement of cash flows

In EUR k	1 Jan – 31 Mar		1 Jan – 31 Dec 2019	1 Aug 2018 – 31 Dec 2018	1 Aug 2017 – 31 Jul 2018	1 Jan 2017 – 31 Jul 2017
	2020	2019				
	(unaudited)		(audited)	(audited)	(audited)	(audited)
					(individual)	(individual)
Cash flow from operating activities	466	(323)	1,426	(1,019)	(307)	(2)
Cash flow from investing activities	(245)	(887)	(87,293)	(26,033)	(27)	-
Cash flows from financing activities	3,543	(80)	71,466	12,709	43,734	2,515

11.4 Revenue by segments

The following tables set out the revenue of BCM Group by reportable segments for the three months ended 31 December 2020 compared to the three months ended 31 March 2019 and for the fiscal year ended 31 December 2019 and the short fiscal year 2018.

Since IHSE, representing the segment “Security Technologies”, was acquired at the end of 2019, no figures are presented in this segment for the three months ended 31 March 2019 and only for the three months ended 31 March 2020.

Reportable segments						
	Environmental Technologies		Security Technologies		Total	
In EUR k	**Q1 2020**	**Q1 2019**	**Q1 2020**	**Q1 2019**	**Q1 2020**	**Q1 2019**
External customers						
Products sold	2,775	3,679	11,740	-	14,515	3,679
Services rendered	104	92	65	-	169	92
External gross revenue	**2,879**	**3,771**	**11,806**	**-**	**14,684**	**3,771**
Revenue reductions	(691)	(758)	(1,473)	-	(2,163)	(758)
Revenue from contracts with customers	**2,188**	**3,013**	**10,333**	**-**	**12,521**	**3,013**
Short-term leasing of devices	42	7	-	-	42	7
Revenue	**2,230**	**3,020**	**10,333**	**-**	**12,563**	**3,020**
Timing of revenue recognition						
Point in time	1,896	2,921	10,268	-	12,164	2,921
Over time	292	92	65	-	357	92
Revenue from contracts with customers	**2,188**	**3,013**	**10,333**	**-**	**12,521**	**3,013**
Short-term leasing of devices	42	7	-	-	42	7
Revenue	**2,230**	**3,020**	**10,333**	**-**	**12,563**	**3,020**
Principal geographical markets						
Germany*	780	817	1,161	-	1,941	817
Rest of Europe	802	1,114	3,570	-	4,372	1,114
Rest of world	648	1,089	5,602	-	6,250	1,089
Revenue from contracts with customers	**2,188**	**3,013**	**10,333**	**-**	**12,521**	**3,013**
Short-term leasing of devices	42	7	-	-	42	7
Revenue	**2,230**	**3,020**	**10,333**	**-**	**12,563**	**3,020**

* Revenues for Germany comprise short-term leasing revenues.

In the following, the revenue of BCM Group by reportable segments is shown for the fiscal year ended 31 December 2019 and the short fiscal year 2018. Palas, representing the segment “Environmental Technologies”, was acquired at the end of 2018. Therefore, the figures for 2018 in the segment Environmental Technologies only relate to the period from 10 October 2018 to 31 December 2018. IHSE, representing the segment “Security Technologies”, was acquired at the end of 2019 so that no figures are presented in this segment for the fiscal year 2018 and only for the month of December in 2019.

	Reportable segments					
	Environmental Technologies		Security Technologies		Total	
In EUR k	2019	2018*	2019	2018*	2019	2018*
External customers						
Products sold	17,497	1,332	2,572	-	20,069	1,332
Services rendered	238	21	284	-	522	21
External gross revenue	**17,736**	**1,353**	**2,855**	**-**	**20,591**	**1,353**
Revenue reductions	(3,958)	(282)	(129)	-	(4,087)	(282)
Revenue from contracts with customers	**13,778**	**1,071**	**2,726**	**-**	**16,504**	**1,071**
Short-term leasing of devices	58	26	-	-	58	26
Revenue	**13,836**	**1,098**	**2,726**	**-**	**16,561**	**1,098**
Timing of revenue recognition						
Point in time	13,540	1,050	2,442	-	15,982	1,050
Over time	238	21	284	-	522	21
Revenue from contracts with customers	**13,778**	**1,071**	**2,726**	**-**	**16,504**	**1,071**
Short-term leasing of devices	58	26	-	-	58	26
Revenue	**13,836**	**1,098**	**2,726**	**-**	**16,561**	**1,098**
Principal geographical markets						
Germany	4,117	509	215	-	4,332	509
Rest of Europe	4,658	242	307	-	4,966	242
Rest of world	5,002	321	2,204	-	7,206	321
Revenue from contracts with customers	**13,778**	**1,071**	**2,726**	**-**	**16,504**	**1,071**
Short-term leasing of devices	58	26	-	-	58	26
Revenue	**13,836**	**1,098**	**2,726**	**-**	**16,561**	**1,098**

* Refers to short fiscal year from 1 August 2018 to 31 December 2018.

11.5 Alternative performance measures (APMs) of BCM Group

The Company presents certain alternative performance measures ("**APMs**") of BCM Group, including, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBIT, Adjusted EBIT Margin, Adjusted Earnings and Adjusted Earnings per Share (each as defined in Sec. "*4. General information and subject matter of the Prospectus – 4.8 Presentation of figures – 4.8.4 Reference to alternative performance measures – Definitions of APMs*") that are not required by, or presented in accordance with, IFRS, German GAAP or any other generally accepted accounting principles. In addition to revenues, management of the Company uses these performance indicators for corporate management purposes and considers them to be essential for understanding BCM Group's earnings situation. The APMs are not defined in IFRS and the Group's definitions may not be comparable with similarly designated indicators used by other companies. For a reconciliation of the APM see "*12. Management's discussion and analysis of financial condition and results of operations– 12.6 Alternative performance measures (APMs)*".

The following APMs are derived from BCM Group's Audited IFRS Consolidated Financial Statements 2019:

In EUR k (audited, unless stated otherwise)	1 Jan – 31 Mar		1 Jan – 31 Dec	1 Jan – 31 Dec	1 Aug – 31 Dec
	2020[1]	**2019[2]**	**2019[2]**	**2019[1]**	**2018[1]**
	(unaudited)				
Revenue	**12,563**	**10,462**	**54,290**	**16,561**	**1,098**
Total Output	12,301	11,140	55,037	17,541	1,052
Gross Profit	8,898	7,797	39,870	13,242	832
Gross Profit in % of Total Output	72.3%	69.9%	72.4%	75.5%	79.1%
Adjusted EBITDA	**2,622**	**2,663**	**16,166**	**2,770**	**(843)**
Adjusted EBITDA Margin	**20.9%**	**25.5%**	**29.8%**	**16.7%**	**(76.8%)**
Adjusted EBIT	**2,248**	**2,315**	**14,713**	**1,950**	**(871)**
Adjusted EBIT Margin	**17.9%**	**22.1%**	**27.1%**	**11.8%**	**(79.3%)**
Adjusted Earnings	**879**	**838**	**8,106**	**(28)**	**(1,035)**
Adjusted Earnings per Share in EUR	**0.14**	**0.14**	**1.31**	**(0.01)**	**(0.41)**

1 On an actual basis.

2 "As if" figures for the fiscal year 2019 and the three months ended 31 March 2019 as if IHSE was acquired as of 1 Jan 2019.

12. Management's discussion and analysis of financial condition and results of operations

The discussion and analysis below provides information that the Company believes is relevant to an assessment and understanding of its historical financial position and results of operations. Investors should read the following discussion and analysis of assets, financial condition and results of operations of the Company in conjunction with the sections, "3. Risk factors", "4. General information and subject matter of the Prospectus", "11. Selected consolidated financial and other information", "15. Business" and "22. Recent developments and outlook", including the Financial Statements of pages F-1 et seqq. of this Prospectus.

The following discussion contains forward-looking statements that are subject to risks, uncertainties and other factors, the occurrence or non-occurrence of which can have the result that the actual events deviate from that is expressed or implied in the forward-looking statements (see "3. Risk factors" and "4. General information and subject matter of the Prospectus – 4.6 Forward looking statements").

The historical financial and business information contained in the following discussion is based on the Financial Statements of the Company and its finance and accounting systems. The unqualified audit opinions issued on the Audited IFRS Financial Statements do not contain any supplementary information.

To the extent, information is referred to in the following tables as "audited", this information was taken from the Audited IFRS Financial Statements of the Company. The financial and business information which is referred to as "unaudited" in the following tables is information taken from the Company's Unaudited IFRS Consolidated Interim Financial Statements or from the Company's internal reporting system, or has been calculated based on financial data from the above-mentioned sources.

*The following discussion of BCM Group's results of operations also makes reference to certain alternative performance measures ("**APMs**"), as defined in "4. General information and subject matter of the Prospectus – 4.8 Presentation of figures – 4.8.4 Reference to alternative performance measures". Prospective investors should bear in mind that these APMs are not financial measures defined in accordance with IFRS, German GAAP or other generally accepted accounting principles, may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of BCM Group's profit or loss as reported under IFRS, German GAAP or other generally accepted accounting principles. See "– 12.6 Alternative performance measures (APMs)").*

12.1 Overview of the business activities

BCM Group is a technology group focused on acquisitions of majority stakes in high-margin and high growth businesses within the German *Mittelstand*, which it believes to be technology and innovation champions.

The Company focuses on small and medium-sized *Mittelstand* companies ("**SMEs**") with business-to-business ("**B2B**") business models based in Germany and, opportunistically, SMEs based in other European countries. *Mittelstand* businesses that fall within the Company's selective acquisition focus are typically characterised by a multitude of organic growth opportunities that can be realised through strategic and operational enhancement as well as internationalisation. The Company provides a platform with the essential expertise including technology know how to evaluate, actively support and systematically enhance its subsidiaries together with the respective management teams, with the aim of driving long-term profitable growth and value creation. While the Company concentrates on acquisitions, strategic and operational enhancement initiatives as well as on certain central functions for the group (such as, as of today, controlling and marketing), the actual operational business is carried out solely by the subsidiaries who act independently regarding their respective business operations.

The Company aims to build a leading and diversified long-term oriented technology group consisting of businesses across a variety of niche markets, providing investors an attractive gateway to German *Mittelstand* technology champions. In identifying, acquiring as well as actively supporting and enhancing businesses within this specific focus on German *Mittelstand* technology companies, BCM AG can rely on an experienced management team and a legacy of three consecutive private equity fund programmes over the past 20 years. The team has an overall track record of 18 company acquisitions or investments (excluding venture capital investments) in addition to the Company's two existing subsidiaries which are its latest acquisitions made, *i.e.* a total of 20 company acquisitions or investments following broadly the same strategy and acquisition criteria.

Since the start of operations in 2017, the Company has acquired two subsidiaries:

Palas GmbH – which the Company believes to be a technology leader in certified systems used for measuring, characterising and generating air particles; and

IHSE GmbH – which the Company believes to be a global technology leader in high-performance IT infrastructure components in the keyboard, video and mouse ("**KVM**") market for highly secure, reliable and failure-safe transmission of data in "mission-critical" applications

Both subsidiaries demonstrate the Company's selective acquisition criteria and constitute the basis for BCM Group's exponential growth path from EUR 0 revenues in 2017 (short fiscal year from 1 January 2017 until 31 July 2017) to EUR 12 million revenues in 2018 (represented by the revenues of Palas

GmbH as shown in its German GAAP individual financial statements for the full fiscal year 2018) and EUR 54 million revenues with an Adjusted EBITDA of EUR 16 million in 2019 (figures for 2019 on an "as if" basis for the full fiscal year, as if IHSE was acquired on 1 January 2019).

12.2 Key factors influencing the results of operations of BCM Group

12.2.1. Additional acquisitions of target companies on favourable terms

BCM Group intends to become a leading publicly listed technology group. Therefore, BCM Group's strategy and business model is based on its ability to identify attractive target companies, acquire them on favourable terms and continuously develop their businesses following acquisition. This, to a large degree, depends on the Company being able to obtain accurate and timely information about, and access to, any such acquisition opportunities of potential target companies, ideally before the availability for sale becomes known to a broader group of potential interested parties.

For this purpose, the Company relies on and endeavours to maintain its sourcing network for generating acquisition opportunities. The Company also selects additional target companies based on its own proprietary sourcing, which allows it to make direct approaches to potential sellers while avoiding bidding or auction processes (which may require the Company to make bids for target companies on potentially disadvantageous terms) and reduces the need to involve third party M&A advisers to the greatest extent possible. Through this approach, the Company believes that it can acquire promising companies on more favourable terms. Therefore, the future results of operations will largely depend on the resilience of the Company's sourcing network and the successful direct approach of potential sellers.

12.2.2. Availability of attractive target companies

The successful implementation of BCM Group's inorganic growth strategy depends on the availability of a sufficient number of potential target companies within its selective acquisition focus. In addition, there has to be demand for investments by the target businesses, which in part depends on the situation of the economy in general, in the respective region and the respective industry, the tax environment, but to a larger degree, the strategic plans of the shareholders and the management of a target company.

12.2.3. Successful strategic and operational enhancement of subsidiaries

An additional key element of BCM Group's strategy is the further strategic and operational enhancement of its acquired subsidiaries to drive organic growth of the group. BCM AG implements initiatives to actively support its subsidiaries with strategic and operational enhancement as well as internationalisation post-acquisition together with the respective management teams. This development and strategic as well as operational enhancement is based on a strategic initiative plan which BCM AG develops (together with the management team) based on the knowledge obtained during due diligence. Strategic initiatives typically include the development of systematic sales and marketing strategies, expansion into other vertical or geographic markets, product portfolio review or strengthening of management teams, among others. These measures build the basis for continued profitable growth of BCM Group's subsidiaries.

The future results of operations of BCM Group will thus largely depend on the extent to which BCM Group succeeds in further enhancing its acquired subsidiaries to foster long-term profitable organic growth.

12.2.4. Availability and costs of funding

The growth of BCM Group also depends on whether and on what terms BCM Group has access to further financial resources to finance the expansion of BCM Group through acquisitions and the further strategic and operational enhancement of its subsidiaries.

BCM Group has financed the acquisitions of Palas and IHSE with equity from capital increases of BCM AG and partially with debt. For the near future, BCM Group intends to continue to finance future acquisitions of target companies mainly with equity supplemented to an appropriate extent with debt. For this purpose, the Company typically initiates discussions with potential external financing partners regarding the appropriate amount and corresponding terms of debt financing in the course of an acquisition process.

However, debt financing (leverage) is only intended to be used in a moderate extent to finance acquisitions (both on subsidiary and BCM AG level) and, if required, to finance working capital.

Access to these financings and the terms on which financings with debt and equity are available depend on the general market environment for debt and equity capital, including interest rate levels, BCM Group's creditworthiness, investors' demand for equity and debt, or the business situation of BCM Group. Higher interest rates (due to market conditions or BCM Group's creditworthiness) would lead to higher costs of capital.

The Company believes the listing of its Shares will facilitate BCM Group's access to equity capital and strengthen its financial flexibility for acquisitions and other financing purposes. Due to the enhanced public profile and further improved brand recognition, which is expected by the Company following the listing, BCM Group is expected to have better access also to sources of debt or hybrid financing (*e.g.* convertible debt) and on more favourable terms, thus possibly lowering BCM Group's financing costs.

Furthermore, to the extent it has access to the profits of subsidiaries (either through profit and loss transfer agreements or dividends), the Company intends to also use its organic cash flow to provide equity for future acquisitions. The larger the group and possibly also its profits, the more organically generated cash flow will be available for further acquisitions, thus potentially reducing future dependency on additional capital increases.

12.2.5. Ability to identify target companies that address relevant technology trends

BCM Group intends to acquire additional target companies that address global megatrends in technology, such as digitalisation, automation, cybersecurity, demographics and sustainability. Through these acquisitions, BCM Group aims to acquire companies with particularly high margins and long-term growth potential.

For this purpose, BCM Group’s current and future subsidiaries must identify and capitalise on technology trends. Thus, the future success of these subsidiaries depends on their ability to set and maintain technological standards in specific areas, in which they are perceived technology leaders, and to adapt continually their existing range of products to technological or innovation development as well as changing customer demands. Frequent product and service introductions as well as the emergence of new substitute technologies or evolving industry standards and practices should be anticipated in order to avoid the subsidiaries’ existing products becoming obsolete or less competitive. Accordingly, the ability to recognise or predict market trends at an early stage or to have determining influence on them is crucial for these companies to adopt their business practices and retain their relevance to customers. In addition, BCM Group must be able to adapt to changing consumer preferences more quickly or more successfully than BCM Group’s respective competitors to keep the market position and competitiveness of these subsidiaries.

Therefore, BCM Group’s ability to acquire companies that serve these trends with products that meet the expectations of its current and future customers will significantly influence its results of operations.

12.2.6. Cost of technological development

BCM Group's ability to develop and commercialise new products in a timely manner will materially affect the demand for its products and thus the revenues and profits of BCM Group. However, the requirement to make the necessary technological developments to set and maintain technological standards will trigger development costs. The amount of these costs will depend on the technological change and may fluctuate. Technical problems during the development process may delay the launch of a new product and increase the respective costs. The costs connected with such new developments and improvements may or may not be offset by income depending on whether the launch of the newly developed products proves to be successful or unsuccessful.

12.2.7. *General economic and political conditions*

Due to the Company's focus on target companies in Germany and, opportunistically, also other European countries, the business operations of these companies depend on the general economic situation in particular in Germany and, more generally, in Europe, which, in turn, could be influenced by macro-economic factors in the world economy due to the export-oriented economy especially in Germany. Furthermore, the business operations of BCM Group may also be affected by such factors in other regions depending on the business of its subsidiaries and their respective sales markets. Therefore, the global economic situation and especially in those markets, where BCM Group is already active or could become active, will affect the demand for BCM Group's products.

For example, the global outbreak of COVID-19 has significantly negatively impacted the global economy. This affects also materially negatively the businesses of BCM Group as the increased economic and demand uncertainty causes customers to postpone orders or shift projects leading to decline in demand BCM Group's products.

12.3 Significant accounting policies

BCM Group's reported assets, financial condition and results of operations can be impacted by the accounting methods, assumptions and estimates which form the basis of its consolidated financial statements. BCM Group's critical accounting policies, as well as the judgments made in the creation and application of such policies, and the sensitivities of the reported results to changes in these policies and related assumptions and estimates should be considered along with BCM Group's consolidated financial statements. For a detailed discussion, see note 4 to the Audited IFRS Consolidated Financial Statements 2019 and note 2 to the Unaudited IFRS Consolidated Financial Statements included in this Prospectus under *"24. Financial Information (F-pages)"* on pages F-1 et seq.

12.4 Scope of consolidation

The subsidiaries of BCM Group are consolidated using the acquisition method pursuant to IFRS 3 and included in the consolidated financial statements from the date of acquisition, *i.e.* from the date BCM Group obtains control. The following group entities were included in the Audited IFRS Consolidated Financial Statements 2019:

- Palas Holding GmbH, Karlsruhe
- Palas GmbH Partikel- und Lasermeßtechnik, Karlsruhe
- IHSE AcquiCo GmbH, Oberteuringen

- IHSE Holding GmbH, Oberteuringen
- IHSE Beteiligungs GmbH, Oberteuringen
- IHSE GmbH, Oberteuringen
- IHSE Immobilien GmbH, Oberteuringen
- IHSE USA LLC, Cranbury, NJ, USA
- IHSE GmbH Asia Pacific Pte Ltd, Singapore

In the short fiscal year 2018, the following group entities were included in the Audited IFRS Consolidated Financial Statements Short Fiscal Year 2018:

- Palas Holding GmbH, Karlsruhe
- Palas GmbH Partikel- und Lasermeßtechnik, Karlsruhe

In the short fiscal year 2017 and the fiscal year ending 31 July 2018, the Company had no subsidiaries and the respective financial statements were prepared on an individual basis.

12.5 Factors affecting comparability of results of operations and financial condition

Because of two changes in its fiscal years in the period under review, BCM Group presents the following fiscal years in this Prospectus:

- a short fiscal year from 1 January 2017 to 31 July 2017, with the reporting period covering seven months only;
- a twelve-month fiscal year from 1 August 2017 to 31 July 2018;
- a short fiscal year from 1 August 2018 to 31 December 2018, with the reporting period covering five months;
- a twelve-month fiscal year from 1 January 2019 to 31 December 2019.

The Company effected the first change in the year 2017 in connection with the economic re-establishment (*wirtschaftliche Neugründung*) and the re-capitalisation of the Company in July 2017 in preparation of the first financing round with external investors in autumn 2017. The change of the fiscal year enabled the Company to show the capital structure and the re-capitalisation in the frame of audited financial statements. The Company changed its fiscal year again in 2018 in order to return to the calendar year as fiscal year in order to synchronise its fiscal year with those of its subsidiaries.

Consequently, the financial information on the consolidated statement of comprehensive income and the consolidated statement of cash flows for the short fiscal years from 1 January 2017 to 31 July 2017 and from 1 August 2018 to 31 December 2018 can only be compared to a very limited extent with the financial information for the full twelve-month fiscal year ended 31 July 2018 and 31 December 2019.

Additionally, BCM Group has grown rapidly since 2018 due to the acquisitions of Palas in December 2018 and IHSE in December 2019. Due to the size of these transactions and the fact that the acquisition and initial consolidation took place for Palas in the short fiscal year 2018 and for IHSE at the end of the fiscal year 2019, the financial information for the fiscal year 2017/2018, the short fiscal year 2018 and fiscal year 2019 are only comparable to a very limited extent. The same applies to the Unaudited IFRS Consolidated Interim Financial Statements, where the acquisition of IHSE is fully reflected in the first quarter of the fiscal year 2020, but not included in the first quarter of the fiscal year 2019 due to the acquisition in December 2019.

As a result, the Company's historical earnings and other historical financial results are limited as to their comparability and are not predictive of future earnings or other financial results of the Company or BCM Group.

12.6 Alternative performance measures (APMs)

The Company presents certain alternative performance measures ("**APMs**") of BCM Group, including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBIT, Adjusted EBIT Margin, Adjusted Earnings and Adjusted Earnings per Share (each as defined in Sec. "*4. General information and subject matter of the Prospectus –4.8 Presentation of figures – 4.8.4 Reference to alternative performance measures – Definitions of APMs*") that are not required by, or presented in accordance with, IFRS, German GAAP or any other generally accepted accounting principles. In addition to revenues, management of the Company uses these performance indicators for corporate management purposes and considers them to be essential for understanding BCM Group's earnings situation. The APMs are not defined in IFRS and the Group's definitions may not be comparable with similarly designated indicators used by other companies.

The APMs are derived from BCM Group's Audited IFRS Consolidated Financial Statements 2019. However, in accordance with IFRS, full consolidation is performed only from the date on which control of a company is obtained. As a result, only part of the business volume of companies acquired during the year is reported in the consolidated statement of comprehensive income. In order to present meaningful financial information for BCM Group, the performance indicators are also presented on an "as if" basis. Applying the "as if" approach, the income and expenses of subsidiaries acquired in a reporting period are consolidated from the beginning of the period in which the respective acquisition took place. Thus, Palas was included with the entire short fiscal year 2018 figures from 1 August 2018 and IHSE was included with the entire fiscal year 2019 figures from 1 January 2019. In some cases, management estimates were used for this purpose.

The table below sets out a reconciliation of Adjusted EBITDA to operating (loss)/profit for the three months ended 31 March 2020 (including comparative figues for the respective prior-year period on an "as if" basis) and the fiscal year ended 31 December 2019 of BCM Group on an "as if" basis as well as an actual basis for the fiscal year 2019 and the short fiscal year 2018:

In EUR k (audited, unless stated otherwise)	**1 Jan – 31 Mar**		**1 Jan – 31 Dec**	**1 Jan – 31 Dec**	**1 Aug – 31 Dec**
	2020[1]	**2019[2]**	**2019[2]**	**2019[1]**	**2018[1]**
	(unaudited)				
Earnings before tax	**(804)**	**(492)**	**3,518**	**(3,387)**	**(1,577)**
Financial result	559	610	2,381	1,124	47
Amortisation, depreciation and impairment losses	2,327	2,524	10,086	3,534	216
EBITDA	**2,081**	**2,642**	**15,985**	**1,270**	**(1,314)**
Share-based payment	69	21	180	180	-
Costs from completed M&A transactions	-	-	-	1,320	471
Expensed cost of equity capital measures	472	-	-	-	-
Adjusted EBITDA	**2,622**	**2,663**	**16,166**	**2,770**	**(843)**

1 On an actual basis.
2 "As if" figures for the fiscal year 2019 and the three months ended 31 March 2019 as if IHSE was acquired as of 1 Jan 2019.

The table below sets out a reconciliation of EBIT and Adjusted EBIT to operating (loss)/profit for the three months ended 31 March 2020 (including comparative figues for the respective prior-year period on an "as if" basis) and for the fiscal year ended 31 December 2019 of BCM Group on an "as if" basis as well as on an actual basis for the fiscal year 2019 and the short fiscal year 2018:

In EUR k (audited, unless stated otherwise)	1 Jan – 31 Mar		1 Jan – 31 Dec	1 Jan – 31 Dec	1 Aug – 31 Dec
	2020[1]	2019[2]	2019[2]	2019[1]	2018[1]
	(unaudited)				
Earnings before tax	**(804)**	**(492)**	**3,518**	**(3,387)**	**(1,577)**
Financial result	559	610	2,381	1,124	47
EBIT	**(245)**	**118**	**5,899**	**(2,264)**	**(1,529)**
PPA amortisation expenses[3]	1,952	2,177	8,633	2,714	188
Share-based payment	69	21	180	180	-
Costs from completed M&A transactions	-	-	-	1,320	471
Expensed cost of equity capital measures	472	-	-	-	-
Adjusted EBIT	**2,248**	**2,315**	**14,713**	**1,950**	**(871)**

1 On an actual basis.
2 "As if" figures for the fiscal year 2019 and the three months ended 31 March 2019 as if IHSE was acquired as of 1 Jan 2019.
3 Amortisation expenses on intangible assets identified in the purchase price allocation for acquisitions.

The table below sets out a reconciliation of the Adjusted Earnings and the Adjusted Earnings per Share to operating (loss)/profit for the three months ended 31 March 2020 (including comparative figues for the respective prior-year period) and for the fiscal year ended 31 December 2019 of BCM Group on an "as if" basis as well as on an actual basis for the fiscal year 2019 and the short fiscal year 2018:

In EUR k (audited, unless stated otherwise)	1 Jan – 31 Mar		1 Jan – 31 Dec	1 Jan – 31 Dec	1 Aug – 31 Dec
	2020[1]	2019[2]	2019[2]	2019[1]	2018[1]
	(unaudited)				
Profit or loss	**(1,114)**	**(787)**	**1,314**	**(3,823)**	**(1,636)**
Share-based payment	69	21	180	180	-
Financial result from NCI Put[3]	30	27	354	354	-
Costs from completed M&A transactions	-	-	-	1,320	471
Expensed cost of equity capital measures	472	-	-	-	-
PPA amortisation expenses[4]	1,952	2,177	8,633	2,714	188
Thereon attributable deferred income taxes	(530)	(600)	(2,375)	(772)	(59)
Adjusted Earnings	**879**	**838**	**8,106**	**(28)**	**(1,035)**
Shares outstanding	6,266,118	6,151,058	6,195,579	2,905,836	2,502,510
Adjusted Earnings per Share (in EUR)	**0.14**	**0.14**	**1.31**	**(0.01)**	**(0.41)**

1 On an actual basis.

2 "As if" figures for the fiscal year 2019 and the three months ended 31 March 2019 as if IHSE was acquired as of 1 Jan 2019.

3 "**NCI Put**" means written put options on non-controlling interests, see note 6 to the Audited IFRS Consolidated Financial Statements 2019 and note 3 to the Unaudited IFRS Consolidated Financial Statements included in this Prospectus under *"24. Financial Information (F-pages)"* on page F-1 et seq.

4 Amortisation expenses on intangible assets identified in the purchase price allocation for acquisitions.

In the three months ended 31 March 2020, BCM Group reported revenue growth of 20.1% on an "as if" basis. The Adjusted EBITDA of EUR 2,622 k for the three months 2020 was essentially on the level of the prior-year period Q1 in the fiscal year 2019 on an "as if" basis. The Adjusted EBITDA Margin was 20.9% in the three months ended 31 March 2020 compared to an Adjusted EBITDA Margin of 25.5% in the three months ended 31 March 2019 on an "as if" basis. The lower margin in the first quarter of the fiscal year 2020 as compared to the comparative prior-year period mainly resulted from increased provisions for personnel expenses.

Adjusted Earnings per Share remained identical at EUR 0.14 for both the three months ended 31 March 2020 and 2019, respectively. In the first quarter of the fiscal year 2020, EBITDA was impacted by costs incurred for the IPO preparation of EUR 472 k.

In the fiscal year 2019, BCM Group's EBITDA in an amount of EUR 15,985 k on an "as if" basis (*i.e.* on a consolidated basis including IHSE for the entire fiscal year) was adjusted by share-based compensation in an amount of EUR 180 k. Therefore, the Adjusted EBITDA of BCM Group in that period amounted to EUR 16,166 k on an "as if" basis.

The acquisition of IHSE alone contributed an Adjusted EBITDA of EUR 14,126 k in the fiscal year 2019 with an Adjusted EBITDA Margin of 35%, leading to an Adjusted EBITDA Margin on an "as if" Group level of 29.8%.

12.7 Presentation of key items for results of operations

12.7.1. Revenues

BCM Group generates revenue from the sale of standard measuring devices and related system solutions in the Environmental Technologies operating segment. In the Security Technologies operating segment, BCM Group generates revenue from the sale of Keyboard, Video and Mouse ("**KVM**") devices and KVM systems. For a discussion of BCM Group's revenue recognition policies, please refer to Note 4.3 to the Audited IFRS Consolidated Financial Statements 2019 included in section *"24. Financial Information (F-Pages)"* of this Prospectus.

12.7.2. Cost of materials

Cost of materials consist principally of raw materials, supplies and purchased good and to a lesser extend the cost of purchased services.

12.7.3. Personnel expenses

Personnel expenses are comprised of wages and salaries, social security and post-employment benefits and expenses which arise in connection with an equity-settled remuneration agreement.

12.7.4. Other operating expenses

Other operating expenses include cost from M&A transactions, advertising and travel expenses, due diligence costs and professional expenses.

12.7.5. Amortisation of intangible assets identified with the scope of first-time consolidation

This item includes depreciation of property, plant and equipment and amortisation of intangible assets. Amortisation and depreciation also cover assets capitalised as part of acquisitions, including trademarks, order volume, basis technology and customer relationships.

12.7.6. Net finance income/costs

Interest income or costs is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. For the calculation of interest income and costs, the effective interest rate is applied to the gross carrying amount of the financial asset (where the credit status of this is not impaired) or to the amortised cost of the financial liability. For financial assets which are credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, the calculation of interest income returns to being made on a gross basis.

12.8 Segments

As of the date of this Prospectus, BCM Group currently comprises two strategic divisions, which represent the reportable segments of the Group. The operating segment Environmental Technologies, as of the date represented by Palas, comprises businesses in the field of development, production and distribution of fine dust and nano measurement devices, aerosol spectrometers and generators as well as filter test rigs.

The operating segment Security Technologies, as of the date of this Prospectus represented by IHSE, comprises businesses in the field of development, production and distribution of high-performance devices for the switching and extension of computer signals. Due to the acquisition of IHSE by BCM Group in December 2019, expenses and income are included only for December 2019 in the consolidated financials of the reporting period, informative value of the figures is therefore limited.

With an increasing number of suitable businesses to be acquired and in addition to the existing operational segments Environmental Technologies and Security Technologies, BCM Group also plans to form additional operational segments such as medical technologies and software in the medium term, in order to potentially start leveraging operational synergies, in addition to the centralised functions at BCM AG’s level.

12.9 Results of operations – Consolidated Statement of Comprehensive Income

The following table shows the results of operations for the fiscal years ended 31 December 2019, 31 December 2018 (short fiscal year), 31 July 2018 and 31 July 2017 (short fiscal year) as well as the three-month period ended 31 March 2020 and 31 March 2019.

In EUR k	1 Jan – 31 Mar 2020	1 Jan – 31 Mar 2019	1 Jan – 31 Dec 2019	1 Aug 2018 – 31 Dec 2018	1 Aug 2017 – 31 July 2018	1 Jan 2017 – 31 Jul 2017
	(unaudited)		(audited)	(audited)	(audited)	(audited)
					(individual)	(individual)
Revenue	12,563	3,020	16,561	1,098	-	-
Increase/(decrease) in finished goods and work in progress	(408)	95	211	(72)	-	-
Other own work capitalised	146	109	769	26	-	-
Total Output	**12,301**	**3,224**	**17,541**	**1,052**	**-**	**-**
Cost of materials	(3,403)	(912)	(4,299)	(220)	-	-
Gross Profit	**8,898**	**2,312**	**13,242**	**832**	**-**	**-**
Personnel expenses	(4,296)	(1,344)	(6,803)	(748)	(75)	-
Other operating expenses	(2,711)	(712)	(5,558)	(1,647)	(937)	(19)
Expected credit loss allowance on trade receivables	(6)	-	(2)	(14)	-	-
Other operating income	196	73	390	263	73	-
EBITDA	**2,081**	**330**	**1,270**	**(1,314)**	**(940)***	**(19)***
Depreciation of property, plant and equipment and amortisation of intangible assets	(375)	(177)	(820)	(28)	(4)*	-
EBITA	**1,706**	**153**	**450**	**(1,342)**	**(944)***	**(19)***
Amortisation of intangible assets identified in first-time consolidation	(1,952)	(563)	(2,714)	(188)	-	-
Finance costs	(560)	(246)	(1,179)	(47)	-	-
Finance income	1	1	56	-	1	-
Financial result	(559)	(245)	(1,124)	(47)	1	-
Earnings before tax	**(804)**	**(655)**	**(3,387)**	**(1,577)**	**(943)**	**(19)**
Income tax	(310)	(17)	(436)	(59)	-	-
Profit or loss**	**(1,114)**	**(672)**	**(3,823)**	**(1,636)**	**(943)**	**(19)**
Foreign currency translation adjustments	46	-	(90)	-	-	-
Total comprehensive income**	**(1,068)**	**(672)**	**(3,913)**	**(1,636)**	**(943)**	**(19)**
Weighted average number of shares outstanding (Units)	6,266,118	2,628,000	2,905,836	2,502,510	-	-
Earnings per share (in EUR)	**(0.18)**	**(0.26)**	**(1.32)**	**(0.65)**	**-**	**-**

* Unaudited; position was not shown in the Audited IFRS Individual Financial Statements Short Fiscal Year 2017 and in the Audited IFRS Individual Financial Statements 2017/18 and the amounts were taken from the accounting records of the Company.

** The profit or loss and total comprehensive income are fully attributable to shareholders of BCM AG.

12.9.1. Revenue

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

BCM Group's revenue increased from EUR 3,020 k in the three months ended 31 March 2019 by EUR 9,543 k or 316% to EUR 12,563 k in the three months ended 31 March 2020. This increase was primarily driven by the fact that IHSE's income was in the scope of consolidation in 2020 as opposed to 2019. Revenue broken down by segments in the three months ended 31 March 2020 compared to the three months ended 31 March 2019 was as follows:

	Reportable segments					
	Environmental Technologies		**Security Technologies**		**Total**	
In EUR k	**Q1 2020**	**Q1 2019**	**Q1 2020**	**Q1 2019**	**Q1 2020**	**Q1 2019**
External customers						
Products sold	2,775	3,679	11,740	-	14,515	3,679
Services rendered	104	92	65	-	169	92
External gross revenue	**2,879**	**3,771**	**11,806**	**-**	**14,684**	**3,771**
Revenue reductions	(691)	(758)	(1,473)	-	(2,163)	(758)
Revenue from contracts with customers	**2,188**	**3,013**	**10,333**	**-**	**12,521**	**3,013**
Short-term leasing of devices	42	7	-	-	42	7
Revenue	**2,230**	**3,020**	**10,333**	**-**	**12,563**	**3,020**
Timing of revenue recognition						
Point in time	1,896	2,921	10,268	-	12,164	2,921
Over time	292	92	65	-	357	92
Revenue from contracts with customers	**2,188**	**3,013**	**10,333**	**-**	**12,521**	**3,013**
Short-term leasing of devices	42	7	-	-	42	7
Revenue	**2,230**	**3,020**	**10,333**	**-**	**12,563**	**3,020**
Principal geographical markets						
Germany*	780	817	1,161	-	1,941	817
Rest of Europe	802	1,114	3,570	-	4,372	1,114
Rest of world	648	1,089	5,602	-	6,250	1,089
Revenue from contracts with customers	**2,188**	**3,013**	**10,333**	**-**	**12,521**	**3,013**
Short-term leasing of devices	42	7	-	-	42	7
Revenue	**2,230**	**3,020**	**10,333**	**-**	**12,563**	**3,020**

* Revenues for Germany comprise short-term leasing revenues.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

BCM Group's revenue increased from EUR 1,098 k in the short fiscal year ended 31 December 2018 by EUR 15,463 k to EUR 16,561 k in the fiscal year ended 31 December 2019. This increase was driven by a multitude of factors. In the short fiscal year 2018, Palas' revenue was only consolidated for the month of December. Also, on an annual basis, Palas' revenue increased in 2019 due to higher volume of business in terms of number of devices sold. In addition, revenue of IHSE has been consolidated for the first time in December 2019, leading to an additional increase.

Revenue broken down by segments in the fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018 was as follows:

	Reportable segments					
	Environmental Technologies		Security Technologies		Total	
In EUR k	1 Jan to 31 Dec 2019	1 Aug to 31 Dec 2018	1 Jan to 31 Dec 2019	1 Aug to 31 Dec 2018	1 Jan to 31 Dec 2019	1 Aug to 31 Dec 2018
External customers						
Products sold	17,497	1,332	2,572	-	20,069	1,332
Services rendered	238	21	284	-	522	21
External gross revenue	**17,736**	**1,353**	**2,855**	**-**	**20,591**	**1,353**
Revenue reductions	(3,958)	(282)	(129)	-	(4,087)	(282)
Revenue from contracts with customers	**13,778**	**1,071**	**2,726**	**-**	**16,504**	**1,071**
Short-term leasing of devices	58	26	-	-	58	26
Revenue	**13,836**	**1,098**	**2,726**	**-**	**16,561**	**1,098**
Timing of revenue recognition						
Point in time	13,540	1,050	2,442	-	15,982	1,050
Over time	238	21	284	-	522	21
Revenue from contracts with customers	**13,778**	**1,071**	**2,726**	**-**	**16,504**	**1,071**
Short-term leasing of devices	58	26	-	-	58	26
Revenue	**13,836**	**1,098**	**2,726**	**-**	**16,561**	**1,098**
Principal geographical markets						
Germany	4,117	509	215	-	4,332	509
Rest of Europe	4,658	242	307	-	4,966	242
Rest of world	5,002	321	2,204	-	7,206	321
Revenue from contracts with customers	**13,778**	**1,071**	**2,726**	**-**	**16,504**	**1,071**
Short-term leasing of devices	58	26	-	-	58	26
Revenue	**13,836**	**1,098**	**2,726**	**-**	**16,561**	**1,098**

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The Company had no revenue in the fiscal year ended 31 July 2018 increasing to EUR 1,098 k in the short fiscal year ended 31 December 2018 of BCM Group. The reason was the first-time consolidation of Palas, starting as per December 2018.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The revenue was EUR 0 in both fiscal years.

12.9.2. *Increase/(decrease) in finished goods and work in progress*

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

The effects from increase/(decrease) in finished goods and work in progress was EUR 95 k in the three months ended 31 March 2019, compared to EUR -408 k in the three months ended 31 March 2020. This change was primarily driven by record date effects in inventory valuation of IHSE being included in the consolidated figures for the period in 2020.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

The effects from increase/(decrease) in finished goods and work in progress increased from EUR -72 k in the short fiscal year ended 31 December 2018 by EUR 283 k to EUR 211 k in the fiscal year ended 31 December 2019. This increase was primarily driven by record date effects in inventory valuation of Palas being included in the consolidated figures for the entire fiscal year as opposed to only one month in the period before.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

There was no effect from finished goods and work in progress in the fiscal year ended 31 July 2018, whereas finished goods and work in progress amounted to EUR -72 k in the short fiscal year ended 31 December 2018. This decrease was primarily driven by the sale of finished goods by Palas in course of December 2018.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The Company had no effect on finished goods and work in progress in both the short fiscal year ended 31 July 2017 and in the fiscal year ended 31 July 2018.

12.9.3. Other own work capitalised

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

BCM Group's other own work capitalised increased by EUR 37 k, or 33.9%, from EUR 109 k in the three months ended 31 March 2019 to EUR 146 k in the three months ended 31 March 2020. This increase was primarily driven by higher demo device production.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

BCM Group's other own work capitalised increased by EUR 743 k from EUR 26 k in the short fiscal year ended 31 December 2018 to EUR 769 k in the fiscal year ended 31 December 2019. This increase was primarily driven by Palas' production of demo devices and capitalisation of development costs being included in the consolidated figures for the entire fiscal year as opposed to only one month in the period before.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The Company's other own work capitalised increased from none in the fiscal year ended 31 July 2018 to EUR 26 k in the short fiscal year ended 31 December 2018 of BCM Group. This increase was primarily driven by Palas' production of demo devices and capitalisation of development costs in December 2018.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The Company had no other own work capitalised in both the short fiscal year ended 31 July 2017 and the fiscal year ended 31 July 2018.

12.9.4. Total Output

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

As a result of the effects described above, BCM Group's Total Output increased from EUR 3,224 k in the three months ended 31 March 2019 by EUR 9,077 k, or 281.5%, to EUR 12,301 k in the three months ended 31 March 2020.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

As a result of the effects described above, BCM Group's Total Output increased from EUR 1,052 k in the short fiscal year ended 31 December 2018 by EUR 16,489 k, to EUR 17,541 k in the fiscal year ended 31 December 2019.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

As a result of the effects described above, the Company had no Total Output in the fiscal year ended 31 July 2018, which increased to EUR 1,052 k in the short fiscal year ended 31 December 2018 of BCM Goup.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

As a result of the effects described above, the Company had no Total Output in both the short fiscal year ended 31 July 2017 and in the fiscal year ended 31 July 2018.

12.9.5. Cost of materials

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

BCM Group's cost of materials increased from EUR 912 k in the three months ended 31 March 2019 by EUR 2,491 k, or 273.1%, to EUR 3,403 k in the three months ended 31 March 2020. This increase was primarily driven by the fact that IHSE's expenses were in the scope of consolidation in 2020 as opposed to 2019.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

BCM Group's cost of materials increased from EUR 220 k in the short fiscal year ended 31 December 2018 by EUR 4,079 k to EUR 4,299 k in the fiscal year ended 31 December 2019. This increase was primarily driven by Palas' consumption of materials for production, *e.g.* electronic and optical components of Palas being included in the consolidated figures for the entire fiscal year as opposed to only one month in the period before.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The Company's cost of materials increased from EUR 0 in the fiscal year ended 31 July 2018 to EUR 220 k in the short fiscal year ended 31 December 2018 of BCM Group. This increase was primarily driven by Palas' consumption of materials for production, *e.g.* electronic and optical components being included in the consolidated financial statements for one month of short fiscal year ended 31 December 2018.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

There was no cost of materials in both the short fiscal year ended 31 July 2017 and in the fiscal year ended 31 July 2018.

12.9.6. Gross Profit

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

As a result of the effects described above, BCM Group's Gross Profit increased from EUR 2,312 k in the three months ended 31 March 2019 by EUR 6,586 k, or 284.9%, to EUR 8,898 k in the three months ended 31 March 2020.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

As a result of the effects described above, BCM Group's Gross Profit increased from EUR 832 k in the short fiscal year ended 31 December 2018 by EUR 12,410 k to EUR 13,242 k in the fiscal year ended 31 December 2019.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

As a result of the effects described above, the Company's Gross Profit increased from EUR 0 in the fiscal year ended 31 July 2018 to EUR 832 k in the short fiscal year ended 31 December 2018 of BCM Group.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

As a result of the effects described above, the Company did not present any Gross Profit in both the short fiscal year ended 31 July 2017 and in the fiscal year ended 31 July 2018.

12.9.7. Personnel expenses

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

BCM Group's personnel expenses increased by EUR 2,952 k, or 219.6%, from EUR 1,344 k in the three months ended 31 March 2019 to EUR 4,296 k in the three months ended 31 March 2020. This increase was primarily driven by the fact that IHSE's expenses were in the scope of consolidation in 2020 as opposed to 2019.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

BCM Group's personnel expenses increased by EUR 6,055 k, or 809.5%, from EUR 748 k in the short fiscal year ended 31 December 2018 to EUR 6,803 k in the fiscal year ended 31 December 2019. This increase was primarily driven by the personnel expenses of Palas (salary, wages, and social insurance) being included in the consolidated figures for the entire fiscal year as opposed to only one month in the period before.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The Company's personnel expenses increased by EUR 673 k, or 897.3%, from EUR 75 k in the fiscal year ended 31 July 2018 to EUR 748 k in the short fiscal year ended 31 December 2018 of BCM Group. This increase was primarily driven by the further increase in employees of BCM Group as well as the salaries of Palas' employees being included in the consolidated financial statements for one month of short fiscal year ended 31 December 2018.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The Company's personnel expenses increased from EUR 0 in the short fiscal year ended 31 July 2017 to EUR 75 k in the short fiscal year ended 31 December 2018. This increase was primarily driven by the ramp-up of business activities of the Company.

12.9.8. Other operating expenses

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

BCM Group's other operating expenses increased by EUR 1,999 k, or 280.8%, from EUR 712 k in the three months ended 31 March 2019 to EUR 2,711 k in the three months ended 31 March 2020. This increase was primarily due to IHSE's income being within the scope of consolidation in 2020 as opposed to 2019.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

BCM Group's other operating expenses increased by EUR 3,911 k, or 237.5%, from EUR 1,647 k in the short fiscal year ended 31 December 2018 to EUR 5,558 k in the fiscal year ended 31 December 2019. This increase was primarily driven by the first-time consolidation of Palas, starting as per

December 2018 and the transaction costs in connection to the acquisition of IHSE as well as inclusion of IHSE's cost base for December 2019.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The Company's other operating expenses increased by EUR 710 k or 75.8%, from EUR 937 k in the fiscal year ended 31 July 2018 to EUR 1,647 k in the fiscal year ended 31 December 2018 of BCM Group. This increase was primarily due to transaction costs in connection to the acquisition of Palas as well as inclusion of Palas' cost base for December 2018. Also, due diligence costs for potential acquisitions that were discontinued have exceeded the volume in the preceding period.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The Company's other operating expenses increased by EUR 918 k from EUR 19 k in the fiscal year ended 31 July 2017 to EUR 937 k in the fiscal year ended 31 July 2018. This increase was primarily due to the ramp-up of operating activities in the fiscal year ended 31 July 2018.

12.9.9. *Other operating income*

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

BCM Group's other operating income increased by EUR 123 k, or 168.5%, from EUR 73 k in the three months ended 31 March 2019 to EUR 196 k in the three months ended 31 March 2020. This increase was primarily driven by the fact that IHSE's income was in the scope of consolidation in 2020 as opposed to 2019.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

BCM Group's other operating income increased by EUR 127 k, or 48.3%, from EUR 263 k in the short fiscal year ended 31 December 2018 to EUR 390 k in the fiscal year ended 31 December 2019. This increase was primarily driven by the income of Palas being included in the consolidated figures for the entire fiscal year as opposed to only one month in the period before.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The Company's other operating income increased by EUR 190 k, or 260.3%, from EUR 73 k in the fiscal year ended 31 July 2018 to EUR 263 k in the short fiscal year ended 31 December 2018 of BCM Group. This increase was primarily driven by a larger cost reimbursement by the potential sellers of a company in a discontinued due diligence compared to previous fiscal year. Such cost reimbursements should not be considered recurring, since they are negotiated on a case by case basis.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The Company's other operating income increased from EUR 0 in the short fiscal year ended 31 July 2017 to EUR 73 k in the fiscal year ended 31 July 2018. This increase was primarily driven by receipt of a cost reimbursement by the potential sellers of a company in a discontinued due diligence.

12.9.10. EBITDA

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

As a result of the effects described above, BCM Group's EBITDA increased from EUR 330 k in the three months ended 31 March 2019 by EUR 1,751 k, or 530.6%, to EUR 2,081 k in the three months ended 31 March 2020.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

As a result of the effects described above, BCM Group's EBITDA increased from EUR -1,314 k in the short fiscal year ended 31 December 2018 by EUR 2,584 k to EUR 1,270 k in the fiscal year ended 31 December 2019.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

As a result of the effects described above, the Company's EBITDA decreased from EUR -940 k in the fiscal year ended 31 July 2018 by EUR 374 k, to EUR -1,314 k in the short fiscal year ended 31 December 2018 of BCM Group.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

As a result of the effects described above, the Company's EBITDA decreased from EUR -19 k in the short fiscal year ended 31 July 2017 by EUR 921 k to EUR -940 k in the fiscal year ended 31 July 2018. Since EBITDA was not shown in the Audited IFRS Individual Financial Statements Short Fiscal Year 2017 and in the Audited IFRS Individual Financial Statements 2017/18, the amounts were taken from the accounting records of the Company.

12.9.11. Depreciation of property, plant and equipment and amortisation of intangible assets

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

BCM Group's depreciation of property, plant and equipment and amortisation of intangible assets increased by EUR 198 k, or 111.9%, from EUR 177 k in the three months ended 31 March 2019 to

EUR 375 k in the three months ended 31 March 2020. This increase was primarily driven by the fact that IHSE's expenses were in the scope of consolidation in 2020 as opposed to 2019.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

BCM Group's depreciation of property, plant and equipment and amortisation of intangible assets increased by EUR 792 k from EUR 28 k in the short fiscal year ended 31 December 2018 to EUR 820 k in the fiscal year ended 31 December 2019. This increase was primarily driven by depreciation of Palas' property, plant and equipment being included in the consolidated figures for the entire fiscal year as opposed to only one month in the period before.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The Company's depreciation of property, plant and equipment and amortisation of intangible assets increased by EUR 24 k from EUR 4 k in the fiscal year ended 31 July 2018 to EUR 28 k in the short fiscal year ended 31 December 2018 of BCM Group. This increase was primarily driven by the depreciation of Palas property, plant and equipment.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The Company's depreciation of property, plant and equipment and amortisation of intangible assets increased by EUR 4 k from EUR 0 in the short fiscal year ended 31 July 2017 to EUR 4 k in the fiscal year ended 31 July 2018. This increase was primarily driven by the depreciation of the new website of the Company.

12.9.12. EBITA

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

As a result of the effects described above, BCM Group's EBITA increased from EUR 153 k in the three months ended 31 March 2019 by EUR 1,553 k to EUR 1,706 k in the three months ended 31 March 2020.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

As a result of the effects described above, BCM Group's EBITA increased from EUR -1,342 k in the short fiscal year ended 31 December 2018 by EUR 1,792 k to EUR 450 k in the fiscal year ended 31 December 2019.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

As a result of the effects described above, the Company's EBITA decreased from EUR -944 k in the fiscal year ended 31 July 2018 by EUR 398 k, to EUR -1,342 k in the short fiscal year ended 31 December 2018 of BCM Group.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

As a result of the effects described above, the Company's EBITA decreased from EUR -19 k in the short fiscal year ended 31 July 2017 by EUR 925 k to EUR -944 k in the fiscal year ended 31 July 2018. Since EBITA was not shown in the Audited IFRS Individual Financial Statements Short Fiscal Year 2017 and in the Audited IFRS Individual Financial Statements 2017/18, the amounts were taken from the accounting records of the Company.

12.9.13. Amortisation of intangible assets identified in first-time consolidation

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

BCM Group's amortisation of intangible assets identified in first time consolidation increased by EUR 1,389 k, or 246.7%, from EUR 563 k in the three months ended 31 March 2019 to EUR 1,952 k in the three months ended 31 March 2020. This increase was primarily driven by the fact that IHSE's expenses were in the scope of consolidation in 2020 as opposed to 2019.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

BCM Group's amortisation of intangible assets identified in first-time consolidation increased by EUR 2,526 k from EUR 188 k in the short fiscal year ended 31 December 2018 to EUR 2,714 k in the fiscal year ended 31 December 2019. This increase was primarily driven by amortisation of Palas' basis technology, order book and customer relationships being included in the consolidated figures for the entire fiscal year as opposed to only one month in the period before. Additionally, in December 2019, those amortisation items also incurred for IHSE's intangible assets identified in first-time consolidation.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The Company's amortisation of intangible assets identified in first-time consolidation increased from EUR 0 in the fiscal year ended 31 July 2018 to EUR 188 k in the short fiscal year ended 31 December 2018 of BCM Group. This increase was primarily driven by the amortisation of Palas' basis technology, order book and customer relationships in December 2018.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

There was no amortisation of intangible assets identified in first-time consolidation presented both in the short fiscal year ended 31 July 2017 and in the fiscal year ended 31 July 2018.

12.9.14. Financial result

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

BCM Group's financial result decreased by EUR 314 k, or 128.2%, from EUR -245 k in the three months ended 31 March 2019 to EUR -559 k in the three months ended 31 March 2020. This decrease was primarily driven by the cost of the debt financing that was taken on in December 2019 in order to finance the acquisition of IHSE.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

BCM Group's financial result decreased from EUR -47 k in the short fiscal year ended 31 December 2018 by EUR 1,077 k to EUR -1,124 k in the fiscal year ended 31 December 2019. This was primarily driven by the interest on the Palas acquisition financing occurring for the entire fiscal year as opposed to only one month in the period before. Also, the position includes one month of the cost of the acquisition financing of IHSE.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The Company's financial result changed from positive EUR 1 k in the fiscal year ended 31 July 2018 by EUR -48 k to EUR -47 k in the short fiscal year ended 31 December 2018 of BCM Group. This decrease was primarily driven by the interest on the acquisition debt facilities in connection with the acquisition of Palas.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The Company's financial result increased from EUR 0 in the short fiscal year ended 31 July 2017 by EUR 1 k to a positive financial result of EUR 1 k in the fiscal year ended 31 July 2018.

12.9.15. Earnings before tax

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

As a result of the effects described above, BCM Group's earnings before tax decreased from EUR -655 k in the three months ended 31 March 2019 by EUR 149 k, or 22.7%, to EUR -804 k in the three months ended 31 March 2020.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

As a result of the effects described above, BCM Group's earnings before tax decreased from EUR -1,577 k in the short fiscal year ended 31 December 2018 by EUR 1,810 k, or 114.7%, to EUR -3,387 k in the fiscal year ended 31 December 2019.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

As a result of the effects described above, the Company's earnings before tax decreased from EUR -943 k in the fiscal year ended 31 July 2018 by EUR 634 k, or 67.2%, to EUR -1,577 k in the short fiscal year ended 31 December 2018 of BCM Group.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

As a result of the effects described above, the Company's earnings before tax decreased from EUR -19 k in the short fiscal year ended 31 July 2017 by EUR 924 k, to EUR -943 k in the fiscal year ended 31 July 2018.

12.9.16. Income taxes

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

BCM Group's income tax increased by EUR 293 k from EUR 17 k in the three months ended 31 March 2019 to EUR 310 k in the three months ended 30 March 2020. This increase was primarily driven by higher taxable income of BCM Group's entities.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

BCM Group's income tax expense increased by EUR 377 k, or 639.0% from EUR 59 k in the short fiscal year ended 31 December 2018 to EUR 436 k in the fiscal year ended 31 December 2019. This increase was primarily driven by taxable income of Palas contributed to the consolidated statements for a total of twelve months.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The Company's income tax expenses increased from none in the fiscal year ended 31 July 2018 to EUR 59 k in the short fiscal year ended 31 December 2018 of BCM Group. This increase was primarily driven by taxable income contributed to the consolidated income statement by newly acquired Palas.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The Company had no income tax effect in both the short fiscal year ended 31 July 2017 and in the fiscal year ended 31 July 2018.

12.9.17. Profit or loss

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

As a result of the effects described above, BCM Group's loss increased from EUR 672 k in the three months ended 31 March 2019 by EUR 442 k, or 65.8%, to EUR 1,114 k in the three months ended 31 March 2020.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

As a result of the effects described above, BCM Group's loss increased from EUR 1,636 k in the short fiscal year ended 31 December 2018 by EUR 2,187 k, or 133.7%, to a loss of EUR 3,823 k in the fiscal year ended 31 December 2019.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

As a result of the effects described above, the Company's loss increased from EUR 943 k in the fiscal year ended 31 July 2018 by EUR 693 k, or 73.5%, to a loss of EUR 1,636 k in the short fiscal year ended 31 December 2018 of BCM Group.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

As a result of the effects described above, the Company's loss increased from EUR 19 k in the short fiscal year ended 31 July 2017 by EUR 924 k, to a loss of EUR 943 k in the fiscal year ended 31 July 2018.

12.10 Discussion of Consolidated Statement of Financial Position

The following table shows BCM Group's overview of the consolidated statements of financial position as of the dates shown:

In EUR k	31 Mar 2020	31 Dec 2019	31 Dec 2018	31 Jul 2018	31 Jul 2017
	(unaudited)	(audited)	(audited)	(audited) (individual)	(audited) (individual)
Assets					
Property, plant and equipment	11,289	11,322	797	4	-
Intangible assets and goodwill	158,892	160,585	32,283	19	-
Deferred tax assets	747	982	-	-	-
Non-current assets	**170,928**	**172,888**	**33,080**	**23**	**-**
Inventories	10,735	10,676	4,281	-	-
Trade receivables and other assets	6,807	6,504	1,377	109	-
Advance payments	410	489	76	-	-
Cash and cash equivalents	20,973	17,171	31,578	45,920	2,520
Current assets	**38,925**	**34,840**	**37,312**	**46,029**	**2,520**
Total assets	**209,853**	**207,728**	**70,392**	**46,052**	**2,520**
Equity and liabilities					
Subscribed capital	6,793	6,642	4,152	4,152	25
Capital increase not yet registered	-	-	3,000	-	2,475
Capital reserve	123,398	118,727	42,078	42,140	58
Other reserves	145	97	-	-	-
Currency translation difference	(44)	(90)	-	-	-
Accumulated losses	(7,574)	(6,459)	(2,636)	(1,000)	(58)
Equity	**122,718**	**118,917**	**46,594**	**45,292**	**2,500**
Non-current financial liabilities	55,878	55,889	15,948	-	-
Other provisions	516	490	42	-	-
Deferred tax liabilities	18,054	18,556	3,415	-	-
Non-current liabilities	**74,448**	**74,935**	**19,405**	**-**	**-**
Current tax liabilities	912	736	235	-	-
Current financial liabilities	4,867	5,435	1,030	-	-
Trade payables and other liabilities	6,316	6,916	2,819	760	20
Contract liabilities	464	665	266	-	-
Other provisions	129	125	42	-	-
Current liabilities	**12,687**	**13,876**	**4,392**	**760**	**20**
Liabilities	**87,134**	**88,811**	**23,798**	**760**	**20**
Total equity and liabilities	**209,853**	**207,728**	**70,392**	**46,052**	**2,520**

12.10.1. Non-current assets

BCM Group's non-current assets consist of property, plant and equipment as well as intangible assets and goodwill.

As of 31 March 2020 compared to 31 December 2019

BCM Group's non-current assets decreased by EUR 1,960 k, or 1.1%, from EUR 172,888 k as of 31 December 2019 to EUR 170,928 k as of 31 March 2020. The decrease was primarily driven by amortisation of intangible assets identified in first-time consolidation of IHSE and Palas.

As of 31 December 2019 as compared to 31 December 2018

BCM Group's non-current assets increased by EUR 139,808 k, or 422.6%, from EUR 33,080 k as of 31 December 2018 to EUR 172,888 k as of 31 December 2019. The increase was primarily driven by the acquisition of IHSE end of 2019 and mostly comprises goodwill, intangible assets identified in the purchase price allocation as well as IHSE's property, plant and equipment.

As of 31 December 2018 as compared to 31 July 2018

The Company's non-current assets increased by EUR 33,057 k from EUR 23 k as of 31 July 2018 to EUR 33,080 k as of 31 December 2018 of BCM Group. The increase was primarily driven by the acquisition of Palas end of 2018 and mostly comprises goodwill, intangible assets identified in the purchase price allocation as well as Palas' plant and equipment.

As of 31 July 2018 as compared to 31 July 2017

The Company's non-current assets increased from none as of 31 July 2017 to EUR 23 k as of 31 July 2018. The increase was primarily driven by capitalisation of the cost for creation of the Company's new website.

12.10.2. Current assets

BCM Group's current assets consist of inventories, trade receivables and other assets, advance payments as well as cash and cash equivalents.

As of 31 March 2020 compared to 31 December 2019

BCM Group's current assets increased by EUR 4,085 k, or 11.7%, from EUR 34,840 k as of 31 December 2019 to EUR 38,925 k as of 31 March 2020. The increase was primarily driven by the inflow of cash proceeds from BCM Group's capital increase in February 2020.

As of 31 December 2019 as compared to 31 December 2018

BCM Group's current assets decreased by EUR 2,472 k, or 6.6%, from EUR 37,312 k as of 31 December 2018 to EUR 34,840 k as of 31 December 2019. The decrease was primarily due to the purchase price payment for the acquisition of IHSE paid partially out of cash and cash equivalents.

As of 31 December 2018 as compared to 31 July 2018

The Company's current assets decreased by EUR 8,717 k, or 18.9 %, from EUR 46,029 k as of 31 July 2018 to EUR 37,312 k as of 31 December 2018 of BCM Group. The decrease was primarily driven by the purchase price payment for the acquisition of Palas paid mostly out of cash and cash equivalents.

As of 31 July 2018 as compared to 31 July 2017

The Company's current assets increased by EUR 43,509 k from EUR 2,520 k as of 31 July 2017 to EUR 46,029 k as of 31 July 2018. The increase was primarily driven by the capital increase end of 2017 where investors acquired new shares for cash paid to the Company.

12.10.3. Equity

The major items of total equity are subscribed capital and capital reserves.

As of 31 March 2020 compared to 31 December 2019

BCM Group's equity increased by EUR 3,801 k, or 3.2%, from EUR 118,917 k as of 31 December 2019 to EUR 122,718 k as of 31 March 2020. The increase was primarily driven by the Company's capital increase in February 2020.

As of 31 December 2019 as compared to 31 December 2018

BCM Group's equity increased by EUR 72,323 k, or 155.2%, from EUR 46,594 k as of 31 December 2018 to EUR 118,917 k as of 31 December 2019. The increase was primarily driven by the capital increases end of 2019 in connection with the acquisition of IHSE.

As of 31 December 2018 as compared to 31 July 2018

The Company's equity increased by EUR 1,302 k or 2.9%, from EUR 45,292 k as of 31 July 2018 to EUR 46,594 k as of 31 December 2018 of BCM Group. The increase was primarily driven by new shares issued as a part of the consideration in the acquisition of Palas.

As of 31 July 2018 as compared to 31 July 2017

The Company's equity increased by EUR 42,792 k from EUR 2,500 k as of 31 July 2017 to EUR 45,292 k as of 31 July 2018. The increase was primarily due to the capital increase in December 2017.

12.10.4. Non-current liabilities

BCM Group's non-current liabilities consist of bank debt, deferred tax liabilities and other provisions.

As of 31 March 2020 compared to 31 December 2019

BCM Group's non-current liabilities decreased by EUR 487 k, or 0.6%, from EUR 74,935 k as of 31 December 2019 to EUR 74,448 k as of 31 March 2020. The increase was primarily driven by the reversal of deferred tax liabilities in relation to the amortisation of intangible assets identified in first-time consolidation.

As of 31 December 2019 as compared to 31 December 2018

BCM Group's non-current liabilities increased by EUR 55,530 k, or 286.2%, from EUR 19,405 k as of 31 December 2018 to EUR 74,935 k as of 31 December 2019. The increase was primarily driven by the debt facilities taken on for the financing of the acquisition of IHSE as well as by the recognition of deferred tax liabilities for intangible assets identified in course of the purchase price allocation.

As of 31 December 2018 as compared to 31 July 2018

The Company's non-current liabilities increased from EUR 0 as of 31 July 2018 to EUR 19,405 k as of 31 December 2018 of BCM Group. The increase was primarily driven by the debt facilities taken on for the financing of the acquisition of Palas as well as by the recognition of deferred tax liabilities for intangible assets identified in course of the purchase price allocation.

As of 31 July 2018 as compared to 31 July 2017

There were no non-current liabilities existing in both the fiscal year ended 31 July 2018 and the short fiscal year ended 31 July 2017.

12.10.5. Current liabilities

As of 31 March 2020 compared to 31 December 2019

BCM Group's current liabilities decreased by EUR 1,189 k, or 8.6%, from EUR 13,876 k as of 31 December 2019 to EUR 12,687 k as of 31 March 2020. The decrease was primarily driven by the repayment of financial liabilities.

As of 31 December 2019 as compared to 31 December 2018

BCM Group's current liabilities increased by EUR 9,484 k or 215.9%, from EUR 4,392 k as of 31 December 2018 to EUR 13,876 k as of 31 December 2019. The increase was primarily driven primarily by liabilities acquired in course of the purchase of IHSE.

As of 31 December 2018 as compared to 31 July 2018

The Company's current liabilities increased by EUR 3,632 k, or 477.9%, from EUR 760 k as of 31 July 2018 to EUR 4,392 k as of 31 December 2018 of BCM Group. The increase was primarily driven by liabilities acquired in course of the purchase of Palas.

As of 31 July 2018 as compared to 31 July 2017

The Company's current liabilities increased by EUR 740 k from EUR 20 k as of 31 July 2017 to EUR 760 k as of 31 July 2018. The increase was primarily driven by ramp-up of operations of the Company.

12.11 Liquidity and capital resources

BCM Group's respectively the Company's main source of financing is the cash inflow from the capital increases in the fiscal years ended 31 July 2017, 31 July 2018 and 31 December 2019 in an aggregate amount of proceeds of EUR 103,863 k.

As of the balance sheet date 31 March 2020, BCM Group had liquid funds in the amount of EUR 20,973 k.

The following table sets forth an overview of BCM Group's cash flows for the periods indicated:

In EUR k	1 Jan – 31 Mar 2020	2019	1 Jan – 31 Dec 2019	1 Aug 2018 – 31 Dec 2018	1 Aug 2017 – 31 Jul 2018	1 Jan 2017 – 31 Jul 2017
	(unaudited)		(audited)	(audited)	(audited)	(audited)
					(individual)	(individual)
Cash flows from operating activities	466	(323)	1,426	(1,019)	(307)	(2)
Cash flows from investing activities	(245)	(887)	(87,293)	(26,033)	(27)	-
Cash flows from financing activities	3,543	(80)	71,466	12,709	43,734	2,515

12.11.1. Cash flows from operating activities

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

The cash flows from operating activities changed from a cash outflow of EUR 323 k for the three months ended 31 March 2019 by EUR 789 k to a cash inflow of EUR 466 k in the three months ended 31 March 2020. The change was primarily due to the decrease of trade payables and other liabilities not attributable to investing or financing activities.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

The cash flows from operating activities changed from a cash outflow of EUR 1,019 k for the short fiscal year ended 31 December 2018 by EUR 2,445 k to a cash inflow from of EUR 1,426 k for the fiscal year ended 31 December 2019. The changed was primarily due to Palas' profit being consolidated for the whole fiscal year as opposed to only one month of previous short fiscal year.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The cash flows used in operating activities increased from EUR 307 k for the fiscal year ended 31 July 2018 by EUR 712 k to EUR 1,019 k for the short fiscal year ended 31 December 2018. The increase was primarily driven by an increased cost base of BCM AG as well transaction costs for the acquisition of Palas.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The Company's cash flows used in operating activities increased from EUR 2 k for the short fiscal year ended 31 July 2017 by EUR 305 k to EUR 307 k for the fiscal year ended 31 July 2018. The increase was primarily due to higher operating costs due to the ramp-up of business operations of BCM AG.

12.11.2. Cash flows from investing activities

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

The cash flows used in investing activities decreased from EUR 887 k for the three months ended 31 March 2019 by EUR 642 k, or 72.4%, to EUR 245 k for the three months ended 31 March 2020. The decrease was primarily due to a deferred purchase price payment for the acquisition of Palas in the three months ended 31 March 2019 that did not occur in the three months ended 31 March 2020.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

The cash flows used in investing activities increased from EUR 26,033 k for the short fiscal year ended 31 December 2018 by EUR 61,260 k to EUR 87,293 k for the fiscal year ended 31 December 2019. The increase was primarily driven by the cash payment of the purchase price in the acquisition of IHSE.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The cash flows used in investing activities increased from EUR 27 k for the fiscal year ended 31 July 2018 by EUR 26,006 k to EUR 26,033 k for the short fiscal year ended 31 December 2018. The increase was primarily due to the purchase price payment for the acquisition of Palas.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The Company's cash flows used in investing activities increased from EUR 0 for the short fiscal year ended 31 July 2017 to EUR 27 k for the fiscal year ended 31 July 2018. The increase was primarily due to investment into the Company's new website.

12.11.3. Cash flow from financing activities

Three months ended 31 March 2020 compared to the three months ended 31 March 2019

The cash flows from financing activities changed from a cash outflow of EUR 80 k for the three months ended 31 March 2019 by EUR 3,623 k to a cash inflow of EUR 3,543 k for the three months ended 31 March 2020. The change was primarily due to the inflow of cash resulting from the Company's capital increase in February 2020.

Fiscal year ended 31 December 2019 compared to the short fiscal year ended 31 December 2018

The cash flows from financing activities increased from EUR 12,709 k for the short fiscal year ended 31 December 2018 by EUR 58,757 k, or 462.3%, to EUR 71,466 k for the fiscal year ended 31 December 2019. The increase was primarily driven by both the debt financing as well as the capital increase conducted in order to finance the acquisition of IHSE.

Short fiscal year ended 31 December 2018 compared to the fiscal year ended 31 July 2018

The cash flows from financing activities decreased from EUR 43,734 k for the fiscal year ended 31 July 2018 by EUR 31,025 k, or 70.9% to EUR 12,709 k for the short fiscal year ended 31 December 2018. The decrease was primarily due to the fact that there was no cash capital increase in short fiscal year 2018. Thus, the financing cash flow comprised essentially the debt taken on for the acquisition of Palas.

Fiscal year ended 31 July 2018 compared to the short fiscal year ended 31 July 2017

The Company's cash flows from financing activities increased from EUR 2,515 k for the short fiscal year ended 31 July 2017 by EUR 41,219 k to EUR 43,734 k for the fiscal year ended 31 July 2018. The increase was primarily due to the first large capital increase of the Company including investors outside from the founding team, in December 2017.

12.11.4. Financial liabilities

The following table gives an overview of the financial liabilities of BCM Group as of 31 December 2019 and 31 December 2018:

In EUR k	**As of 31 December**	
(audited)	**2019**	**2018**
Liabilities to banks	51,011	11,713
Lease liabilities	347	-
Liability for the acquisition of the remaining 30% of the shares of Palas	1,332	1,223
Other financial liabilities	3,199	3,012
Non-current financial liabilities	**55,889**	**15,948**
Current component of liabilities to banks	5,012	1,030
Lease liabilities	423	-
Current financial liabilities	**5,435**	**1,030**
Total financial liabilities	**61,324**	**16,979**

The liabilities to banks (current and non-current liabilities) of in total EUR 56,023 k as of 31 December 2019 include senior financing for the acquisition of IHSE and Palas of EUR 49,583 k and real estate loans of EUR 6,440 k for the acquisition and construction of IHSE's premises in Oberteuringen, Germany.

The liability for the acquisition of the remaining 30% of the shares of Palas Holding GmbH refers to a related purchase obligation of the Company. In the course of implementing the acquisition of Palas in the short fiscal year 2018, BCM Group assumed an obligation towards the remaining managing directors to acquire their 30% share at a later date ("**NCI Put**"). For the presentation of this obligation, the anticipated acquisition method applies. According to this method, the acquisition is presented as if the purchase option of the other shareholders had already been exercised. This means that the shares underlying the option are already deemed acquired as of the acquisition date and consequently, no non-controlling interests exist within the Group. Financial liabilities and provisions for the remaining 30% of shares in Palas are recorded in the Group's statement of financial position. The increase of such liabilities and provisions is recorded partially in personnel expenses as share-based compensation and the remainder in the financial result.

Other financial liabilities include an unsecured vendor loan, which was granted in relation to the acquisition of Palas.

12.11.5. Off-balance sheet transactions, contingent liabilities, contingencies and other financial liabilities

There were no off-balance-sheet transactions or contingent liabilities as of 31 December 2019 or as of the date of this Prospectus.

12.12 Investments

The Company has not made significant investments in the short fiscal years 2017 and in the fiscal year 2017/2018.

12.12.1. Acquisition of Palas

On 6 December 2018, BCM AG acquired 70% of the shares and 80.9% of the voting rights in Palas GmbH Partikel- und Lasermeßtechnik with registered office in Karlsruhe, Germany ("Palas GmbH"), which is held by the Company via Palas Holding GmbH (see "*15. Business – 15.13. Material contracts – 15.13.1 Acquisition of Palas*").

As a result of a put option for the remaining 30% of the shares, which is recognised according to the anticipated acquisition method, the acquisition is presented as if 100% of the shares had been acquired. In the course of the transaction, 100,000 new BCM AG shares were issued at EUR 30.00 per share to one shareholder and managing director of Palas as part of the overall consideration for the acquisition of Palas. The total consideration transferred was EUR 35,118 k.

In EUR k	
Cash and cash equivalents	27,145
Seller loan granted	3,000
BCM AG shares	3,000
Other liabilities	750
Liability from the acquisition of the remaining 30% stake in Palas Holding GmbH	1,223
Total consideration transferred	**35,118**

12.12.2. Acquisition of IHSE

On 16 December 2019, BCM AG acquired 100% of the shares in IHSE Holding GmbH with registered office in Oberteuringen, Germany (IHSE Holding GmbH together with its subsidiaries "IHSE") (see also see "*15. Business – 15.13 Material contracts – 15.13.2 Acquisition of IHSE*") for aggregate consideration of EUR 110,170 k, comprised of EUR 90,545 k in cash and cash equivalents and 613,274 new BCM AG shares (issued at EUR 32.00 per share) to the selling shareholders.

12.12.3. Current and future investments

At the date of this Prospectus, the Company has no current investments. Furthermore, the Company has not made any resolutions to make any investments as of the date of this Prospectus.

12.13 Qualitative and quantitative disclosures of market risks

BCM Group's assets and liabilities are exposed to credit and default, liquidity and market risk due to its business activities. These risks are described below and in more detail in the Notes to the Company's financial statements included in section "*24. Financial information (F-pages)*" on page F-1 et sq. of this Prospectus.

12.13.1. Credit risk

Credit risk is the key risk that a contracting party for a transaction involving financial instruments or receivables fails to meet its obligations causing financial losses at the Company. Credit risk essentially arises from trade and other receivables. The carrying amount of financial assets represents the maximum exposure to credit risk.

BCM Group held cash and cash equivalents of EUR 17,171 k as of 31 December 2019 as compared to EUR 31,578 k as of 31 December 2018. Thus, this amount represents the maximum exposure to credit risk in terms of these assets. The cash and cash equivalents are deposited at banks or financial institutions in Germany. The Executive Board continuously monitors the financial situation of the banks in which credit balances are held.

BCM Group's exposure to credit risk is influenced mainly by the characteristics of each customer. However, the Management Board also considers the characteristics of the overall customer base, including the credit risk of the industry and country in which customers operate, as these factors can also have an influence on credit risk.

The general economic conditions in Germany, in the Eurozone, in Asia and in the USA are actively observed. BCM Group limits it credit risk on trade receivables by purchasing trade credit insurance or by agreeing advance payments on larger orders.

Trade credit insurance and letters of credit are deducted for trade receivables or taken into account as part of the loss given default. The maximum exposure to credit risk for trade receivables on 31 December 2019 is as follows:

In EUR k	**As of 31 December**	
(audited)	**2019**	**2018**
Trade receivables	5,848	1,195
Cover due to trade credit insurance and letters of credit	(748)	(663)
Maximum default risk	5,100	533

12.13.2. Liquidity risk

Liquidity risk is the risk that the Company possibly will not be able to meet the obligations associated with its financial liabilities.

The Management Board monitors the liquidity position and current and future expected outflows of funds as part of budget planning and continuous controlling.

BCM Group has secured bank loans which include covenants. A future breach of the covenants can lead to the loan being subject to early repayment. The covenants are systematically monitored by BCM Group and regularly reported to the Management Board in order to ensure compliance with the loan agreements.

12.13.3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or trade receivables change due to fluctuations in market prices. A distinction is made between three categories of risk: currency risk, interest rate risk and other market risk.

12.13.4. Currency risk

Due to its global business activities, in particular in the USA and in Asia, BCM Group is exposed to currency risks. In this regard a distinction is made between transaction and translation risk.

Transaction risk: Transaction risks arise due to exchange-rate related changes in value of primary financial instruments and the conclusion of transactions with international contracting parties, where these result in future cash flows in foreign currency that are not denominated in the functional currency of the respective entity. As part of financial risk management processes within group management, currency risks are continuously monitored and managed using commensurate mitigating measures by the finance departments of the respective entities. The objective of risk management is to limit to an acceptable level the effects of currency risk on future cash flows. The currency risk is partially mitigated insofar as goods and services are procured in the relevant foreign currencies. Group entities are responsible for identifying, assessing and monitoring their transaction-related foreign currency risks.

Translation risk: Some group entities are outside of the Eurozone. As the consolidated financial statements are prepared in Euro, the Company translates the financial statements of these entities into Euro, which can result in exchange rate-related differences. Mitigating these differences is not the primary objective within currency risk management. For each currency representing a significant risk for the business, a sensitivity analysis is conducted based on the following assumptions: All monetary financial instruments of the Group that are not denominated in the functional currency of the respective single entities are considered for the sensitivity analysis. As a result, translation risks are not considered. The hypothetical effects on profit or loss and in equity for each primary individual item incorporated in the sensitivity analysis are determined by comparing the carrying amount (calculated using the closing rate) with the translation amount that results from using a hypothetical exchange rate. If the EUR/USD exchange rate were to be 10% higher, the earnings before tax would be EUR 48 k lower. If the EUR/USD exchange rate were to be 10% lower, the earnings before tax would be EUR 58 k higher. The Group holds financial assets and financial liabilities solely in the functional currency.

12.13.5. Interest rate risk

Interest rate risks arise where the fair value of financial instruments fluctuates due to changes in market interest rates. To assess the interest rate risk, financial instruments are divided pursuant to IAS 32 into fixed and variable interest rates. Interest rate risks arise for floating rate liabilities to banks. The loans taken out by BCM Group are in part subject to interest rates that are linked to the development of EURIBOR. In order to mitigate risks from a future rise in the EURIBOR, BCM Group entered into interest rate cap contracts. For a reference amount of EUR 6,229 k, the positive market value of the cap as of the reporting date amounts to EUR 1 k. The market value of the interest rate hedge is discounted to 31 December 2019, and the calculation is based on the generally recognised Bachelier mathematic model and the market data available at the calculation date. There are currently no significant interest rate risks.

12.14 Information from the German GAAP Financial Statements 2019 of BCM AG

The information provided below is from the audited annual financial statements of BCM AG prepared in accordance with German GAAP for the fiscal year ended 31 December 2019. The German GAAP Financial Statements 2019 are included in this Prospectus under "*24. Financial Information (F-pages)*" on page F-1 et seq.

The net loss for the year increased from EUR -1,161 k in the short fiscal year 2018 to EUR -3,802 k in the fiscal year 2019, in particular due to an increase in personnel expenses and an increase in other taxes. Total equity and liabilities increased from EUR 47,724 k as of 31 December 2018 to EUR 121,344 k as of 31 December 2019. This increase was in particular due to the acquisition of IHSE in the fiscal year 2019. Equity increased from EUR 44,131 k as of 31 December 2018 to EUR 119,738 k as of 31 December 2019, in particular due to the consummated capital increase in the fiscal year 2019 to finance the acquisition of IHSE.

12.15 Additional financial information related to Palas

Until the acquisition of Palas GmbH at the end of 2018, BCM Group had no subsidiaries and its business activities were limited to the identification of suitable target companies and the assessment of potential acquisition opportunities. While Palas' has been fully consolidated as a BCM subsidiary in the Audited IFRS Consolidated Financial Statements 2019, the Company believes Palas GmbH's historical financial performance to be of significant relevance for investors to make an informed assessment of BCM Group and such assessment should also be based on financial data of Palas GmbH for the preceeding fiscal years 2017 and 2018.

12.15.1. Management's discussion and analysis of the results of operations and financial condition of Palas GmbH

The selected financial data presented in this section are taken from the Palas GmbH German GAAP Individual Financial Statements as well as from the relevant accounting records of Palas GmbH. The Palas GmbH German GAAP Individual Financial Statements are included in this Prospectus under "*26.*

Financial Information (F-Pages)". The financial data for the fiscal year 2017 are comparative figures from the audited Palas GmbH German GAAP Individual Financial Statements, but not subject of an auditor's report; the financial data for the fiscal year 2017 is therefore unaudited. This section does not present financial data of Palas for the fiscal year 2019, since Palas is fully reflected in the Audited IFRS Consolidated Financial Statements 2019 of BCM Group. Financial data from the consolidated financial statements of Palas Holding GmbH for the fiscal year 2018 is also not presented in this section as the operating business of Palas is only shown for one month in the consolidated financial statements of Palas Holding GmbH. The background is that until the acquisition of Palas GmbH at the end of the year 2018, Palas Holding GmbH did not operate its own operative business.

German GAAP differs in certain material respects from IFRS. Therefore, the selected financial data and key performance metrics derived from financial statements prepared in accordance with German GAAP may differ substantially from the presentation of financial information and performance metrics derived from financial statements prepared in accordance with IFRS and are not comparable.

AC CHRISTES has audited the Palas GmbH German GAAP Individual Financial Statements presented in this Prospectus in accordance with the German standards for proper auditing of financial statements established by the IDW , and has issued an unqualified independent auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon.

Overview

Palas GmbH develops, manufactures and sells technologically leading and certified fine dust and nanoparticle measurement devices, aerosol spectrometers, aerosol generators and sensors as well as corresponding system and software solutions with more than 20 active patents and proprietary software algorithms. For further information on Palas GmbH see *"15. Business – 15.4 Business operations – 15.4.6 Current subsidiaries – Palas GmbH*".

Significant accounting policies

Palas GmbH changed the following significant accounting policies in the fiscal year 2018 in contrast to the fiscal year 2017:

- demonstration and reference devices were recognised under fixed assets and not current assets; and

- materials are not recognised under "finished goods and merchandise" but under "raw materials and supplies".

For details of the respective effects and a detailed discussion of the significant accounting policies see note 2 to the Palas GmbH German GAAP Individual Financial Statements included in this Prospectus under *"24. Financial Information*" on page F-1 et seq.

Results of operations

The following table provides an overview of Palas GmbH's results of operations for the periods indicated below.

In EUR k (audited, unless stated otherwise)	1 January – 31 December	
	2018	**2017**[1]
Revenue	11,708	9,271
Increase/(decrease) in finished goods and work in progress	679	(18)
Other own work capitalised	278	-
Other operating income	269	183
Cost of materials	(3,603)	(2,525)
Personnel expenses	(3,653)	(3,026)
Depreciation and amortisation of intangible assets and property, plant and equipment	(307)	(91)
Other operating expenses	(1,951)	(1,319)
Other interest and similar income	2	2
Interest and similar expenses	-	(32)
Income tax	(996)	(761)
Other taxes	(2)	(3)
Profit or loss	**2,425**	**1,682**

1 Comparative figures are taken from the audited Palas GmbH German GAAP Individual Financial Statements but not subject of an auditor's report; therefore unaudited.

Revenue

Palas GmbH's revenue increased from EUR 9,271 k in the fiscal year ended 31 December 2017 by EUR 2,437 k, or 26.3%, to EUR 11,708 k in the fiscal year ended 31 December 2018. This increase was primarily driven by an increased number of devices being sold, especially fine dust devices, which in the fiscal year 2018 accounted for more than half of Palas GmbH's revenue due to the increasing awareness in general regarding air quality and stricter regulatory requirements in this area.

Increase/(decrease) in finished goods and work in progress

Palas GmbH's finished goods and work in progress increased from EUR -18 k in the fiscal year ended 31 December 2017 by EUR 697 k to EUR 679 k in the fiscal year ended 31 December 2018. This increase was primarily driven by a change in inventory policy to keep in stock more finished and unfinished devices in order to reduce delivery time to customers.

Other own work capitalised

There was no other own work capitalised presented in the fiscal year ended 31 December 2017. Palas GmbH's other own work capitalised in the fiscal year ended 31 December 2018 amounts to EUR 278 k. This amount increase was primarily due to a change in accounting policy to record demo devices as non-current assets. In the fiscal year ended 31 December 2017, they were accounted for as inventory which does not affect other own work capitalised.

Other operating income

Palas GmbH's other operating income increased from EUR 183 k in the fiscal year ended 31 December 2017 by EUR 87 k, or 47%, to EUR 269 k in the fiscal year ended 31 December *2018.* This increase was primarily driven by the reversal of a pension provision.

Cost of materials

Palas GmbH's cost of materials increased from EUR 2,525 k in the fiscal year ended 31 December 2017 by EUR 1,078 k, or 42.7%, to EUR 3,603 k in the fiscal year ended 31 December 2018. This increase was primarily driven by increased revenue and the increase in finished goods and work in progress as well as other own work capitalised.

Personnel expenses

Palas GmbH's personnel expenses increased from EUR 3,026 k in the fiscal year ended 31 December 2017 by EUR 627 k, or 20.7%, to EUR 3,653 k in the fiscal year ended 31 December 2018. This increase was primarily driven by a correspondingly increasing number of employees as a result of the substantially higher business volume.

Depreciation and amortisation

Palas GmbH's depreciation and amortisation consisting of depreciation of property, plant and equipment and amortisation of intangible assets as well as amortisation of intangible assets identified in first-time consolidation increased from EUR 91 k in the fiscal year ended 31 December 2017 by EUR 216 k, or 239.1%, to EUR 307 k in the fiscal year ended 31 December 2018. This increase was primarily driven by increased property, plant and equipment, partially, due to the first-time recording of demo devices.

Other operating expenses

Palas GmbH's other operating expenses, which mainly comprise costs for rental and other occupancy, for trade fairs and seminars as well as for legal and other advisory, increased from EUR 1,319 k in the fiscal year ended 31 December 2017 by EUR 632 k, or 47.9%, to EUR 1,951 k in the fiscal year ended 31 December 2018. This increase was primarily driven by a higher business volume in general as well as increased office and production space rental and trade fair expenses.

Other interest and similar income

Palas GmbH's other interest and similar income remained stable in the fiscal year ended 31 December 2018 compared to the the fiscal year ended 31 December 2017 at EUR 2 k.

Income tax

Palas GmbH's income taxes increased from EUR 761 k in the fiscal year ended 31 December 2017 by EUR 235 k, or 30.9%, to EUR 996 k in the fiscal year ended 31 December 2018. This increase was primarily driven by higher taxable income.

Profit or loss

As a result of the effects described above, Palas GmbH's profit increased from EUR 1,682 k in the fiscal year ended 31 December 2017 by EUR 743 k, or 44.2%, to EUR 2,425 k in the fiscal year ended 31 December 2018. In percent of revenue, this corresponds to an increase from 18.1% in the fiscal year ended 31 December 2017 to 20.7% in the fiscal year ended 31 December 2018.This increase was primarily driven by revenue increasing more than costs.

Liquidity and cash flows

The following table sets forth an overview of Palas GmbH's cash flows for the periods indicated:

In EUR k (audited, unless stated otherwise)	1 January – 31 December	
	2018	**2017[1]**
Cash flow from operating activities	2,036	2,471
Cash flow from investing activities	(482)	(157)
Cash flow from financing activities	(2,219)	(1,204)
Cash and cash equivalents at end of period	**1,626**	**2,291**

[1] Comparative figures are taken from the audited Palas GmbH German GAAP Individual Financial Statements but not subject of an auditor's report; therefore unaudited.

Cash flow from operating activitites

Palas GmbH's cash flow from operating activities decreased from EUR 2,471 k in the fiscal year ended 31 December 2017 by EUR 435 k, or 17.6% to EUR 2,036 k in the fiscal year ended 31 December 2018. This decrease was primarily driven by the increase of inventories in 2018.

Cash flow from investing activitites

Palas GmbH's cash flows used in investing activities increased from EUR 157 k in the fiscal year ended 31 December 2017 by EUR 325 k, or 207.3% to EUR 482 k in the fiscal year ended 31 December 2018. This increase was primarily driven by demo devices being recorded as non-current assets for the first time as well as network installations for work stations.

Cash flow from financing activitites

Palas GmbH's cash flows used in financing activities increased from EUR 1,204 k in the fiscal year ended 31 December 2017 by EUR 1,015 k, or 84.3%, to EUR 2,219 k in the fiscal year ended 31 December 2018. This increase was primarily driven by a higher dividend payment of EUR 1,400 k in the fiscal year 2018 as compared to a dividend payment in an amount of EUR 450 k in the fiscal year 2017.

12.15.2. Selected key performance metrics for Palas

Presentation of Palas' key performance metrics

The following table shows selected financial data and key performance metrics for Palas (i.e. Palas Holding and Palas GmbH) for the fiscal years ended 31 December 2019 and for Palas GmbH for the fiscal years ended 31 December 2018 and 31 December 2017, respectively. The selected key performance metrics for Palas are taken or derived from the audited consolidated financial statements of Palas Holding for the fiscal year ended 31 December 2019 ("**Palas Holding German GAAP Consolidated Financial Statements**") and for Palas GmbH from the Palas GmbH German GAAP Individual Financial Statements as well as from the relevant accounting records of Palas Holding or Palas GmbH, respectively. The Palas GmbH German GAAP Individual Financial Statements for the fiscal year ending 31 December 2018 were prepared as individual accounts and are those of Palas GmbH only. This is due to Palas Holding having no operations before the acquisition of Palas Holding by BCM AG in late 2018 since Palas Holding was set up to serve as an acquisition vehicle to structure the acquisition financing.

For further information on the selected financial data of Palas Holding and Palas GmbH and the definitions of the key performance metrics for Palas Holding and Palas GmbH presented in this section, see "*4. General information and subject matter of the Prospectus – 4.8 Presentation of figures – 4.8.5 Selected other key performance metrics of the current subsidiaries of BCM Group – Palas".* For a reconciliation of the key performance metrics of Palas Holding and Palas GmbH see *"– Reconciliation of the key performance metrics of Palas"* below.

In EUR k, unless stated otherwise (unaudited, unless stated otherwise)	1 January – 31 December		
	2019	**2018**	**2017**
Revenue	**13,835**[1]	**11,708**[1]	**9,271**[2]
Revenue growth	18.2%	26.3%	-
Total output	14,052[1]	12,665	9,253
Gross profit	10,432	9,063	6,728
Gross profit in % of total output	74.2%	71.6%	72.7%
EBITDA	**4,303**	**3,728**	**2,566**
EBITDA Margin	**31.1%**	**31.8%**	**27.7%**
Adjusted EBIT	3,968	3,421	2,476
Adjusted EBIT Margin	28.7%	29.2%	26.7%
Change in Trade Working Capital[3]	(361)	(1,523)	(57)
Change in Other Working Capital[4]	259	267	(28)
Capex excluding Real Estate and M&A[5]	(216)	(482)	(157)
Free Cash Flow (pre-tax)	**3,985**	**1,990**	**2,324**
Cash conversion rate over EBITDA	92.6%	53.4%	90.6%

1 Audited.
2 Comparative figure is taken from the audited Palas GmbH German GAAP Individual Financial Statements but not subject of an auditor's report; therefore unaudited.
3 Change in inventories ex order backlog plus change in trade receivables minus change in trade payables.

4 Change in other assets plus change in prepaid expenses minus change in prepayments received on account of orders plus change in other liabilities due in up to one year plus change in other provisions plus change in deferred income.

5 Cash flow from investing activities excluding (acquisition)/disposal of real estate and (acquisition)/disposal of subsidiaries.

The fiscal years ended 31 December 2017 to 2019 of Palas GmbH and Palas, respectively, were characterised by strong revenue growth combined with a stable and slightly increasing EBITDA Margin due to growth in demand for Palas' products driven by increasing global concerns about air quality and need to measure the level of air pollution. Also, economies of scale were realised, which resulted in an increase in EBITDA Margin. Thus, from 2017 to 2019, Palas' revenue increased by a compound annual growth rate ("**CAGR**") of 22.2% *per annum*. Due to the overall positive development of Palas combined with a focused working capital management implemented after acquisition in scope of BCM Group's 100-day-plan, the Free Cash Flow (pre-tax) increased from EUR 2,324 k in 2017 to EUR 3,985 k in 2019. Free Cash Flow (pre-tax) in the fiscal year ended 2018 was lower due to increased inventories. The resulting cash conversion rate of more than 90% is a significant improvement to 2018, when growth under the previous ownership led to substantial funds being bound in trade working capital.

With revenue of EUR 9,271 k in the fiscal year ended 31 December 2017, Palas generated total output of EUR 9,253 k and gross profit of EUR 6,728 k, corresponding to a gross profit margin of 72.2% of total output. EBITDA was EUR 2,566 k, which corresponds to a margin of 27.7% relative to revenue.

In the fiscal year ended 31 December 2018, revenue grew by 26.3% to EUR 11,708 k. This increase was primarily driven by a larger number of devices being sold to customers due to the increasing awareness in general regarding air quality and the tightening of corresponding legal provisions. With total output of EUR 12,665 k, gross profit amounted to EUR 9,063 k, corresponding to a gross profit margin close to previous year's level at 71.6%. Due to scale effects as well as method changes in accounting treatment for demo devices, EBITDA Margin increased to 31.8% of sales, with EBITDA amounting to EUR 3,728 k. Partially, the increase results from demo devices being recorded as non-current assets from the fiscal year ended 31 December 2018 onwards.

Until 2017, demo devices, which for sales purposes are lent to potential customers, were recognised in inventories, whereas the associated expenses booked in cost of materials and therefore were included in the calculation of EBITDA. In the fiscal year ended 31 December 2018, this accounting policy was changed in order to reflect that those demo devices serve Palas for a period of more than one year. As a consequence, the devices were reclassified as fixed assets, with associated expenses occurring in depreciation and therefore not being included in the calculation of EBITDA. The demo devices are depreciated on a linear basis over a periof of five years.

In the fiscal year ended 31 December 2019, Palas again showed substantial growth in revenue, which increased to EUR 13,835 k, corresponding to a growth rate of 18.2% compared to the previous year.

The main driver was again a larger number of devices sold due to the continuing importance of air quality. This effect was combined with price increases in parts of the product portfolio, which were possible due to the increase in demand for Palas' products. At a total output of EUR 14,052 k, gross profit was EUR 10,432 k resulting in a gross profit margin of 74.2% and therefore a margin improvement of 2.7 percentage points compared to the previous year. In addition to the price increases that were implemented during the year, a further driver was the review and streamlining of the product portfolio, resulting in reduced complexity and easier purchase process for customers.

Also, Palas product development in general aims to substitute components with cost-efficient alternatives if they can be employed without negatively affecting quality and reliability. With EBITDA of EUR 4,303 k, corresponding to an EBITDA Margin of 31.1%, profitability was essentially on previous year's level.

Reconciliation of the key performance metrics of Palas

The table below sets out a reconciliation of Total Output and Gross Profit of Palas for the fiscal years ended 31 December 2019 and for Palas GmbH for the fiscal years ended 31 December 2018 and 31 December 2017:

In EUR k, unless stated otherwise (audited, unless stated otherwise)	1 January – 31 December		
	2019	**2018**	**2017[1]**
Revenue	13,835	11,708	9,271
Increase/ (decrease) in finished and unfinished goods	(70)	679	(18)
Other own work capitalised	287	278	-
Total Output	**14,052**	**12,665[2]**	**9,253[2]**
Cost of materials	(3,620)	(3,603)	(2,525)
Gross Profit[2]	**10,432**	**9,063**	**6,728**
Gross profit in % of sales[2]	75.4%	77.4%	72.6%
Gross profit in % of total output[2]	74.2%	71.6%	72.7%

1 Comparative figures are taken from the audited Palas GmbH German GAAP Individual Financial Statements but not subject of an auditor's report; therefore unaudited.

2 Unaudited.

The table below sets out a reconciliation of EBITDA and EBITDA Margin of Palas for the fiscal years ended 31 December 2019 and for Palas GmbH for the fiscal years ended 31 December 2018 and 31 December 2017, respectively:

In EUR k, unless stated otherwise (audited, unless stated otherwise)	1 January – 31 December		
	2019	**2018**	**2017[1]**
Profit or loss	(1,374)	2,425	1,682
Income taxes	381	996	761
Other taxes	-	2	3
Financial result	597	(2)	30
Depreciation and amortisation	4,699	307	91
EBITDA[2]	**4,303**	**3,728**	**2,566**
EBITDA Margin[2]	31.1%	31.8%	27.7%

1 Comparative figures are taken from the audited Palas GmbH German GAAP Individual Financial Statements but not subject of an auditor's report; therefore unaudited.

2 Unaudited.

The table below sets out a reconciliation of EBIT, Adjusted EBIT and Adjusted EBIT Margin of Palas for the fiscal years ended 31 December 2019 and for Palas GmbH for the fiscal years ended 31 December 2018 and 31 December 2017, respectively:

In EUR k, unless stated otherwise (audited, unless stated otherwise)	1 January – 31 December		
	2019	**2018**	**2017[1]**
Profit or loss	(1,374)	2,425	1,682
Income taxes	381	996	761
Other taxes	-	2	3
Financial result	597	(2)	30
EBIT[2]	**(396)**	**3,421**	**2,476**
Amortisation of goodwill	2,653	-	-
Amortisation of acquisition-related intangible assets	1,711	-	-
Adjusted EBIT[2]	**3,968**	**3,421**	**2,476**
Adjusted EBIT Margin[2]	28.7%	29.2%	26.7%

1 Comparative figures are taken from the audited Palas GmbH German GAAP Individual Financial Statements but not subject of an auditor's report; therefore unaudited.

2 Unaudited.

The table below sets out a reconciliation of Change in Trade Working Capital, Change in Other Working Capital, Capex excluding Real Estate and M&A and Free Cash Flow (pre-tax) of Palas for the fiscal years ended 31 December 2019 and for Palas GmbH for the fiscal years ended 31 December 2018 and 31 December 2017, respectively:

In EUR k, unless stated otherwise (unaudited, unless stated otherwise)	1 January – 31 December		
	2019	**2018**	**2017[1]**
EBITDA	**4,303**	**3,728**	**2,566**
(Increase)/decrease in inventories ex order backlog	220	(1,026)	(307)
(Increase)/decrease in trade receivables	(164)	(629)	225
Increase/(decrease) in trade payables	(417)	132	25
Change in Trade Working Capital	**(361)**	**(1.523)**	**(57)**
(Increase)/decrease in other assets	17	19	3
(Increase)/decrease in prepaid expenses	(54)	19	(10)
Increase/(decrease) in prepayments received on account of orders	105	(133)	161
Increase/(decrease) in other liabilities due in up to one year	(102)	175	(191)
Other provisions	294	187	9
Change in Other Working Capital	**259**	**267**	**(28)**

Capex excluding Real Estate and M&A[2]	**(216)**	**(482)**	**(157)**
Free cash flow (pre-tax)	**3,985**	**1,990**	**2,324**
Cash conversion rate	92.6%	53.4%	90.6%

1 Comparative figures are taken from the audited Palas GmbH German GAAP Individual Financial Statements but not subject of an auditor's report; therefore unaudited.

2 Cash flow from investing activities excluding (acquisition)/disposal of real estate minus (acquisition)/disposal of subsidiaries.

Liabilities

In the fiscal years 2018 and 2017, all liabilities had a remaining term of less than one year, primarily consisting of payments received on account of orders in the amount of EUR 266 k, trade payables in the amount of EUR 289 k and tax liabilities in the amount of EUR 241 k, all as of 31 December 2018.

Investments

In the years 2017 and 2018, Palas GmbH did not make any significant investments.

12.16 Additional financial information related to IHSE

Due to the acquisition of IHSE at the end of 2019 and its relevance for the financial performance of BCM Group in the fiscal year ended 31 December 2019, the management board of the Company believes IHSE's historical financial performance is of significant relevance for investors to make an informed assessment of BCM Group also based on the preceeding fiscal years 2017 to 2019 of IHSE.

12.16.1. Management's discussion and analysis of the results of operations and financial condition of IHSE

The selected financial data for IHSE is taken from IHSE Holding GmbH German GAAP Consolidated Financial Statements, as well as from the relevant accounting records of IHSE. The IHSE Holding GmbH German GAAP Consolidated Financial Statements are included in this Prospectus under "*24. Financial Information (F-Pages)*".

German GAAP differs in certain material respects from IFRS. Therefore, the selected financial data and key performance metrics derived from financial statements prepared in accordance with German GAAP may differ substantially from the presentation of financial information and performance metrics derived from financial statements prepared in accordance with IFRS and are not comparable.

KPMG has audited the consolidated financial statements as of and for the fiscal year ended 31 December 2019 of IHSE Holding GmbH presented in this Prospectus in accordance with Section

317 HGB and the German generally accepted standards for financial statement audits promulgated by the IDW, and has issued an unqualified independent auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon.

EY has audited the consolidated financial statements as of and for the fiscal years ended 31 December 2017 and 2018, respectively, of IHSE Holding GmbH presented in this Prospectus in accordance with Section 317 HGB and the German generally accepted standards for financial statement audits promulgated by the IDW, and has issued in each case an unqualified independent auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon.

Overview

IHSE is a producer of high performance IT infrastructure components in the KVM market, enabling highly secure, low latency- and loss-free transmission of "mission-critical" data across devices within organisations in a broad range of end-markets. Such end-markets include, among others, entertainment (*e.g.* broadcasting and e-sports), financial services, industrial automation, healthcare, utilities, transportation, A&D, and education, playing a vital role in those sectors where cyber-attacks may have severe consequences for businesses and society. For further information on IHSE see "*15. Business – 15.4 Business operations – 15.4.6 Current subsidiaries – IHSE GmbH*".

Scope of consolidation

The IHSE Holding GmbH German GAAP Consolidated Financial Statements as of and for the year ended 31 December 2019 comprise IHSE Holding GmbH as well as the following subsidiaries:

- IHSE Beteiligungs GmbH, Oberteuringen (100%)
- IHSE GmbH, Oberteuringen (100%)
- IHSE Immobilien GmbH, Oberteuringen (89.9%)
- IHSE USA LLC, Cranbury, NJ, USA (100%)
- IHSE GmbH Asia Pacific Pte Ltd, Singapore (100%)

In February 2017, wholly owned subsidiary IHSE GmbH acquired the remaining 50% of the shares in IHSE USA LLC, Cranbury, USA.

By notarial deed dated 9 December 2019, IHSE GmbH sold 10.1% of the shares in IHSE Immobilien GmbH to the Company.

Significant accounting policies

IHSE's reported assets, financial condition and results of operations can be impacted by the accounting methods, assumptions and estimates which form the basis of its consolidated financial statements and which should be considered along with the IHSE Holding GmbH German GAAP Consolidated Financial Statements included in this Prospectus under "*24. Financial Information (F-pages)*" on page F-1 et seq.

Results of operations

The following table provides an overview of IHSE's results of operations for the periods indicated below.

	1 January – 31 December		
In EUR k, audited	**2019**	**2018**	**2017**
Revenue	40,347	29,120	33,644
Increase/(decrease) in finished goods and work in process	684	459	(528)
Other own work capitalised	39	187	-
Other operating income	297	364	415
Cost of materials	(12,091)	(8,875)	(12,249)
Personnel expenses	(9,929)	(8,025)	(7,797)
Amortisation, depreciation and write-downs of intangible assets and property, plant and equipment	(5,212)*	(5,021)	(4,946)
Other operating expenses	(5,222)	(4,058)	(4,442)
Other interest and similar income	7	1	1
Interest and similar expenses	(2,348)	(1,973)	(2,140)
Income taxes	(3,047)	(1,886)	(1,606)
Other taxes	-	(1)	(132)
Consolidated net income for the year	**3,526**	**292**	**220**

* Including the position "Amortisation of intangible assets identified in first-time consolidation".

Revenue

<u>Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018</u>

IHSE's revenue increased from EUR 29,120 k in the fiscal year ended 31 December 2018 by EUR 11,227 k, or 38.6%, to EUR 40,347 k in the fiscal year ended 31 December 2019. This increase was primarily driven by a higher number of devices sold.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's revenue decreased from EUR 33,644 k in the fiscal year ended 31 December 2017 by EUR 4,524 k, or 13.4%, to EUR 29,120 k in the fiscal year ended 31 December 2018. This decrease was primarily driven by the largest customer of IHSE suffering financial distress and therefore substantially reducing orders.

Increase/(decrease) in finished goods and work in process

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's increase in finished goods and work in process increased from EUR 459 k in the fiscal year ended 31 December 2018 by EUR 225 k, or 48.9%, to EUR 684 k in the fiscal year ended 31 December 2019. This increase was primarily driven by increased business volume and record date effects.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's decrease in finished goods and work in process changed from EUR -528 k in the fiscal year ended 31 December 2017 by EUR 987 k to an increase in finished goods and work in process of EUR 459 k in the fiscal year ended 31 December 2018. This increase was primarily driven by record date effects, i.e. balance of finished and unfinished goods as per 31 December 2017 was EUR 528 k lower than on 1 January 2017.

Other own work capitalised

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's other own work capitalised decreased from EUR 187 k in the fiscal year ended 31 December 2018 by EUR 148 k, or 79.1%, to EUR 39 k in the fiscal year ended 31 December 2019. This decrease was primarily driven by the construction support management performed in 2018 in relation to the new headquarters not being performed in 2019.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's other own work capitalised increased from none in the fiscal year ended 31 December 2017 to EUR 187 k in the fiscal year ended 31 December 2018. This increase was primarily driven by construction support management capitalised in relation to the new headquarters building.

Other operating income

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's other operating income decreased from EUR 364 k in the fiscal year ended 31 December 2018 by EUR 67 k, or 18.4%, to EUR 297 k in the fiscal year ended 31 December 2019. This decrease was primarily driven by lower income from the reversal of provisions.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's other operating income decreased from EUR 415 k in the fiscal year ended 31 December 2017 by EUR 51 k, 12.3%, to EUR 364 k in the fiscal year ended 31 December 2018. This decrease was primarily driven by lower income from currency conversion.

Cost of materials

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's cost of materials increased from EUR 8,875 k in the fiscal year ended 31 December 2018 by EUR 3,216 k, or 36.2%, to EUR 12,091 k in the fiscal year ended 31 December 2019. This increase was primarily driven by increased business volume in terms of revenue and number of devices sold.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's cost of materials decreased from EUR 12,249 k in the fiscal year ended 31 December 2017 by EUR 3,374 k, or 27.5% to EUR 8,875 k in the fiscal year ended 31 December 2018. This decrease was primarily driven by lower business volume in terms of revenue and number of devices sold.

Personnel expenses

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's personnel expenses increased from EUR 8,025 k in the fiscal year ended 31 December 2018 by EUR 1,904 k, or 23.7%, to EUR 9,929 k in the fiscal year ended 31 December 2019. This increase was primarily driven by an increase in number of employees.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's personnel expenses remained essentially stable with EUR 7,797 k in the fiscal year ended 31 December 2017 and EUR 8,025 k in the fiscal year ended 31 December 2018.

Amortisation, depreciation and write-downs of intangible assets, property, plant and equipment

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's amortisation, depreciation and write-downs of intangible assets, property, plant and equipment increased from EUR 5,021 k in the fiscal year ended 31 December 2018 by EUR 191 k, or 3.8%, to EUR 5,212 k in the fiscal year ended 31 December 2019, which includes amortisation of intangible assets identified in first-time consolidation. This increase was primarily driven by depreciation of the new building accruing for the whole fiscal year 2019 for the first time.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's amortisation, depreciation and write-downs of intangible assets, property, plant and equipment remained on a same level with EUR 4,946 k in the fiscal year ended 31 December 2017 and EUR 5,021 k in the fiscal year ended 31 December 2018.

Other operating expenses

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's other operating expenses increased from EUR 4,058 k in the fiscal year ended 31 December 2018 by EUR 1,164 k, or 28.7%, to EUR 5,222 k in the fiscal year ended 31 December 2019. This increase was primarily driven by increased business volume.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's other operating expenses decreased from EUR 4,442 k in the fiscal year ended 31 December 2017 by EUR 384 k, or 8.6%, to EUR 4,058 k in the fiscal year ended 31 December 2018. This decrease was primarily driven by cost saving measures implemented in order to react to the lower revenue level due to the reasons stated above under "– *Revenue*".

Interest and similar expenses

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's interest and similar expenses increased from EUR 1,973 k in the fiscal year ended 31 December 2018 by EUR 375 k, or 19%, to EUR 2,348 k in the fiscal year ended 31 December 2019. This increase was primarily driven by a reversal of deferred expenses from a debt structuring fee, due to the related debt facility being replaced in the course of the acquisition by BCM Group in December of 2019.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's interest and similar expenses decreased from EUR 2,140 k in the fiscal year ended 31 December 2017 by EUR 167 k, or 7.8%, to EUR 1,973 k in the fiscal year ended 31 December 2018. This decrease was primarily driven by a shift from a more expensive senior term loan towards a less expensive real estate loan during the course of 2018.

Income taxes

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's income taxes increased from EUR 1,886 k in the fiscal year ended 31 December 2018 by EUR 1,161 k, or 61.6%, to EUR 3,047 k in the fiscal year ended 31 December 2019. This increase was primarily driven by higher taxable income.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's income taxes increased from EUR 1,606 k in the fiscal year ended 31 December 2017 by EUR 280 k, or 17.4%, to EUR 1,886 k in the fiscal year ended 31 December 2018. This increase in net tax expense was primarily driven by deferred tax income occurring in fiscal year ended 31 December 2017 that did not reoccur in fiscal year ended 31 December 2018.

Consolidated net income for the year

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

As a result of the effects described above, IHSE's consolidated net income for the year increased from EUR 292 k in the fiscal year ended 31 December 2018 by EUR 3,234 k to EUR 3,526 k in the fiscal year ended 31 December 2019.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

As a result of the effects described above, IHSE's consolidated net income for the year increased from EUR 220 k in the fiscal year ended 31 December 2017 by EUR 72 k, or 32.7%, to EUR 292 k in the fiscal year ended 31 December 2018. While the consolidated net income for the year in the fiscal year 2017 was impacted by negative first-time consolidation effects in an amount of EUR 2,015 k following the acquisition of the remaining 50% of the shares in IHSE USA, LLC in February 2017, the fiscal year 2018 was marked by a reduced operating performance in 2018 where, however, no first-time consolidation effects occurred.

Liquidity and cash flows – Consolidated statement of cash flows data

The following table sets forth an overview of IHSE's cash flows for the periods indicated:

	1 January – 31 December		
In EUR k, audited	**2019**	**2018**	**2017**
Cash flows from operating activities	12,368	4,721	5,302
Cash flows from investing activities	(886)	(6,174)	(4,969)
Cash flows from financing activities	(8,321)	40	(3,448)
Cash and cash equivalents at end of period	**5,624**	**2,469**	**3,821**

Cash flows from operating activities

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's cash flows from operating activities increased from EUR 4,721 k in the fiscal year ended 31 December 2018 by EUR 7,647 k, or 162% to EUR 12,368 k in the fiscal year ended 31 December 2019. This increase was primarily driven by higher profit due to the reasons as stated above under " – *Results of operations*".

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's cash flows from operating activities decreased from EUR 5,302 k in the fiscal year ended 31 December 2017 by EUR 581 k, or 11.0%, to EUR 4,721 k in the fiscal year ended 31 December 2018. This decrease was primarily driven by the refund of the income tax prepayments in 2017 and the related tax payments made in 2018.

Cash flows from investing activities

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's cash flows used in investing activities decreased from EUR 6,174 k in the fiscal year ended 31 December 2018 by EUR 5,288 k, or 85.6%, to EUR 886 k in the fiscal year ended 31 December 2019. This decrease was primarily driven by the completion of the new building construction by beginning of 2019.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's cash flows used in investing activities increased from EUR 4,969 k in the fiscal year ended 31 December 2017 by EUR 1,205 k, or 24.3%, to EUR 6,174 k in the fiscal year ended 31 December 2018. This increase was primarily driven by higher investment into the new building construction.

Cash flows from financing activities

Fiscal year ended 31 December 2019 compared to the fiscal year ended 31 December 2018

IHSE's cash flows from financing activities decreased from EUR 40 k in the fiscal year ended 31 December 2018 by EUR 8,361 k, to cash flows used in financing activities of EUR 8,321 k in the fiscal year ended 31 December 2019. This decrease was primarily driven by the incurrence of real estate debt in 2018 offsetting the repayments of senior term loans, which did not occur in 2019.

Fiscal year ended 31 December 2018 compared to the fiscal year ended 31 December 2017

IHSE's cash flows used in financing activities changed from EUR 3,448 k in the fiscal year ended 31 December 2017 by EUR 3,488 k to cash inflows from financing activities of EUR 40 k in the fiscal year ended 31 December 2018. This development was primarily driven by the incurrence of real estate debt compensating for repayments of senior term loans.

Investments

In 2017 IHSE Immobilien GmbH acquired two properties in Oberteuringen for the construction of the new factory buildings. The additions to property, plant and equipement for these two properties amounted to EUR 1.4 million in 2017. The construction costs for the new factory buildings were partially financed from the cash flows of IHSE and with external debt. For this purpose, three loan agreements were concluded between IHSE Immobilien GmbH and Sparkasse Bodensee on 26 September 2017, 7 November 2017 and 19 June 2018, respectively resulting in liablities to banks amounting to EUR 6.7 million as of 31 December 2018 (see "*15. Business – 15.13 Material Contracts – 15.13.3 Acquisition of IHSE Properties facilities in Oberteuringen*"). Additional investments were made in connection with the interior fittings and the relocation to the new building. These investments were paid out of IHSE's operating cash flows.

Beyond this, IHSE only made comparatively minor investments in the fiscal years ended 31 December 2017, 2018 and 2019 and until the date of this Prospectus.

There are no material investments of IHSE in progress as of the date of this Prospectus and IHSE does not plan to make any significant investments in the near future.

12.16.2. Selected key performance metrics for IHSE

Presentation of IHSE's key performance metrics

The following table shows selected key performance metrics for IHSE for the fiscal years ended 31 December 2019, 2018 and 2017, and for IHSE GmbH for the fiscal years ended 31 December 2016, 2015, 2014 and 2013. The selected key performance metrics for IHSE and IHSE GmbH, respectively, are taken or derived from the IHSE Holding GmbH German GAAP Consolidated Financial Statements, from the IHSE GmbH German GAAP Individual Financial Statements, as well as from the relevant accounting records of IHSE and IHSE GmbH, respectively. While the IHSE GmbH German GAAP Individual Financial Statements for the fiscal years ended 31 December 2016, 2015, 2014 and 2013 were prepared as individual accounts and are those of IHSE GmbH only, the IHSE Holding GmbH German GAAP Consolidated Financial Statements include IHSE Holding GmbH and its subsidiaries; therefore, the respective line items are not fully comparable.

For further information on the selected financial data of IHSE and IHSE GmbH and the definitions of the key performance metrics for IHSE and IHSE GmbH presented in this section, see "*4. General information and subject matter of the Prospectus – 4.8 Presentation of figues – 4.8.5 Selected other key performance metrics of the current subsidiaries of BCM Group – IHSE".* For a reconciliation of the key performance metrics of IHSE and IHSE GmbH see *"– Reconciliation of the key performance metrics of IHSE"* below.

In EUR k, unless stated otherwise (unaudited, unless stated otherwise)	1 Jan – 31 Dec						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
	IHSE (consolidated)			**IHSE GmbH (individual)**			
Revenue	**40,347**[1]	**29,120**[1]	**33,644**[1]	**24,780**	**21,132**	**18,940**	**14,576**
Revenue growth	38.6%	(13.4%)	-	17.3%	11.6%	29.9%	-
Total output / fiscal year 2017 adjusted total output	41,070	29,766	33,559	25,249	21,066	19,423	14,844
Gross profit / fiscal year 2017 adjusted gross profit	28,979	20,891	22,882	16,581	14,333	12,642	10,372
Gross profit / fiscal year 2017 adjusted gross profit margin*	71.8%	71.7%	68.0%	66.9%	67.8%	66.7%	71.2%
Gross profit in % of total output / fiscal year 2017 each adjusted[1]	70.6%	70.2%	68.2%	65.7%	68.0%	65.1%	69.9%
EBITDA	**14,126**	**9,172**	**9,042**	**9,534**	**8,603**	**6,923**	**5,187**
EBITDA Margin	35.0%	31.5%	26.9%	38.5%	40.7%	36.5%	35.6%
Adjusted EBITDA	**-**	**9,430**	**11,411**	**-**	**-**	**-**	**-**

Adjusted EBITDA Margin	-	32.4%	33.9%	-	-	-	-
EBIT	**8,914**	**4,151**	**4,097**	**9,363**	**8,430**	**6,751**	**5,019**
EBIT Margin	22.1%	14.3%	12.2%	37.8%	39.9%	35.6%	34.4%
Adjusted EBIT	**13,545**	**9,040**	**11,096**	**-**	**-**	**-**	**-**
Adjusted EBIT Margin	33.6%	31.0%	33.0%	-	-	-	-
Change in Trade Working Capital[2]	(834)	227	(2,526)	(1,200)	(669)	(726)	-
Change in Other Working Capital[3]	2,613	(918)	(2,260)	(52)	(38)	135	-
Capex excluding real estate and M&A[4]	(1,040)	(776)	(303)	(405)	(162)	(216)	-
Free Cash Flow (pre-tax)	**14,866**	**7,963**	**6,321**	**7,877**	**7,734**	**6,116**	**-**
Cash Conversion Rate[5]	105.2%	84.4%	55.4%	82.6%	89.9%	88.3%	-

1 Audited.

2 "Change in Trade Working Capital" means increase/decrease in inventories, increase/decrease in trade receivables and receivables from associates or increase/decrease in trade receivables and receivables from affiliates and other investees excluding receivables from shareholders and increase/decrease in trade payables.

3 "Change in Other Working Capital" means in increase/decrease in other assets, increase/decrease in prepaid expenses, increase/decrease in prepayments received on account of orders, increase/decrease in other liabilities due in up to one year, increase/decrease in other provisions and increase/decrease in deferred income.

4 "Capex excluding Real Estate and M&A" for **IHSE** means cash flows from investing activities excluding additions to land, leasehold rights and buildings, including buildings on third-party land, additions to advance payments and construction in progress, cash paid for the acquisition of consolidated companies and cash received for the divestment of consolidated companies; for **IHSE GmbH** "Capex excluding Real Estate and M&A" means additions to fixed assets excluding additions to land, leasehold rights and buildings, including buildings on third-party land, additions ot advance payments and construction in progress and additions to shares in affiliates.

5 "Cash Conversion Rate" means Free Cash-Flow (pre-tax) expressed as a percentage of EBITDA or Adjusted EBITDA.

The past financial performance of IHSE presented in this Prospectus features substantial growth in revenue at consistently high EBITDA Margins or Adjusted EBITDA Margins in excess of 30%. Also, with some fluctuation, gross profit margin or adjusted gross profit margin was relatively stable at approximately 70%.

Since Brockhaus Private Equity III, which is advised by BPE GmbH having the same management as BCM AG, acquired IHSE in April of 2016, the Company's management thinks that it is useful for investors to analyse revenue growth from 2015 to 2019. Over this period, the compound annual growth rate (CAGR) of IHSE GmbH's and IHSE's revenue amounted to 17.5%.

The development from 2016 to 2017 was affected by both strong growth in revenue of IHSE GmbH and the first-time consolidation of IHSE Holding GmbH's subsidiaries in IHSE Holding GmbH's consolidated financial statements. IHSE GmbH's revenue increased from EUR 24,780 k in 2016 by 21.8% to EUR 30,184 k in 2017. IHSE's revenue amounted to EUR 33,644 k in 2017 comprising external revenue of IHSE GmbH amounting to EUR 23,141 k, external revenue of IHSE GmbH Asia Pacific Pte. Ltd., Singapore amounting to EUR 5,550 k as well as external revenue of IHSE USA, LLC, Cranbury, USA amounting to EUR 4,953 k.

The long-term revenue growth of IHSE was adversely affected by a decrease in revenue in 2018, when IHSE's largest customer in terms of annual revenue Blackbox Corporation, which accounted for 30% of IHSE's revenue in 2017, went into financial distress. In Q1 2018, this customer, an international system integrator, almost instantly ceased to place purchase orders with IHSE. In the meantime, the customer was acquired by a large technology consulting firm. In 2019, IHSE succeeded in growing revenue with other customers, which further scaled down the business share of the formerly largest customer. As a result, IHSE not only showed a substantial rebound in business volume, but also significantly lower customer concentration.

Reconciliation of the key performance metrics of IHSE

The table below sets out a reconciliation of Total Output and Gross Profit of IHSE for the fiscal years ended 31 December 2019 and 31 December 2018, respectively and Adjusted Total Output and Adjusted Gross Profit of IHSE for the fiscal year ended 31 December 2017 and Total Output and Gross Profit of IHSE GmbH for the fiscal years ended 31 December 2016, 31 December 2015, 31 December 2014 and 31 December 2013, respectively:

In EUR k, unless stated otherwise (audited, unless stated otherwise)	1 Jan – 31 Dec						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
	IHSE (consolidated)			**IHSE GmbH (individual)**			
Revenue	**40,347**	**29,120**	**33,644**	**24,780***	**21,132***	**18,940***	**14,576***
Increase or (decrease) in finished goods and work in process	684	459	(528)	469*	(65)*	483*	268*
Thereof first time consolidation effects IHSE USA LLC from first-time intercompany profit elimination on inventories*	-	-	442	-	-	-	-
Other own work capitalised	39	187	-	-	-	-	-
Total output / fiscal year 2017 adjusted total output	**41,070**	**29,766**	**33,559**	**25,249**	**21,066**	**19,423**	**14,844**
Cost of materials	(12,091)	(8,875)	(12,249)	(8,668)*	(6,733)*	(6,781)*	(4,472)*

Thereof first time consolidation effects IHSE USA LLC from							
- release of hidden reserves in inventories from the purchase price allocation*	-	-	1,294	-	-	-	-
- write-down of customer demonstration inventories in connection with the accounting policy unification*	-	-	279	-	-	-	-
Gross profit / fiscal year 2017 adjusted gross profit*	**28,979**	**20,891**	**22,882**	**16,581**	**14,333**	**12,642**	**10,372**

* Unaudited

The table below sets out a reconciliation of EBITDA of IHSE for the fiscal year ended 31 December 2019, 31 December 2018 and 31 December 2017 and Adjusted EBITDA of IHSE for the fiscal years ended 31 December 2018 and 31 December 2017 and EBITDA of IHSE GmbH for the fiscal years ended 31 December 2016, 31 December 2015, 31 December 2014 and 31 December 2013, respectively:

In EUR k, unless stated otherwise (audited, unless stated otherwise)	1 Jan – 31 Dec						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
	IHSE (consolidated)			**IHSE GmbH (individual)**			
Consolidated net income for the year / net income for the year	3,526	292	220	6,731	6,061	4,855	3,623
Income taxes	3,047	1,886	1,606	2,601	2,366	1,895	1,400
Other taxes	-	1	132	26	-	-	2
Other interest and similar income	(7)	(1)	(1)	(14)	(2)	(6)	(6)
Interest and similar expenses	2,348	1,973	2,140	19	5	7	-
Amortisation, depreciation and write-downs of intangible assets and property, plant and equipment	5,212	5,021	4,946	171	173	172	168
EBITDA*	**14,126**	**9,172**	**9,042**	**9,534**	**8,603**	**6,923**	**5,187**
First time consolidation effects IHSE USA, LLC from							
- first-time inter-company profit elimination on inventories*	-	-	442	-	-	-	-
- release of hidden reserves in inventories from the purchase price allocation*	-	-	1,294	-	-	-	-
- write-down of customer demonstration inventories in connection with the accounting policy unification*	-	-	279	-	-	-	-
			2,015				
Specific non-recurring items							
Acquisition-/transaction-related expenses for commercial due diligence, financing, legal structure and reorganisation as well as respective legal advisory services*	-	50	266	-	-	-	-
Expenses for bad debt allowances relating to insolvent significant customers*	-	-	87	-	-	-	-
Personnel expenses for employee leave benefits and severances*	-	110	-	-	-	-	-
Expenses related to a financially distressed customer*	-	68	-	-	-	-	-
Relocation headquarter*	-	29	-	-	-	-	-
	-	258	353	-	-	-	-
Adjusted EBITDA*	**-**	**9,430**	**11,411**	**-**	**-**	**-**	**-**

* Unaudited

The table below sets out a reconciliation of EBIT and Adjusted EBIT of IHSE for the fiscal years ended 31 December 2019, 31 December 2018 and 31 December 2017 and EBIT of IHSE GmbH for the fiscal years ended 31 December 2016, 31 December 2015, 31 December 2014 and 31 December 2013, respectively:

In EUR k, unless stated otherwise (audited, unless stated otherwise)	1 Jan – 31 Dec						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
	IHSE (consolidated)			**IHSE GmbH (individual)**			
Consolidated net income for the year / net income for the year	3,526	292	220	6,731	6,061	4,855	3,623
Income taxes	3,047	1,886	1,606	2,601	2,366	1,895	1,400
Other taxes	-	1	132	26	-	-	2
Other interest and similar income	(7)	(1)	(1)	(14)	(2)	(6)	(6)
Interest and similar expenses	2,348	1,973	2,140	19	5	7	-
EBIT*	**8,914**	**4,151**	**4,097**	**9,363**	**8,430**	**6,751**	**5,019**
Amortisation of goodwill	4,631	4,631	4,631	-	-	-	-
First time consolidation effects IHSE USA LLC from							
- first-time inter-company profit elimination on inventories*	-	-	442	-	-	-	-
- release of hidden reserves in inventories from the purchase price allocation*	-	-	1,294	-	-	-	-
- write-down of customer demonstration inventories in connection with the accounting policy unification*	-	-	279	-	-	-	-
	-	-	2,015	-	-	-	-
Specific non-recurring items							
Acquisition-/transaction-related expenses for commercial due diligence, financing, legal structure and reorganisation as well as respective legal advisory services*	-	50	266	-	-	-	-
Expenses for bad debt allowances relating to insolvent significant customers*	-	-	87	-	-	-	-
Personnel expenses for employee leave benefits and severances*	-	110	-	-	-	-	-
Expenses related to a financially distressed customer*	-	68	-	-	-	-	-
Relocation headquarter*	-	29	-	-	-	-	-
	-	258	353	-	-	-	-
Adjusted EBIT*	**13,545**	**9,040**	**11,096**	-	-	-	-

* Unaudited

The table below sets out a reconciliation of Change in Trade Working Capital, Change in Other Working Capital, Capex excluding Real Estate and M&A, Free Cash Flow (pre-tax) and Cash Conversion Rate of IHSE for the fiscal years ended 31 December 2019, 31 December 2018 and 31 December 2017 and Change in Trade Working Capital, Change in Other Working Capital, Capex excluding Real Estate and

M&A, Free Cash Flow (pre-tax) and Cash Conversion Rate of IHSE GmbH for the fiscal years ended 31 December 2016, 31 December 2015, 31 December 2014, respectively:

In EUR k, unless stated otherwise (unaudited, unless stated otherwise)	1 Jan – 31 Dec					
	2019	**2018**	**2017**	**2016**	**2015**	**2014**
	IHSE (consolidated)			**IHSE GmbH (individual)**		
EBITDA	**14,126**	**-**	**-**	**9,534**	**8,603**	**6,923**
Adjusted EBITDA	**-**	**9,430**	**11,411**	**-**	**-**	**-**
(Increase)/decrease in inventories	(829)	(420)	(818)	(828)	253	(822)
(Increase)/decrease in trade receivables and receivables from associates	130	(2)	(2,377)	-	-	-
(Increase)/decrease in trade receivables and receivables from affiliates and other investees excluding receivables from shareholders	-	-	-	(442)	(548)	(231)
Increase/(decrease) in trade payables	(134)	649	668	70	(373)	327
Change in trade working capital	**(834)**	**227**	**(2,526)**	**(1,200)**	**(669)**	**(726)**
(Increase)/decrease in other assets	606	(19)	(1,074)	38	(1)	(30)
(Increase)/decrease in prepaid expenses	791	75	17	(50)	-	-
Increase/(decrease) in prepayments received on account of orders	(17)	31	-	(2)	2	-
Increase/(decrease) in other liabilities due in up to one year	39	(712)	(1,708)	(66)	(99)	36
Increase/(decrease) in other provisions	1,087	(164)	198	28	60	129
Increase/(decrease) in deferred income	107	(130)	307	-	-	-
Change in other working capital	**2,613**	**(918)**	**(2,260)**	**(52)**	**(38)**	**135**
Cash flows from investing activities*	(886)	(6,174)	(4,969)	-	-	-
Additions to fixed assets*	-	-	-	(413)	(202)	(255)
Excluding						
- Additions to land, leasehold rights and buildings, including buildings on third-party land*	(108)	23	1,428	7	8	39

- Additions to advance payments and construction in progress*	159	5,375	1,585	1	-	-
- Cash paid for the acquisition of consolidated companies*	-	-	1,653	-	-	-
-Proceeds from sale of shares in subsidiary to non-controlling interests*	(205)	-	-	-	-	-
- Additions to shares in affiliates*	-	-	-	-	32	-
Capex excluding Real Estate and M&A	**(1,040)**	**(776)**	**(303)**	**(405)**	**(162)**	**(216)**
Free cash flow (pre-tax)	**14,866**	**7,963**	**6,321**	**7,877**	**7,734**	**6,116**
Cash conversion rate	105.2%	84.4%	55.4%	82.6%	89.9%	88.3%

* Audited

13. Unaudited Pro Forma Financial Information of the Group

13.1 Introduction

Effective 16 December 2019, BCM Group completed the acquisition of IHSE. This acquisition is hereinafter considered as the “**IHSE Acquisition**”.

Up to their sale, the ownership interests of IHSE Holding GmbH were held by the fund Brockhaus Private Equity III and members of IHSE management.

The investment of BCM AG in IHSE was made in several related closely-timed linked transaction steps. First, BCM AG acquired 100% of the shares of a shelf company in the legal form of a German GmbH (acquisition vehicle) and renamed this to IHSE AcquiCo GmbH. After equipping IHSE AcquiCo GmbH with the respective acquisition financing, this entity acquired the shares in IHSE Holding GmbH.

Technically, first consolidation occurred as of 1 December 2019. In the period from 1 December to 31 December 2019, IHSE contributed revenue of EUR 2,726 k and a loss of EUR 888 k to group performance (before consolidation).

In accordance with IFRS 3 Business Combinations, BCM AG was determined to be the acquirer in the IHSE Acquisition. As a consideration for the contribution of all shares in IHSE Holding GmbH, the sellers, *i.e.* Brockhaus Private Equity Management (Luxembourg) S.à r.l. (“**BPE S.à r.l.**”) and EL-Invest GmbH, received a consideration of total EUR 110,170 k, comprised of EUR 90,545 k in cash as well as EUR 19,625 k in shares of BCM AG. The fair value is based on the equity value of IHSE Holding GmbH and its subsidiaries as of 1 December 2019.

The IHSE Acquisition had a significant impact on the net assets, financial position and profit or loss of the Company and will substantially affect the profit or loss going forward. Therefore, the Company prepared the following pro forma financial information, consisting of a pro forma statement of comprehensive income for the fiscal year ended 31 December 2019 and the related pro forma notes thereto (together, the “**Pro Forma Financial Information**”).

The purpose of the Pro Forma Financial Information is to show the material effects that the IHSE Acquisition would have had on the historical consolidated financial statements for the fiscal year ended 31 December 2019 if the IHSE Acquisition had occurred on 1 January 2019. The Pro Forma Financial Information is prepared in accordance with IDW (*Institut der Wirtschaftsprüfer*) RH HFA 1.004.

As such, the Pro Forma Financial Information is based on various pro forma assumptions described in the accompanying pro forma notes, which BCM AG considers reasonable, and is prepared for illustrative purposes only. The Pro Forma Financial Information assumes in particular that the IHSE

Acquisition and the IHSE Acquisition-related financing occurred on 1 January 2019 and that any associated non-recurring transaction costs were incurred prior to 1 January 2019.

Therefore, the Pro Forma Financial Information describes only a hypothetical situation and, due to its nature, does not reflect the actual profit or loss of the Group if the IHSE Acquisition had occurred on 1 January 2019 nor does it indicate the future development of the net assets, financial position and profit or loss of BCM AG after the IHSE Acquisition. In particular, the Pro Forma Financial Information does not reflect any future effects including, but not limited to, anticipated synergies, operating efficiencies, cost savings, or any restructuring or other implementation or integration measures associated with the IHSE Acquisition.

The Pro Forma Financial Information has to be read in conjunction with the Audited IFRS Consolidated Financial Statements 2019.

The Pro Forma Financial Information is presented in euros. Unless otherwise stated, all figures have been rounded to the nearest EUR thousands ("**EUR k**"). There may be rounding differences to the exact mathematical values in tables and references. These rounded figures may not add up exactly to the totals contained in the tables presented in this Pro Forma Financial Information. Financial information presented in parentheses denotes the negative of such number presented. A zero (''0'') means that the relevant figure is available but has been rounded to or equals zero.

13.2 Historical financial information included in the Pro Forma Financial Information

13.2.1. Historical financial information used

The Pro Forma Financial Information was prepared based on the following historical financial information:

- The audited consolidated financial statements of BCM AG as of and for the fiscal year ended 31 December 2019 which were prepared in accordance with IFRS, as adopted by the EU (''**IFRS**''), as included elsewhere in this Prospectus, and

- The audited consolidated financial statements of IHSE Holding GmbH as of and for the fiscal year ended 31 December 2019 which were prepared in accordance with German GAAP.

The underlying figures presented in the Pro Forma Financial Information have been prepared in accordance with IFRS, and the consistent application of the presentation, recognition and measurement policies of the Group, which are described in the notes to the Audited IFRS Consolidated Financial Statements 2019.

13.2.2. *Adjustments to IHSE's historical financial information to align with IFRS accounting policies*

In order to ensure uniform presentation and accounting principles in the Pro Forma Financial Information, IHSE Holding GmbH's historical financial information, comprising the audited consolidated financial statements of IHSE Holding GmbH as of and for the year ended 31 December 2019, has been adjusted to align with the presentation and accounting policies as applied by BCM Group in its audited consolidated financial statements as of and for the year ended 31 December 2019.

Procedures performed by BCM AG and IHSE Holding GmbH to align presentation and accounting policies involved an analysis of the accounting guidelines of BCM AG and IHSE Holding GmbH. It was determined which positions were treated differently prior to the IHSE Acquisition. Subsequently, it was defined how those positions should be accounted for after the IHSE Acquisition.

The analysis showed, due to the different GAAPs applied, the following differences in accounting policies:

Measurement of inventory

Within the process of IFRS conversion cost components and allocation of production overheads have been reviewed. Accordingly, based on the different cost components included, IFRS book values of inventories are higher than respective book values under German GAAP in the course of IHSE's first-time adoption of IFRS as of 1 January 2019.

As a result, the decrease in finished goods and work in progress related to inventories recorded as of 1 January 2019 under IFRS differs from the decrease under German GAAP and is adjusted for the eleven months ended 30 November 2019.

After 1 January 2019, German GAAP and IFRS measurement policies were aligned at IHSE to reflect the same components of acquisition costs and manufacturing costs of inventories. As result, no additional adjustments need to be recorded.

Leasing

- With respect to leasing, all lease contracts of IHSE were categorised as operating leases according to German GAAP. As a result, the corresponding lease payments are recognised as rental expenses when they occur.

  In contrast, IFRS 16 Leases must be applied in fiscal years starting 1 January 2019 or later under IFRS. In case of a conversion, for all lease contracts fulfilling the definition of a lease, a lessee shall measure a lease liability at the present value of the lease payments that are not paid at the date. At the same time, a right-of-use asset is recognised and measured at cost comprising the amount of initial measurement of the lease liability and, if applicable, additional costs such as lease payments made at or before commencement date, initial direct costs or costs for dismantling and removing the underlying asset.

The capitalised right-of-use asset is depreciated over the lease term and the lease liabilities are compounded, leading to an interest expense. Both effects are presented in the lessee's statement of comprehensive income.

Accordingly, rental expenses under German GAAP are to be reversed and depreciation and interest expenses under IFRS are to be presented.

Goodwill amortisation

- Under German GAAP, goodwill resulting from purchase of subsidiaries is subject to scheduled amortisation.

  In contrast, according to IFRS, goodwill is not amortised, but subject to annual impairment testing.

  As a result, scheduled amortisation of IHSE's existing goodwill according to German GAAP needs to be reversed.

Deferred tax assets

- Under German GAAP, a recognition option for the excess of deferred tax assets over deferred tax liabilities (expected aggregate tax benefit) is enacted. Under German GAAP, IHSE chooses not to recognise deferred tax assets.

- Under IFRS, however, IHSE recognised deferred tax assets in accordance with IAS 12. In the course of IHSE's first-time adoption of IFRS as of 1 January 2019 a deferred tax asset was recognised.

- As a result, the deferred tax asset recognised under IFRS as of 1 January 2019 is released to the statement of comprehensive income in line with the decrease of the underlying temporary differences resulting in a tax expense.

There is no requirement to adjust presentation of IHSE's statement of comprehensive income.

13.3 Basis of preparation

13.3.1. Preparation principles

The Pro Forma Financial Information has been prepared consistent in all material aspects with the accounting policies of BCM, the pro forma assumptions, pro forma adjustments as described in this section and the accounting alignments required for the historical financial statements of IHSE Holding GmbH as described in section 13.2.

The Pro Forma Financial Information should be read in conjunction with the audited consolidated financial statements of BCM and IHSE, in each case with the notes thereto.

The pro forma adjustments made for the purposes of the Pro Forma Financial Information are based on the information available at the time of the preparation of the Pro Forma Financial Information and on certain pro forma assumptions, which are directly attributable to the IHSE Acquisition, factually supportable and described in the accompanying pro forma notes and which BCM considers to be reasonable. The Pro Forma Financial Information contains neither potential synergies, cost savings, normalisation of any restructuring nor additional future expenses that could result from the IHSE Acquisition.

13.3.2. Pro Forma Assumptions

Date of acquisition

The Pro Forma Financial Information was prepared based on the assumption that the IHSE Acquisition occurred as of 1 January 2019 and BCM subsequently consolidated IHSE Group beginning on 1 January 2019.

Transaction costs

For purposes of the Pro Forma Financial Information, it is assumed that any non-recurring transaction costs associated with the IHSE Acquisition were incurred prior to 1 January 2019.

External loan facilities

In the context of the IHSE Acquisition, previous loan agreements with banks were terminated and repaid. This relates to the previous acquisition loan with Joh. Berenberg, Gossler & Co. KG dated 22 March 2016:

- IHSE Beteiligungs GmbH as borrower and IHSE Holding GmbH as Guarantor concluded a loan agreement up to EUR 31,500 k dated 22 March 2016 between, among others, Joh. Berenberg, Gossler & Co. KG as lender.

- The Loan Agreement is divided into a redeemable loan with an amount up to EUR 17,500 k ("**Loan A**"), a bullet loan with an amount up to EUR 12,500 k ("**Loan B**") and a working capital loan up to EUR 1,500 k. The working capital credit line was not in use.

- Loan A bears interest at a rate of 3.25 % p.a. and Loan B bears interest at a rate of 3.75 % p.a. The interest is payable quarterly.

- The Loan Agreement terminates with respect to Loan A on 30 April 2022 and with respect to Loan B on 31 December 2022. The final instalment of Loan A is due by 30 April 2022 at the latest. The repayment of Loan B is due at the end of its term in full amount.

- The lender charged an arrangement fee of EUR 1,050 k for Loan A and B.

- The loan agreement defines a compulsory repayment in case of change of control. In addition the loan agreement includes an early repayment penalty in case the borrower repays a loan on a day other than the last day of an interest period.

The pro forma adjustments in respect of the repayment of the loan are based on the following assumptions:

- The historical results of IHSE Beteiligungs GmbH include expenses (interest and arrangement fees) for the repaid loan. As the pro forma statement of comprehensive income has to be presented as if the IHSE Acquisition would have occurred on 1 January 2019, no financing expenses from the repaid loan prior to the transaction should be included in the pro forma statement of comprehensive income. Therefore, those financing costs were eliminated in the pro forma statement of comprehensive income for the year ended 31 December 2019.

Loan agreement with RV AIP S.C.S. SICAV-SIV, Luxembourg

For the acquisition of IHSE, IHSE AcquiCo GmbH entered into a loan agreement with RV AIP S.C.S. SICAV-SIV for the two senior debt tranches of nominal EUR 38,000 k (thereof Tranche A: EUR 24,000 k and thereof Tranche B: EUR 14,000 k). Tranche A is a redeemable loan with a term until 30 June 2025 whereas Tranche B is structured as a bullet loan with a term until 31 December 2026. Interest is paid for Tranche A at a fixed rate of 2.75% and for Tranche B at a fixed rate of 3.25%. The interest is payable quarterly. The lender charged a structuring fee of EUR 950 k for both tranches.

Approximately 45% of the total loan facilities were used to acquire IHSE, the other portion of approximately 55% of the total loan facilities was used to replace the existing external loan facilities.

The pro forma adjustments with respect to the loan facilities are based on the following assumptions:

- For purposes of the pro forma statement of comprehensive income, it is assumed that i) the partial loan facilities to acquire the shares in IHSE Holding GmbH and ii) the remaining portion of 55% of the loan facilities to replace the existing loan facilities were drawn on 1 January 2019.
- The related interest expenses are presented in the pro forma statement of comprehensive income for the eleven months ended 30 November 2019.

13.3.3. Intercompany transactions

As part of the acquisition, a loan that BPE S.à r.l. initially granted to IHSE Holding GmbH was taken over by the Group. Assuming IHSE Acquisition had been incurred prior to 1 January 2019 and the loan had been taken over prior to that date, interest expenses for the eleven months ended 30 November 2019 were intercompany transactions within the Group. As such, interest expenses are eliminated in the pro forma statement of comprehensive income.

13.3.4. Purchase Price Allocation

Based on an evaluation of IFRS 3 'Business Combinations', BCM was determined to be the acquirer in the IHSE Acquisition.

With completion, the Group acquired 100% of the shares (corresponding to 100% of equity instruments with voting rights) in IHSE Holding GmbH, with registered office in Oberteuringen and thus obtained control over this entity. The entity, collectively with its direct and indirect subsidiaries, especially IHSE GmbH, forms a group (IHSE). The total consideration paid amounted to EUR 110,170 k.

The investment of BCM AG in IHSE was made in several related closely-timed linked transaction steps. First, BCM AG acquired 100% of the shares of a shelf company (acquisition vehicle) in the legal form of a German GmbH and renamed this to IHSE AcquiCo GmbH. After equipping IHSE AcquiCo GmbH with the respective acquisition financing, this entity acquired 100% of the shares in IHSE Holding GmbH.

Consideration transferred

In addition to cash, the consideration transferred also included 613,274 shares of BCM AG. The fair values of each main group of considerations applicable at the date of acquisition are summarised below:

	EUR k
Cash and cash equivalents	90,545
Shares of BCM AG	19,625
Total consideration transferred	110,170

The total consideration reflects the purchase price for the shares of EUR 98,007 k and the purchase of a loan of EUR 12,163 k which was initially granted by BPE S.à r.l. to IHSE.

The measurement of the fair value of the BCM AG shares newly issued as consideration was made based on the shares issued at EUR 32.00 each to non-group investors also in December 2019. The cash raised in the course of the capital increase concerned amounted to EUR 55,534 k and was fully used for the payment of the cash components of the purchase price and the repayment of the existing financial liabilities of IHSE, respectively.

The Group incurred acquisition-related costs of EUR 1,320 k for legal advice, due diligence, notarial records, W&I insurance and real estate transfer tax.

BCM has applied the acquisition method of accounting with respect to the assets and liabilities of IHSE Holding GmbH and its subsidiaries, which have been measured at fair value as of 1 December 2019. BCM has determined fair values of IHSE Holding GmbH's assets and liabilities and prepared a preliminary purchase price allocation. The purchase price allocation is subject to further investigation and a final determination of fair values according to IFRS in the course of 12 months after the closing of the IHSE Acquisition. Inputs were generally determined by taking into account historical data, supplemented by current and anticipated market conditions, and growth rates.

The table below presents the preliminary fair value that was allocated to IHSE Holding GmbH's assets and liabilities based upon fair values as determined by BCM. The valuation process to determine the fair values is not yet complete. The Company estimated the preliminary fair value of acquired assets and liabilities as of the date of acquisition based on information currently available and continues to adjust those estimates. As the Company finalises the fair value of assets acquired and liabilities assumed, additional purchase price adjustments may be recorded during the measurement period, but no later than one year from the date of the acquisition.

In EUR k	Pre-closing carrying amounts	PPA step ups	Fair values PPA
Property, plant and equipment (including right-of-use assets)	9,542	-	9,542
Intangible assets	207	60,200	60,407
Inventories (including order volume)	7,231	900	8,131
Trade and other receivables	5,106	-	5,106
Cash and cash equivalents	4,706	-	4,706
Deferred tax assets	823	-	823
Current tax liabilities	(508)	-	(508)
Deferred tax liabilities	-	(15,838)	(15,838)
Provisions for warranties	(95)	-	(95)
Liabilities to banks	(26,187)	-	(26,187)
Lease liabilities	(249)	-	(249)
Trade payables and other liabilities	(5,025)	-	(5,025)
Identifiable net assets acquired	(4,449)	45,262	40,813

13.4 Pro forma statements of comprehensive income for the fiscal year ended 31 December 2019

The following table summarises the pro forma adjustments to the historical consolidated statement of comprehensive income for the fiscal year ended 31 December 2019 of BCM and IHSE in accordance with BCM's presentation and accounting policies:

In EUR k	BCM Historical financial information *	IHSE Historical financial information under German GAAP	Accounting policy notes	IHSE IFRS Accounting policy adjustments	Aggregated financial information	Pro Forma notes	Total Pro Forma adjustments	Pro Forma statement of comprehensive income
	12 months ended 31 Dec 2019	**11 months ended 30 Nov. 2019**			**12 months ended 31 Dec 2019**			**12 months ended 31 Dec 2019**
Revenue	16,561	37,729			54,290			54,290
Increase/(decrease) in finished goods and work in progress	211	(161)	(i)	(72)	(22)			(22)
Other own work capitalised	769	-			769			769
Total operating income	17,541	37,568		(72)	55,037			55,037
Cost of materials	(4,299)	(10,868)			(15,167)			(15,167)
Gross Profit	13,242	26,700		(72)	39,870			39,870
Personnel expenses	(6,803)	(8,892)			(15,695)			(15,695)
Other operating expenses	(5,558)	(4,677)	(ii)	115	(10,120)	(a)	1,320	(8,800)
Expected credit loss allowance on trade receivables	(2)	-			(2)			(2)
Other operating income	390	221			612			612
EBITDA	1,270	13,352		43	14,665		1,320	15,985
Depreciation of property, plant and equipment and amortisation of intangible assets	(820)	(527)	(ii)	(107)	(1,454)		-	(1,454)
EBITA	450	12,825		(64)	13,211		1,320	14,531
Amortisation of intangible assets identified within the scope of first-time consolidation	(2,714)	(4,245)	(iii)	4,245	(2,714)	(c), (f)	(5,919)	(8,633)
Finance costs	(1,179)	(2,210)	ii)	(3)	(3,392)	(b), (d), (e)	948	(2,444)
Finance income	56	7		-	62		-	62
Net finance income/costs	(1,124)	(2,202)		(3)	(3,329)		948	(2,381)
Earnings before tax	(3,387)	6,379		4,178	7,169		(3,651)	3,518
Income taxes	(436)	(2,842)	(iv)	(210)	(3,488)	(b), (c), (d), (e), (f)	1,284	(2,204)
Profit (loss) for the period	**(3,823)**	**3,536**		**3,968**	**3,681**		**(2,367)**	1,314
Foreign currency translation adjustments	(90)	93		-	3		-	3
Total comprehensive income	**(3,913)**	**3,628**		**3,968**	**3,684**		**(2,367)**	1,317

* Includes IHSE December 2019 figures after consolidation starting 1 December 2019

13.4.1. *IFRS Accounting policy adjustments*

The following IFRS accounting adjustments have been made to IHSE's consolidated statement of comprehensive income for the eleven months ended 30 November 2019, in order to align with uniform IFRS accounting principles as applied by BCM:

(i) Represents the additional decrease in finished goods and work in progress under IFRS for the eleven months ended 30 November 2019 amounting to EUR 72 k. The resulting deferred tax effect is assessed as immaterial.

(ii) Represents the reversal of rental expenses for the eleven months ended 30 November 2019 shown under the position 'operating expenses' amounting to EUR 115 k and the recording of the depreciation of right-of-use assets shown under the position 'depreciation of property, plant and equipment and amortisation of intangible assets' amounting to EUR 107 k and interest expenses shown under the position 'finance costs' amounting to EUR 3 k for the eleven months ended 30 November 2019. The resulting deferred tax effect is assessed as immaterial.

(iii) Represents the reversal of the expense for scheduled goodwill amortisation for the eleven months ended 30 November 2019 amounting to EUR 4,245 k.

(iv) Represents expense from the release of deferred tax assets amounting to EUR 210 k.

13.4.2. *Pro forma adjustments*

The following pro forma adjustments (column ''**Total Pro Forma Adjustments**'') with a non-recurring effect have been made to the aggregated statement of comprehensive income of BCM and IHSE (column ''**Aggregated financial information**'') for the fiscal year ended 31 December 2019 with regard to the purchase price allocation procedures and transaction related items:

(a) Represents the elimination of the previously recorded non-recurring transaction-related costs of IHSE Beteilungs GmbH amounting to EUR 1,320 k. The transaction-related costs are assumed to be non-tax deductible.

(b) Represents the elimination of expenses of IHSE Beteiligungs GmbH related to the repaid previous acquisition loan with Joh. Berenberg, Gossler & Co. KG. This includes interest expenses amounting to EUR 827 k and arrangement fees amounting to EUR 733 k. The interest costs and arrangement fees are assumed to be tax deductible. Applying a tax rate of 28.08%, respective tax adjustment amounts to an expense of EUR 438 k.

(c) Represents the amortisation of step-up for order book recognised within the preliminary purchase price allocation amounting to EUR 825 k. This effect is classified as non-recurring as the respective useful life amounts to 12 months. Applying a tax rate of 28.08% for IHSE AcquiCo GmbH results in the release of deferred tax liabilities and, thus, recording of tax income of EUR 232 k.

The following pro forma adjustments (column "**Total Pro Forma Adjustments**") with a continuing effect have been made to the aggregated statement of comprehensive income of BCM AG and IHSE Holding GmbH for the fiscal year ended 31 December 2019 with regard to the preliminary purchase price allocation and transaction related items:

(d) Represents interest expenses of IHSE AcquiCo GmbH related to the loan agreement with RV AIP S.C.S. SICAV-SIV, Luxembourg, amounting to EUR 522 k for the portion to acquire the shares in IHSE Holding GmbH and EUR 648 k for the portion to replace the existing loan facilities. Applying a tax rate of 28.08%, respective tax adjustment amounts to an income of EUR 328 k.

(e) Represents the elimination of intercompany transactions between IHSE and BCM, including interest expenses of EUR 558 k for IHSE Holding GmbH. Applying a tax rate of 28.08%, respective tax adjustment amounts to an expense of EUR 156 k.

(f) Represents amortisation of step-ups resulting from the preliminary purchase price allocation amounting to EUR 5,094 k. Step-ups for intangible assets comprise customer relationships (EUR 30,100 k), basis technology (EUR 21,600 k) as well as trademarks (EUR 8,500 k). The useful lives of these intangible assets range up to 15 years (customer relationships: 15 years, trademarks: 10 years und basis technology: 8 years). Applying a tax rate of 28.08% for IHSE AcquiCo GmbH, of 21.5% for IHSE USA LLC and of 17.0% for IHSE GmbH Asia Pacific Pte Ltd, this results in the release of deferred tax liabilities and, thus, recording of tax income of EUR 1,550 k.

13.5 Independent auditor's assurance report on the compilation of pro forma financial information included in a prospectus

Examination Report

To Brockhaus Capital Management AG, Frankfurt am Main

We have examined whether the pro forma financial information as of 31 December 2019, of Brockhaus Capital Management AG, Frankfurt am Main, has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The pro forma financial information comprises a pro forma income statement for the period from 1 January 2019 to 31 December 2019 and pro forma notes.

The purpose of the pro forma financial information is to present the material effects the transaction described in the pro forma notes would have had on the historical financial statements if the group had existed in the structure created by the transaction throughout the entire reporting period of the pro forma income statement. As pro forma financial information reflects a hypothetical situation, it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period of the pro forma income statement. Therefore we do not issue an opinion on the actual effects of the transactions described in the pro forma notes.

The compilation of pro forma financial information in accordance with the principles of the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) is the responsibility of the management of the Company.

Our responsibility is to express an opinion, based on our examination, whether the pro forma financial information has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. This includes the evaluation of the overall presentation of the pro forma financial information. The subject matter of this engagement does neither include an audit or review of the basic figures including their adjustment to the accounting policies of the Company, nor of the pro forma assumptions stated in the pro forma notes.

We have planned and performed our examination in accordance with the IDW Auditing Practice Statement: Examination of Pro Forma Financial Information (IDW AuPS 9.960.1) promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) in such a way that material errors in the compilation of the pro forma financial information on the basis stated in the pro forma notes and in the compilation of this basis consistent with the accounting policies of the Company are detected with reasonable assurance.

In our opinion, the pro forma financial information has been properly compiled on the basis stated in the pro forma notes. This basis is consistent with the accounting policies of the Company.

Frankfurt am Main, 26 June 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

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14. Market and competition

14.1 Key market

The Company's business model is based on (i) the acquisition of majority stakes in high-margin, high growth businesses which it believes to be technology and innovation champions within their niche and, following the acquisition, (ii) the strategic and operational enhancement of such companies to foster long-term profitable growth. The Company focuses on small and medium-sized companies with business-to-business ("**B2B**") business models within the German Technology *Mittelstand*. Despite a clear focus on the German Technology *Mittelstand*, the Company does not categorically rule out to evaluate and conduct selected acquisitions in other geographies on an opportunistic basis.

It is decisive for an acquisition decision of the Company that the target businesses (i) are perceived leaders in technology and innovation or, in the opinion of BCM AG, have the potential to develop in this direction, and (ii) are positioned in an attractive market with long-term growth potential. The Company is not focused on specific industries but intends to acquire technologically leading and innovation-driven businesses that address so-called mega-trends such as digitalisation and connectivity, cybersecurity, automation, sustainability or demographic development.

The Company's success is therefore, in addition to the strategic and operational enhancement of its existing subsidiaries, impacted by the identification and availability of suitable acquisition opportunities within its acquisition focus.

The Company expects that a sufficient number of attractive acquisition opportunities will continue to be available in its core market, the German *Mittelstand*, in the foreseeable future. The Company bases this expectation, among others, on the following assumptions:

- Companies or their shareholders seek an external partner to support them in further developing their business and thereby to increase the company's value. Particularly in the case of high growth companies, the continuous expansion of business activities leads to an increasing pressure to enhance existing corporate structures, in order to successfully navigate the business through its next stage of growth. Additionally, successful international expansion may require addressing markets not only through international sales partners but also through local subsidiaries to successfully face increasing global competition and ensure long-term success. In such situations, companies may require an external partner such as BCM AG to provide know-how and a network.

- In many family-owned businesses, which are typical for the German *Mittelstand*, a viable succession solution within the family does not exist (fewer than 45% of SME owners are willing to consider family succession (*Source: KFW, SME succession in Germany – 'Mittelstand' needs 152,000 successors by the end of 2021 – external investors wanted*). Therefore, a sale is often the only solution to continue the business. Looking at the demographical development within Germany, the Company believes that there will be a sufficient number of companies in need of an external succession solution in the foreseeable future.

- Furthermore, financial investors, such as private equity funds or family offices are invested in a significant number of companies with a business model that is within the acquisition focus of BCM AG. Due to their specific fund cycles and time-wise limited investment horizon, the Company expects many of those investors to seek exit opportunities at some point in time.

Moreover, increasing international competition is forcing companies to focus on their core business areas. Consequently, larger conglomerates are under pressure to sell parts of their businesses outside their core operations ("**Carve-Outs**").

In addition to the factors influencing the availability of suitable acquisition targets, the Company's success also depends to a certain extent on the regional and sectoral markets that its existing and future subsidiaries are active in. Given that the Company is not focused on specific industries, these markets vary and their respective individual implication on the Company's overall success is expected to decrease with additional acquisitions to be made, thereby diversifying the business and the market risks it is exposed to.

14.2 Macroeconomic development

14.2.1. Focus end markets supported by key technological megatrends and broader contextual socio-economic drivers

The Company believes that economic development in the next decades will largely be driven by key megatrends. Some of these megatrends are technological, relating to changes in the production paradigm driven by the burgeoning movement towards "Industry 4.0", or the transformative journey of life sciences with the development and application of innovative solutions. Others are contextual economic and social drivers that change the fundamental nature of demand by a rapidly growing population. It is therefore intended that existing and future subsidiaries of BCM AG shall accordingly be focused on certain technological developments, such as (i) Automation, (ii) Clean-tech, (iii) Med-tech, and (iv) Software, all of which are expected to increasingly benefit from one or more of, but not limited to, the following significant megatrends:

- *Digitalisation and connectivity*

  The environment for businesses across various industries is currently characterised by an increasing degree of digitalisation as evidenced by the number of Internet-of-Things ("**IoT**") endpoints, expected to reach 5.8 billion by 2020, up from 4.0 billion in 2018 (*Source: Gartner Inc., Gartner Says 5.8 Billion Enterprise and Automotive IoT Endpoints Will Be in Use in 2020, 29 August 2019*). As a result, people, processes and supply chain partners are increasingly digitally interconnected, while data complexity is rising. These trends open up opportunities across various end markets, such as smart manufacturing and medical technologies. In addition, the trend towards digitalisation of industries has also found its way into German governmental policies as part of the strategy "*Shaping digitalisation*". According to a survey conducted in 2018, 28% of companies in Germany have already implemented digitalisation as part of their overall corporate strategy (*Source: BMWi, Digitalisierung, https://www.bmwi.de/Redaktion/DE/Dossier/digitalisierung.html*).

- *Cybersecurity*

  With the continuously increasing amount of available business-relevant data, data-driven processes and business models dependant on data transmission, new areas of potential compromise are emerging to businesses and public institutions. Therefore, the relevance and thus security of this data has become paramount to the continued success of any entity. Cybercrime represents a significant threat to businesses across industries worldwide and according to Cybersecurity Ventures, is expected to cause material damages reaching USD 6 trillion of annual costs by 2021 (*Source: Cybercrime Magazine, https://cybersecurityventures.com/cybercrime-damages-6-trillion-by-2021/*). According to the Statista IT Security Report, cybersecurity solutions have therefore experienced a significant increase in demand in recent years, with the market growing at a CAGR of 13% from 2016 to 2018. Going forward, this growth path is expected to continue at a CAGR of 12% until 2022, with global spending on cybersecurity expected to reach USD 42 billion by 2020, up from USD 34 billion in 2017 (*Source: Statista, IT*

Security Report). Similarly, the broader global information security technology market, which also includes aspects such as integrated risk management, network security equipment and identity access management, was sized at approximately USD 107 billion in 2019 and is anticipated to grow at a CAGR of 9.5%, reaching USD 140 billion by 2022 (*Source: Statista, IT Security Report*). On a national scale, a survey conducted by the German government in 2018 revealed that 54% of businesses in Germany have already experienced a threat from cybersecurity breach, thus underlining the importance of technologies that protect the storage and transmission of relevant data (*Source: BMWi, Digitalisierung, https://www.bmwi.de/Redaktion/DE/Dossier/digitalisierung.html*).

- *Automation*

Increasing global competition and a resulting focus on manufacturing efficiency drives the adoption of robotics and automation for production across sectors, thus increasing investment in relevant industrial technology. The number of annual installations of industrial robots has increased by a CAGR of 19% during the period from 2013 to 2018, with growth expected to continue at a CAGR of 13% until 2022. As such, the global stock of industrial robots is expected to reach c. 4.0 million by 2022 up from c. 2.7 million in 2019 (*Source: International Federation of Robotics, IFR Press Conference 18 September 2019*). In addition, the number of process automation devices globally (including any machine to machine device with cellular communication technology built in) increased by a CAGR of 26% during the period from 2015 to 2018 (*Source: Statista, Global Mega Trends 2017*).

- *Demographic development*

An overarching theme defining BCM AG's acquisition focus given its relevance across end markets is demographic development. According to data published by The World Bank (as of 17 March 2020) (*Source: The World Bank. www.data.worldbank.org*) the global population has grown from 5.3 billion in 1990 to 7.7 billion in 2019. This growth is expected to continue from 7.8 billion in 2020 to 10.9 billion by 2100 (*Source: United Nations - Department of Economic and Social Affairs, World Population Prospects 2019*). Global population size drives overall consumption and supports industrial efficiency goals to serve larger end user bases across end markets. The rise of "smart city" concepts that bring together infrastructure and technology, such as software and clean-tech to improve the quality of life for citizens and enhance their interactions with the urban environment, drives a market that is expected to grow on average 20%

annually between 2018 and 2025, from USD 737 billion in 2018 to USD 2,577 billion in 2025 (*Source: PricewaterhouseCoopers, "Creating the smart cities of the future")*. Furthermore, data from the United Nations projects that by 2050, the portion of people aged 65 or above, will increase to 1.5 billion people, representing 16% of the total world population, up from 9% or 703 million in 2019 (*Source: United Nations, World Population Ageing 2019*). BCM AG believes that this demographic development will lead to, among others, an increasing demand for medical and healthcare treatments, which will need to be addressed by a broad range of associated technologies.

- *Sustainability*

Another megatrend driving businesses' and public entities' behaviour is sustainability and increased awareness of the environmental challenges faced worldwide currently and in the future. Pollution levels have increased globally, evidenced by a 50% increase in total global greenhouse emissions since 1990 (35% since 2000) (*Source: OECD, "Environment at a Glance 2020"*). This has resulted in a rise of stricter regulation surrounding climate change, such as the so-called Paris Agreement of the United Nations (2015) under which countries will need to reduce emissions by 7.6% p.a. until 2030 (*Source: UN environment programme, https://www.unenvironment.org/news-and-stories/press-release/cut-global-emissions-76-percent-every-year-next-decade-meet-15degc*). This is driving increased public spending dedicated to Social Development Goals ("**SDG**"), which is expected to reach USD 33 trillion per annum by 2030 (*Source: Brookings, "How Much Does the World Spend on the Sustainable Development Goals" 2019*). In this respect, the German government has, among others, established a climate package totalling USD 59 billion to be spent from 2020 to 2023 (https://www.cnbc.com/2019/09/23/germany-climate-package-of-54-billion-euros-isnt-enough.html). Sustainability and climate change have thus become a megatrend significantly affecting companies, their environment and their business models. In addition, institutional investors are increasingly setting their own standards regarding environmental, social and governance ("**ESG**") compliance, which they require for a company to be eligible for investment. ESG criteria are therefore expected to substantially influence investments in the foreseeable future. With overall population growth continuing to drive global consumption and as the middle classes of developing countries expand, the key path to achieving the emission standards set forth by the Paris Agreement is through various technological solutions (both hardware and software), addressed by BCM AG's acquisition criteria.

14.2.2. *Global megatrends currently addressed by BCM Group*

The Company believes that its strict focus on technology and innovation champions will allow it to benefit significantly from the aforementioned megatrends. The offering of its current subsidiaries addresses several of these megatrends and substantiates the Company’s ability to identify businesses benefitting therefrom.

Palas

Palas develops highly precise outdoor and indoor particle measurement systems, especially in the fields of fine dust and nanoparticles, where the company believes to be among the technology leaders.

In developing and commercialising these niche solutions, Palas contributes to and benefits from demographic development as well as the global focus on environmental recovery, air quality and health improvement, especially in urban areas. The company also participates in the major growth in connectivity with its vision of deploying connected networks of measurement devices that can provide a more precise and reliable continuous monitoring of ambient air quality in cities.

Palas is a key contributor to enhancing air quality, which in turn improves the living conditions of growing urban populations by helping prevent the short and long-term health and environmental consequences of exposure to air pollution.

With its solutions, Palas helps businesses and public entities comply with the increasing regulation aimed at improving air quality and the overall environment. Examples of this include the solutions used by municipalities to measure air pollution, or the filter test rigs used in the automotive industry to comply with emission standards.

IHSE

IHSE produces high-end IT infrastructure components in the KVM market, enabling highly secure, low latency and loss-free transmission of ”mission-critical” data across devices within organisations across sectors.

With its technology, IHSE is both an enabler and beneficiary of major trends such as remote workstreams, the expansion of connected devices and the increased focus on security within data transmission and automation of processes thereby benefitting from the global trends towards automation, digitalisation and connectivity as well as cybersecurity.

The nature of IHSE's solutions is to enable the creation of networking systems that connect multiple sensitive and critical nodes, allowing the orchestration of otherwise isolated devices. Examples of this include broadcasting and content production in the media sector, where video and audio are centrally managed, or in healthcare, where high quality images or video are retrieved and managed from remote devices by medical professionals.

IHSE's solutions address major security concerns in the transmission of valuable and mission-critical data, ensuring sensitive information is not compromised. This is the case in areas like aerospace and defence ("**A&D**") (*e.g.* air traffic management), maritime shipping (*e.g.* port control), healthcare (*e.g.* sensitive patient data transfer) or railway transport (*e.g.* twenty-four-seven operations of high-speed train line).

Furthermore, a key feature of industrial automation is the minimised manual management required, which is centrally controlled from restricted areas separated from the automated devices. IHSE enables such remote management with low latency.

14.2.3. Economic growth and macroeconomic conditions

Germany, the focus market for the Company's acquisitions, is the largest economy in Europe. The Company believes that Germany will continue to provide critical ingredients for growth, including resilient economic infrastructure, a highly skilled workforce and a springboard into the global playing-field, thus offering a solid base from which to build a leading global technology group.

Germany is highly developed, with established political institutions and a stable economy, which has experienced a median annual real GDP growth of 2% during the period from 1999 to 2019 (*Source: The World Bank, www.data.worldbank.org*) and a nominal CAGR in terms of GDP of 3.4% between 2015 and 2018 (*Source: The Economist Intelligence Unit, Country Report February 2020, Germany*). In 2018, Manufacturing comprised 20% of the total median GDP (*Source: The World Bank, www.data.worldbank.org).*

According to Oxford Economics, Germany is one of the lowest risk economies globally (*Source: Oxford Economics, Country Economic Forecast Germany, 10 March 2020*) and therefore a favourable market for a business to operate in. The country's resilient economy is underpinned by established political, social and legal institutions that protect citizens and businesses.

Germany ranks in the top 10% out of 167 countries worldwide on the global democracy index (*Source: The Economist Intelligence Unit, Country Report February 2020, Germany*), top 5.3% on ranking of regulatory quality and top 8.7% ranking on rule of law (*Source: The World Bank, www.datacatalog.worldbank.org*).

In addition, the German economy is characterised by a highly skilled workforce and high standards of living, making it an attractive market for tech-enabled business models. Technology usage is linked to higher per capita income and Germany's real GDP growth per capita grew at a 4.0% CAGR during the period between 2015 and 2019. In addition, Germany has a low unemployment rate of 2.9% in 2018 (*Source: The Economist Intelligence Unit, Country Report February 2020, Germany*) and ranked 4th on the Human Development Index, reflecting its high standards of living (*Source: United Nations, Human Development Report 2019, Inequalities in Human Development in the 21st Century, Germany*). Germany's skilled workforce is driven by high levels of education, in particular for subjects related to BCM AG's areas of focus, with 31% of Master's graduates completing a high-tech degree (*Source: OECD, www.stats.oecd.org*). Furthermore, with 11% of the labour force working in high-tech sectors in 2018 (including knowledge intensive services and high tech manufacturing), technology-driven businesses, such as BCM AG's subsidiaries, benefit from a broad and attractive talent pool from which to hire employees (*Source: Skills Panorama, www.skillspanorama.cedefop.europa.eu*).

Furthermore, Germany is one of the largest exporters globally with annual goods and services exported worth EUR 1.33 trillion representing 30% of total exports (*Source: Statistisches Bundesamt, Foreign Trade, Ranking of Germany's trading partners in foreign trade, refers to preliminary 2019 data*), and 16% of manufactured exports classed as high-technology (*Source: The World Bank, www.data.worldbank.org*, refers to 2018 data). Germany has a broad trading network that spans the globe, with the United States, France, China, The Netherlands and the United Kingdom comprising the country's top five trading partners (*Source: Statistisches Bundesamt (Destatis), Ranking of Germany's Trading Partners in Foreign Trade, 2019*). As such, BCM AG's subsidiaries have the advantage of being able to easily access large markets in North America and Asia.

In light of the outbreak of the novel coronavirus (SARS-CoV-2) in Q1 2020, the related pandemic (COVID-19) and the measures taken by governments worldwide in this context (including travel restrictions, quarantine, business shutdowns and curfew measures), there is a high degree of uncertainty regarding future economic development globally. In its Special Report 2020 "The Economic Outlook in the Coronavirus Pandemic", the German Council of Economic Experts ("**GCEE**", *Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*) developed a baseline scenario for Germany which was, in its view, the most likely scenario at the time of publication of the report on 22 March 2020 with an assumed normalisation over the summer resulting in a GDP growth rate for Germany expected at the time of -2.8% in 2020 (*Source: Special Report 2020, The economic outlook in the coronavirus pandemic, 22 March, 2020*). In its report "Economic Forecast 2020 and 2021", the GCEE has reviewed this scenario and predicted a point forecast of a negative GDP growth rate for Germany of -6.5% in 2020. This new prediction for the GDP growth rate of the GCEE is based on the published GDP-numbers for the first quarter 2020, the external economic environment, which the GCEE presumes to be vastly more negative than initially estimated in their report in March 2020, and under the assumption that certain activities will (in part) still be subject to restrictions over the summer (*Source: Economic Forecast 2020 and 2021, 23 June 2020, https://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/Konjunkturprognosen/2020/KJ2020_Gesamtausgabe.pdf*). The GCEE assumes that the economy will slowly recover in the second half of 2020 and for 2021 and expects catch-up effects and a large carry-over effect that could drive GDP growth in Germany to 4.9% (annual average growth) (*Source: Economic Forecast 2020 and 2021, 23 June 2020, https://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/Konjunkturprognosen/2020/KJ2020_Gesamtausgabe.pdf*). According to the GCEE, the GDP is not expected to return to the level before the COVID-19 crisis before the end of 2021. This scenario is based on assumptions such as a normalisation of the situation at the end of the summer that may or may not occur. The impact of the pandemic and the related measures on the German economy, in particular GDP growth, political and social environment, standard of living and unemployment rate or exports is therefore unpredictable at present.

The prognosis by the ifo Institute – Leibniz Institute for Economic Research at the University of Munich (*ifo Institut – Leibniz-Institut für Wirtschaftsforschung an der Universität München e.V.*, "**ifo**") in its Report "Economic Forecast for Summer 2020: German Economy – Things are Looking Up" is slightly more optimistic than the GCEE forecast. In this report, ifo predicts a GDP growth in Germany of 6.9% in the third quarter of 2020 and 3.8% in the fourth quarter of 2020, which is however 6.7% lower than in 2017 (*Source: ifo Konjunkturprognose Sommer 2020: Deutsche Wirtschaft – es geht wieder aufwärts, https://www.ifo.de/publikationen/2020/aufsatz-zeitschrift/ifo-konjunkturprognose-sommer-2020-deutsche-wirtschaft, dated July 2020*).

For 2021, ifo predicts a GDP growth in Germany of 6.4% (annual average growth) (*Source: ifo Konjunkturprognose Sommer 2020: Deutsche Wirtschaft – es geht wieder aufwärts, https://www.ifo.de/publikationen/2020/aufsatz-zeitschrift/ifo-konjunkturprognose-sommer-2020-deutsche-wirtschaft, dated July 2020*).

To assess the development of the COVID-19 crisis and the pace of the economic recovery ifo based its prognosis, *inter alia*, on a census ifo conducted in June 2020 with different companies, that believe a normalisation of their operations to occur in the first quarter of 2021.

However, irrespective of the expected negative impact of the COVID-19-crisis and the related uncertainties, the Company currently believes that Germany, given the abovementioned factors, will continue to provide an overall resilient economic environment.

14.2.4. Mittelstand / SME technology leaders

Traditionally, Germany has been – and still is – home to a significant number of small and medium-sized companies (*Mittelstand*, "**SMEs**"), many of which are technology leaders in their respective niches. The phrase "Made in Germany" is globally associated with top quality, which in particular relates to the large number of SME niche leaders (often referred to as "hidden champions", *see Simon, Hermann: Hidden Champions: Speerspitze der deutschen Wirtschaft, Zeitschrift für Betriebswirtschaft (ZfB) 60(1990), p. 876*).

SMEs represent the backbone of the German economy, employing c. 32 million people or 70% of the country's total workforce in 2018 with an annual growth rate in SME employment relating to knowledge-intensive services of over 4% in 2018 (*Source: KfW, Annual analysis of the structure and development of SMEs in Germany*). In total, 3.815 million companies in Germany classify as SMEs, 99.95% of all companies registered, with SMEs being defined as having less than or equal to EUR 500 million of sales, of which c. 342,000 have more than ten employees and c. 137,000 hereof are in knowledge-intenisve services (*Source: KfW, Annual analysis of the structure and development of SMEs in Germany*). Of the German SMEs with revenue over EUR 50 million and a profit margin in excess of 10% by 60% of the SMEs *(Source: KfW Group, Annual analysis of the structure and development of SMEs in Germany)*, 461 are considered to be world market leaders based on the Weltmarktfuehrer-Index (*Source: Handelsblatt, Secrets of German SME success revealed*). In R&D-intensive manufacturing, the SME productivity index rose from 100 in 2003 to 142 in 2018 (*Source: KfW, Annual analysis of the structure and development of SMEs in Germany*). In addition, 40% of German SMEs operate in knowledge-intensive services, comprised of service sub-sectors that require employment of above average share of university graduates or services with a strong focus on technology, such as data processing and telecommunications (*Source: KfW, Annual analysis of the structure and development of SMEs in Germany*). These knowledge-intensive service businesses benefit from structural growth fuelled by a robust and innovative base of German start-ups, which grew at 16.7% between 2017 and 2018 thereby underlining Germany as a global centre for technology and innovation (*Source: KfW, Annual analysis of the structure and development of SMEs in Germany*), and providing a large pipeline of future world market leaders.

By focusing on *Mittelstand* acquisition targets, the Company is well positioned to benefit from a large and growing pool of opportunities located in a geography with clear strengths in technology and innovation.

14.3 Developments in the German *Mittelstand* M&A market

In general, the development of the M&A market can be evaluated by three parameters, namely the number of transactions, their size and the availability of financing sources (both debt and equity).

German buyout transactions reached a new record level in the year 2019 with a total volume of around EUR 10.6 billion (2018: approximately EUR 8.3 billion). The absolute number of transactions decreased within the same period from 176 transactions in 2018 to 146 transactions in 2019 (*Source: BVK Statistics full year 2019*).

The German *Mittelstand* market has historically experienced a recurring and stable flow of M&A transactions, with approximately 1,100 transactions (across transaction types within the German base of SMEs) completed during 2017, up from circa 1,000 in 2005 (*Source: KfW, Annual analysis of the structure and development of SMEs in Germany*).

Transactions in the *Mittelstand* sector are often driven by a lack of concrete succession plans by the business owners, usually founders, thereby necessitating a sale upon reaching retirement age. For example, 37% of German SMEs have plans to find a successor and are increasingly looking to external parties through M&A transactions, while 45% of SMEs do not have any succession plans whatsoever (*Source: KFW, SME succession in Germany – 'Mittelstand' needs 152,000 successors by the end of 2021 – external investors wanted*). In addition, the average number of SME owners aged 55 and over has more than doubled since 2002, with 44% aged 55 and over in 2018 (2002: 20%) (*Source: KFW, SME succession in Germany – 'Mittelstand' needs 152,000 successors by the end of 2021 – external investors wanted*), indicating a higher percentage of owners approaching retirement age, potentially prompting a higher volume of upcoming transactions. In addition, less than 45% of owners currently considering succession consider family succession (*Source: KFW, SME succession in Germany – 'Mittelstand' needs 152,000 successors by the end of 2021 – external investors wanted*). Given the Company's extensive and long-tenured relationships with *Mittelstand* business owners, and its broad network of experienced individuals and advisors well-connected in this space, BCM AG believes it has a unique access to a large number of companies meeting the Company's acquisition criteria seeking a solution to their succession issues. This, together with BCM AG's sector experience and growth platform, which offers compelling proposition for business owners, places the Company in a unique position to succeed in building a leading *Mittelstand* technology group.

Furthermore, the Company believes that, beyond any succession issues, German SMEs will be increasingly looking for larger platforms, such as BCM AG, to cooperate with given the need for internationalisation and operational enhancement in a competitive global environment, and the larger investments required to implement such initiatives (see "*– 14.1 Key market*"). Especially with regard to global exports, the major obstacles for German SMEs without exporting experience are a lack of specialised staff (32%), foreign taxation (32%), not knowing relevant rules (31%), cost of cross-border disputes (30%), administrative procedures (27%) or the financial investment required (24%) (*Source: Bpifrance et al., Internationalisation of European SMEs – Taking Stock and Moving Ahead*).

Even though there might be a temporary slowdown in M&A activity due to the COVID-19 pandemic, the factors mentioned above reinforce the Company's belief that it is able to continuously source attractive targets within its acquisition criteria. The Company is convinced that Germany, its primary market for deal sourcing, will remain attractive for the acquisition of technologically leading companies.

14.4 Competition

When acquiring targets considered to be technologically leading companies, the Company competes with other investors, both financial and strategic. Financial investors include listed investment companies and private investment funds, as well as, to a lesser extent, family offices. Strategic investors typically include businesses with some level of activity in the respective industries of prospective target companies or in adjacent sectors, where they can diversify their operations. As a consequence, competition in the German *Mittelstand* M&A market is fragmented and not dominated by any specific market participant. The Company believes that interest rates are likely to remain at low levels in the foreseeable future, and therefore debt capital will likely remain available at favourable conditions to both financial and strategic investors that will thus continue to have access to significant funding for investments. The Company believes that these factors will continue to contribute to a market in which there is significant competition for high quality companies.

The Company's subsidiaries face competition from companies offering similar products and services in their respective (niche) markets (such as, e.g., Horiba, Teledyne API (both as Original Equipment Manufacturer - "**OEM**" - partners of Palas, selling Palas sensors and devices) Durag Group, TSI or Thermo Fisher Scientific for Palas, Adder, Thinklogical, Vertiv, Crestron or G&D for IHSE). Given BCM AG's subsidiaries are focused on specific technological niche markets they typically encounter a limited number of competitors globally. As defined in its acquisition strategy, the Company believes that its subsidiaries are technology leaders in their respective niches. Competitors might be large or small entities, often depending on the size of the respective niche market the Company's subsidiaries serve.

15. Business

15.1 Overview

BCM Group is a technology group focused on acquisitions of majority stakes in high-margin and high growth businesses within the German *Mittelstand*, which it believes to be technology and innovation champions.

The Company focuses on small and medium-sized *Mittelstand* companies ("**SMEs**") with business-to-business ("**B2B**") business models based in Germany and, opportunistically, SMEs based in other European countries. *Mittelstand* businesses that fall within the Company's selective acquisition focus are typically characterised by a multitude of organic growth opportunities that can be realised through strategic and operational enhancement as well as internationalisation. The Company provides a platform with the essential expertise including technology know how to evaluate, actively support and systematically enhance its subsidiaries together with the respective management teams, with the aim of driving long-term profitable growth and value creation. While the Company concentrates on acquisitions, strategic and operational enhancement initiatives as well as on certain central functions for the group (such as, as of today, controlling and marketing), the actual operational business is carried out solely by the subsidiaries who act independently regarding their respective business operations.

The Company aims to build a leading and diversified long-term oriented technology group consisting of businesses across a variety of niche markets, providing investors an attractive gateway to German *Mittelstand* technology champions. In identifying, acquiring as well as actively supporting and enhancing businesses within this specific focus on German *Mittelstand* technology companies, BCM AG can rely on an experienced management team and a legacy of three consecutive private equity fund programmes over the past 20 years. The team has an overall track record of 18 company acquisitions or investments (excluding venture capital investments) in addition to the Company's two existing subsidiaries which are its latest acquisitions made, *i.e.* a total of 20 company acquisitions or investments following broadly the same strategy and acquisition criteria.

Since start of operations in 2017, the Company has acquired two subsidiaries:

Palas GmbH – which the Company believes to be a technology leader in certified systems used for measuring, characterising and generating air particles; and

IHSE GmbH – which the Company believes to be a global technology leader in high-performance IT infrastructure components in the keyboard, video and mouse ("**KVM**") market for highly secure, reliable and failure-safe transmission of data in "mission-critical" applications

Both subsidiaries demonstrate the Company's selective acquisition criteria and constitute the basis for BCM Group's exponential growth path from EUR 0 revenues in 2017 (short fiscal year from 1 January 2017 until 31 July 2017), to EUR 12 million revenues in 2018 (represented by the revenues of Palas GmbH as shown in its German GAAP individual financial statements for the full fiscal year 2018) and EUR 54 million revenues with an Adjusted EBITDA of EUR 16 million in 2019 (figures for 2019 on an "as if" basis for the full fiscal year, as if IHSE was acquired on 1 January 2019).

15.2 Strategy

The strategy that BCM Group pursues in order to achieve its vision of becoming a leading and diversified long-term oriented group of German *Mittelstand* technology champions and a platform for these businesses' long-term profitable growth and value creation is based on three key pillars: (i) continued inorganic growth through acquisitions following its selective acquisition criteria, (ii) driving organic growth of its subsidiaries and (iii) strategically re-investing excess cash flows both in inorganic and organic growth initiatives to drive a value creation "compounding effect".

The Company considers its strategy and business model to be comparable to those of certain mature listed companies such as, Roper Technologies, Inc. and Danaher Corporation in the United States, or Halma plc in the United Kingdom but with a different regional focus. BCM AG shares a number of characteristics with these companies, notably the focus on niche markets requiring technical sophistication, exposure to global megatrends driving sustainable growth, highly disciplined acquisition criteria and operational excellence to improve and expand acquired businesses. BCM AG's management team believes it has the capabilities to continue to build this successful business model leveraging its knowledge and position in the German technology *Mittelstand*.

15.2.1. Delivering continued inorganic growth through acquisitions in line with BCM AG's selective acquisition criteria

The Company plans to drive growth through continuously acquiring further businesses within its selective focus. This inorganic growth strategy has enabled BCM Group to achieve exponential growth over the past years from EUR 0 revenues in 2017 (short fiscal year from 1 January 2017 until 31 July 2017), over EUR 12 million revenues in the fiscal year ended 31 December 2018 (represented by the revenues of Palas GmbH as shown in its German GAAP individual financial statements for the full fiscal year 2018) and EUR 54 million revenues with an Adjusted EBITDA of EUR 16 million in 2019 (figures for 2019 on an "as if" basis for the full fiscal year, as if IHSE was acquired on 1 January 2019). BCM Group seeks to continue delivering its growth path going forward. With an increasing number of suitable businesses to be acquired and in addition to the existing operational segments Environmental Technologies and Security Technologies, BCM Group also plans to form additional operational segments such as, among others, medical technologies and software in the medium term, in order to potentially start leveraging operational synergies, in addition to the centralised functions at BCM AG's level. While it is a key pillar of BCM AG's strategy to support its acquired subsidiaries over the long-term, the Company might opportunistically consider selling single subsidiaries in the individual case provided that such sale is strategically sensible and increases shareholder value.

Future acquisitions will remain selective and in line with BCM AG's acquisition criteria (see "– *15.4 Business operations – 15.4.1 Acquisition criteria*"), which is why the Company expects to continue a run-rate of one to two new selective acquisitions per year.

15.2.2. *Driving subsidiaries' organic growth through strategic and operational enhancement initiatives*

BCM AG typically purchases businesses with similar characteristics at acquisition: They are considered by the Company to be technologically leading in their niches and able to steadily grow at high margins given their strong niche market positions and resulting pricing power. However, their business operations tend to be primarily R&D- and technology-focused, with even more growth and value potential to be realised through strategic and operational enhancement initiatives in other areas such as sales and business development (see "*– 15.4 Business operations – 15.4.5 Strategic and operational enhancement*").

BCM AG drives those initiatives forward by actively supporting and systematically enhancing its subsidiaries post-acquisition together with the respective management teams. This strategic and operational enhancement is based on a "strategic initiatives roadmap" which BCM AG develops (together with the respective management teams) on the basis of knowledge obtained during the due diligence process (see "*– 15.4 Business operations – 15.4.3 Execution and due diligence*"). These measures build the basis for continued sustainable growth of BCM Group's subsidiaries.

15.2.3. Strategic reinvestment of organic cash flows

In addition to the required high profitability, the businesses fulfilling BCM Group's acquisition criteria are typically also characterised by strong cash conversion. As part of the operational enhancement process (see "*–15.4 Business operations – 15.4.5 Strategic and operational enhancement*"), the Company strives to optimise cash flow generation with its subsidiaries, *e.g.* through the development of working capital management. The ability to generate high cash flows allows (i) for reinvestment in research and development ("**R&D**") and market expansion (across both new verticals and geographies) at the subsidiary level to continuously drive organic growth, as well as (ii) the use of any excess cash flows in a disciplined manner for strategic acquisitions either at the Group or subsidiary level, following BCM AG's selective acquisition criteria. This continuous reinvestment of excess cash flows into BCM Group is expected to result in a value creation "compounding effect" for the Company's shareholders.

15.3 Key competitive strengths

The Company believes that the following competitive strengths have been and continue to be the primary drivers of its success:

15.3.1. Access to accretive acquisition opportunities

As a result of its team's longstanding experience as an investor in the German *Mittelstand* market (see "*– 15.3.4 Experienced management team with a proven track record and clear alignment of interest through significant equity exposure*"), BCM AG has a proven system in place when it comes to sourcing potential new acquisition targets, having analysed over 5,500 companies in 2019 alone, of which approximately 400 were within the Company's selective acquisition focus and 35 were subject matter of a due diligence or management meeting procedure (see "*– 15.4 Business operations – 15.4.2 Sourcing process*").

While it is also essential to have a broad network of M&A advisers that present the Company with acquisition opportunities as part of structured auction processes on a regular basis (over 250 of such M&A processes were shown to the Company in 2019), the Company is convinced that one of its key competitive strengths is its proprietary access to accretive acquisition targets. Through both, its network and its sourcing (see "*– 15.4 Business operations – 15.4.2 Sourcing process*"), BCM AG is in a position to exclusively source a substantial number of transaction opportunities, without the involvement of M&A advisers or other agents, thereby often avoiding auction processes that tend to increase acquisition prices. This proprietary sourcing is based on BCM AG team's presence at trade shows, trade fairs or entrepreneur days whose attendees are being screened by BCM AG with the aim of approaching interesting businesses and their founders and/or managing directors proactively (see "– *15.4 Business operations – 15.4.2 Sourcing process*").

In addition, BCM AG actively uses, continuously expands and maintains its network of entrepreneurs, industry experts and investors, many of whom have had successful experiences with BCM AG's management team as entrepreneurs or investors in the past and are therefore loyal and willing to support BCM AG and its team where possible. This loyalty is based, among others, on the fact that, in its structure as a long-term oriented technology group, BCM AG offers entrepreneurs the benefits of a long-term horizon comparable to a strategic investor while maintaining the unchanged independence of the business (*i.e.* no integration into a big conglomerate). This network of experts knows the Company's acquisition focus and introduces relevant businesses before they initiate auction processes on an unsolicited and regular basis.

BCM AG's management team invests a significant part of its time and resources into this proprietary screening and sourcing process. As a reference, three out of five portfolio companies of the fund BPE III werde sourced without the involvement of M&A advisers.

15.3.2. Strong technology expertise for the evaluation and active enhancement of its subsidiaries based on BCM AG's broad network of industry experts

BCM AG provides its subsidiaries a strong platform of technology expertise and network, to actively support new strategies and strategically as well as operationally enhance the businesses across multiple areas, including internationalisation. The backbone of this technological expertise is the broad network of industry experts that BCM AG and members of its team have successfully built across a variety of technologically driven or innovative sectors over the past 20 years. These experts continuously support the Company in (i) sourcing attractive acquisition opportunities, also including many "off-market" potential targets, (ii) evaluating companies during due diligence with their views on certain industries, business models and trends and (iii) supporting BCM Group in strategically and operationally enhancing its subsidiaries, *e.g.* by becoming part of an advisory board (*Beirat*) providing subsidiaries with sector experience and ideas, industry insights and trends, commercial contacts or supplier relationships. The advisory board of Palas GmbH, for example, consists of Mr Andreas Rapp, Chief Transformation Officer of Volkswagen Group and seasoned expert for operational excellence, as well as Dr Christian Debus, former member of the board of Camfil and expert for industrial filter technologies, who are both supporting Palas GmbH actively with their deep industry knowledge and own network.

Leveraging the knowledge of its industry network, the Company follows a proven and systematic approach for identifying and implementing strategic and operational measures to achieve operational excellence of its subsidiaries. Initiatives are developed on the basis of insights obtained during due diligence, with expert input and experience from both the existing management team and BCM AG's network of industry experts. Selective initiatives include among others (i) formulation of specific corporate strategies, (ii) setting up a systematic sales approach, (iii) streamlining the existing product portfolio or (iv) extension of the first and second level management team. This approach has been developed over the last decades providing the Company's management team with experience and track record for driving its subsidiaries' operational excellence.

15.3.3. Strong financial profile with moderate use of leverage

For the fiscal year ended 31 December 2019, BCM Group shows (on a fully consolidated basis as if IHSE was acquired as of 1 January 2019) a strong and resilient financial profile with EUR 54 million sales and EUR 16 million Adjusted EBITDA (29.8% margin), as a result of its focus on businesses with continued organic growth, high margins and strong cash conversion (as currently represented by its subsidiaries Palas GmbH and IHSE). Additionally, the Company only utilises a moderate amount of leverage when acquiring businesses, even if further debt could be serviced by the Group's financial profile (see "*– 15.4 Business operations – 15.4.4 Acquisition financing*").

As part of its strategy, the Company seeks to use the (generally intended) high cash conversion of its subsidiaries rather for strategic reinvestments than for interest payments (see "*– 15.2 Strategy – 15.2.3 Strategic reinvestment of organic cash flows*"). The Company's net senior debt of EUR 27,964 k (calculated as senior bank debt of EUR 48,937 k minus cash and cash equivalents of EUR 20,973 k) as per 31 March 2020 corresponds to a leverage multiple of 1.7x Adjusted EBITDA 2019 on an "as if" basis of EUR 16,166 k. This relatively low level of leverage has enabled BCM Group to achieve attractive corporate loan terms with its financing partners.

15.3.4. Experienced management team with a proven track record and clear alignment of interest through significant equity exposure

Members of the management team have substantial experience and track record in identifying, acquiring and further developing businesses within the specific acquisition focus on German *Mittelstand* technology champions – with Mr Marco Brockhaus having founded BPE GmbH over 20 years ago, which has advised the Brockhaus Funds on purchasing on average one to two businesses annually. The Company's management team is well attuned and has a successful track record of working together. Members of the team have been able to return an overall attractive performance to investors in the past (see "*20. Information about corporate bodies and the senior management of the Company – 20.2 Management Board – 20.2.3 Relevant management expertise and experience*") by following a selective acquisition focus (which has always been broadly aligned with the Company's acquisition criteria as outlined below, see "– *15.4 Business operations –15.4.1 Acquisition criteria*"). The Company believes that it will be able to benefit from the vast experience of its management team, proven acquisition criteria and track record to deliver long-term value to its shareholders.

Alignment of interest has always been a key tool for the management of BCM AG. The members of the management team consisting of the individual shareholders Mr Marco Brockhaus, Dr Marcel Wilhelm, Mr Georg Ganghofer and Mr Harald Henning, currently hold in total approximately one third of the share capital pre-IPO, thus ensuring an aligned focus on increasing shareholder value. The Company requires the same alignment of interest from the management teams, industry experts and other key employees of its subsidiaries through significant equity exposure, which is why co-investments both at the operational/subsidiary level as well as at the Company level, are offered to key personnel. For example, the current management teams of Palas GmbH and IHSE GmbH have in total invested over EUR 10 million in BCM AG shares and currently hold approximately 5% of outstanding shares (pre-IPO), thus being clearly incentivised to act in the best interest of shareholders as well as of the Company. In addition, the Company has an employee stock option programme (ESOP) in place, designed for longer-term incentive of key employees across BCM Group (see "*19. General information about the capital of the Company and applicable regulations – 19.5 Stock option programme*").

15.4 Business operations

The Company's business model is based on (i) the acquisition of high-margin, high growth businesses which it believes to be technology and innovation champions and, following the acquisition, (ii) the strategic and operational enhancement of such companies to foster long-term profitable growth and value creation.

15.4.1. Acquisition criteria

Based on its longstanding track record, the team has clearly defined acquisition criteria, inter alia the following:

- Technology and innovation champions with proven B2B business models diversified across a variety of technology segments to reduce individual market risks;

- Focus on German *Mittelstand* companies; opportunistically SMEs in other European countries;

- Scalable and sustainable unique selling propositions ("**USP**") and clear competitive advantages in their respective niche markets;

- Strong growth potential, including internationally, with scalable business models, driven by global megatrends;

- High margins and strong cash conversion;

- Strong management teams with proven track record, incentivised through equity exposure both, on subsidiary level as well as in form of BCM AG's Shares;

- Typical EBITDA range from EUR 3 million to EUR 25 million, and

- Typical enterprise value from EUR 20 million to EUR 200 million.

BCM Group does not intend to expose itself to technology or proof of market risk and, as a consequence, does not consider any (stand-alone) acquisition in early stage companies or venture capital investments with unproven technologies or business models, unless – exceptionally – for specific strategic reasons in the case of add-on acquisitions. Furthermore, the target companies should, as a natural function of their technology leadership and resulting pricing power within their niche, exhibit a strong financial profile consisting of continuous sales growth (ideally c. 20%), high margins (ideally above c. 25%) and strong cash conversion.

BCM Group has a clear focus on the German *Mittelstand*, which represents the backbone of the German economy. German *Mittelstand* companies are traditionally characterised by technologically leading and innovative business models, with well-trained employees and well-invested infrastructure as well as sustainable investments in research and development (see "*14. Market and competition – 14.2 Macroeconomic development – 14.2.4 Mittelstand / SME technology leaders*"). In addition, the Company believes that its focus on SMEs offers, among other things, (i) a large number of potential acquisition targets within the German market, (ii) typically higher growth rates than larger-sized businesses, as well as (iii) significantly more value creation potential to be realised through operational enhancement and internationalisation. The Company expects the majority of its future acquisition targets to still be owner-led or at least be strongly influenced by founders, entrepreneurs, their teams or families. Many of these entrepreneurs have a deep and personal identification with their business and, as a result, negotiations with such business owners typically require certain specific skill sets. With its many years of experience working with entrepreneur-driven SMEs, BCM AG's management believes to be very well-positioned to successfully collaborate and negotiate with such *Mittelstand* companies and their owners and/or founders. Additionally, in its structure as a long-term oriented technology group, BCM AG offers entrepreneurs the benefits of a long-term horizon comparable to a strategic investor and, at the same time, the unchanged independence of the business is typically maintained (*i.e.* no integration into a big conglomerate) as is typically associated with financial investors.

The Company will also consider Carve-Outs from larger groups where the target business meets BCM AG's acquisition criteria. Despite a clear focus on the German *Mittelstand*, BCM Group does not categorically rule out evaluating and conducting selected acquisitions in other geographies on an opportunistic basis (*e.g.* in other European markets).

15.4.2. Sourcing process

For identifying its acquisition opportunities, BCM AG has a proven multi-channel sourcing system in place. The Company identifies its acquisition opportunities through three channels: (i) proprietary "hands on" sourcing, (ii) its industry network and (iii) structured auction processes.

In addition to being constantly presented with acquisition opportunities by its network of more than 100 M&A advisers as part of structured auction processes (for example, in 2019, BCM AG was approached by M&A advisers in connection with over 250 M&A transaction opportunities), BCM AG's team devotes a large part of its time and resources on proprietary sourcing initiatives, *i.e.* creating transaction opportunities without the involvement of M&A advisers.

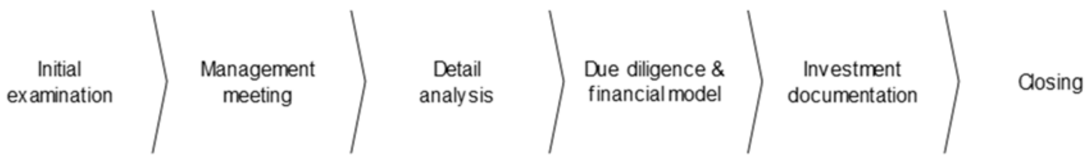
This proprietary sourcing is based on the team's presence at trade shows, trade fairs or entrepreneur days. For example, in 2019, BCM AG screened or attended trade shows, trade fairs and entrepreneur days with a total of approximately more than 9,700 exhibitors. The attendees of these trade shows, trade fairs and entrepreneur days are being screened by BCM AG according to its strict acquisition criteria on the basis of publicly available information. If the main criteria are fulfilled, the team approaches the respective owners or managing directors in order to set up introductory meetings. These meetings often provide the opportunity for the Company to start discussions with the entrepreneur about typical sale-related topics such as succession solutions (*Nachfolgelösungen*) or bringing an experienced external partner on board to initiate and support the next growth phase of the business.

BCM AG actively uses, continuously expands and maintains its network of entrepreneurs, industry experts and investors, who know the Company's acquisition focus and regularly introduce acquisition opportunities to BCM AG before these businesses consider or initiate a potential auction process (see "*– 15.3 Key competitive strengths – 15.3.1 Access to accretive acquisition opportunities*").

As a result of its multi-channel sourcing approach, BCM AG has screened more than 5,500 potential acquisition targets in 2019 of which approximately 400 were in its selective acquisition focus and of which 35 opportunities have more detailed due diligence procedures or management meetings, while two opportunities were or still are subject to further contractual negotiations on an exclusive basis (see "*– 15.4.7 Pipeline*").

15.4.3. Execution and due diligence

On the back of 25 completed transactions (including venture capital investments) in the past 20 years (23 acquisitions by the Brockhaus Funds advised by BPE GmbH plus the Company's two existing subsidiaries), BCM AG's team has a systematic and proven process in place for evaluating and executing potential new acquisitions:



Initial examination: Available information is compiled and analysed by way of detailed research and initial discussions with industry experts from BCM AG's proprietary network.

Management meeting: Once the team decides to pursue an opportunity on the back of its initial examination, meetings with the management, often involving sector-specific industry experts, take place, in order to gain a better understanding of the company and further develop a personal impression of the respective management team. The resulting information is shared early with BCM AG's network of industry experts, in order to obtain independent and qualified opinions that will help understand the quality of the business and identify key areas of diligence focus.

Detailed analysis: As soon as detailed company information becomes available, a detailed analysis takes place, focusing primarily on status quo, potential growth areas and key risks of the business. Provided that the reviewed information, industry expert opinions and initial valuation considerations fit within its focus, BCM AG submits a "Letter of Intent" or non-binding offer.

Due diligence and financial model: After positive response to the Letter of Intent or non-binding offer, BCM AG intensifies the due diligence process. Various analyses being conducted with respect to financial, tax, legal, commercial, technical and, if necessary, intellectual property due diligence. To this end, the Company works with external due diligence advisers as well as its industry experts, especially with respect to commercial and technical topics. In parallel, BCM AG's team prepares a comprehensive financial model, both on a stand-alone and group basis.

Documentation: Whilst the due diligence and financing negotiations are in progress, the Company prepares its internal decision documentation for the management and supervisory board, which includes all information it received, analysed and verified from BCM AG's team, its industry experts, due diligence advisers, the management team of the target and, to the extent required, offers from potential financing partners. This is followed by final legal documentation, including the share purchase agreement (SPA) as well as additional contracts such as the loan agreement or a new shareholders' agreement.

Closing: After the final decision has been made by the Management Board of BCM AG and the offer has been accepted by the sellers, the final processing of contracts is conducted, and the transaction is concluded with the exchange of funds and shares.

15.4.4. Acquisition financing

BCM AG typically structures its acquisitions with a combination of cash and roll-over components (for the respective management teams). In order to raise the funds for such purchases, the Company typically uses a combination of both equity and debt capital.

As of the date of this Prospectus, the equity portion used to finance past acquisitions resulted from capital increases that the Company conducted in exchange for shares in BCM AG. However, in the future, the Company also intends to use its organic cash flow resulting from dividends or profit and loss transfer agreements (to the extent in place) from its subsidiaries in addition to equity raised from existing or new shareholders to provide funds for future acquisitions. As the Group continues to grow and generate larger cash flows, it will be able to re-invest more of such proceeds into further acquisitions, hence reducing future dependency on new capital increases and limiting potential existing shareholder dilution.

In addition to new equity, the Company typically engages with potential debt financing providers during the due diligence process to obtain indications of amount and terms of such funding. The level of external debt financing the Company targets over the medium-term within the group shall generally not exceed a targeted leverage ratio of two to four times EBITDA on subsidiary or group level. The Company currently intends to continue to apply such conservative leverage ratios also for future acquisitions. However, BCM AG cannot exclude that a higher or lower leverage ratio will be applied in future acquisitions if required or recommendable under specific circumstances.

15.4.5. *Strategic and operational enhancement*

Post-acquisition, the Company integrates its newly-acquired subsidiaries emphasising active support and systematic enhancement of the business together with the respective management teams. This strategic and operational enhancement is based on a "strategic initiatives roadmap" which BCM AG develops together with the respective management teams and its industry experts on the basis of the insights obtained during the due diligence process (see "*–15.4.3 Execution and due diligence*"). This roadmap is split into a 100-day-plan with measures for immediate implementation and medium to long-term initiatives focuses on key initiatives within the areas of (i) corporate strategy, (ii) sales and marketing, (iii) operations, (iv) organisation, (v) legal, (vi) finance and (vii) miscellaneous topics. While the 100-day-plan intends to further professionalise internal processes, implement scalable structures and transfer know-how from BCM AG's industry network, the medium to long-term initiatives typically include the development of systematic sales and marketing strategies, expansion into other vertical or geographic markets, product portfolio review or strengthening of management teams, among others. These measures build the basis for continued profitable growth of BCM Group's subsidiaries.

In addition, the Company has a strict process for monitoring the financial and operational performance of its subsidiaries which is implemented immediately after each acquisition. This process includes the analysis of comprehensive monthly reporting and a structured budgeting process at the subsidiary level as well as the continuous review of the development of accounting metrics are monitored on a monthly basis as well. Based on the budgets adopted by the subsidiaries' management teams, BCM AG conducts a continued actual vs. planned comparison. These monitoring measures ensure that the Company is informed about the current performance of its subsidiaries in a timely manner and in a position to offer active support as needed. The monitoring framework also allows BCM AG to identify areas of financial optimisation and value creation. As BCM Group's subsidiaries already generate high margins at acquisition, the financial value created through monitoring primarily results from working capital management, thus optimising available cash flow.

Additionally, in order to support its subsidiaries with expert knowledge in their respective markets, BCM AG typically establishes an advisory board where it deems such support appropriate. Such advisory board typically consists of up to three external industry specialists from its wide-ranging industry network. The Company or its employees generally do not assume or seek any operational management tasks within their subsidiaries. However, the Company will, in its capacity as majority shareholder, drive shareholder decisions of the respective subsidiary in the interest of the overall group and shareholder value. This can also result in a partial or complete replacement of the management body where necessary.

15.4.6. Current subsidiaries

As of the date of this Prospectus, the Company holds majority interests in two subsidiaries: the particle measurement technology specialist Palas GmbH and IHSE GmbH, a specialist in high-performance IT infrastructure technology for low latency and loss-free as well as highly secure transmission of data in "mission critical" applications.

Palas GmbH

The Company believes Palas GmbH to be a leading developer and manufacturer of high-precision devices for the measurement, classification and generation of particles in air headquartered in Karlsruhe. Palas GmbH develops, manufactures and sells technologically leading and certified fine dust and nanoparticle measurement devices, aerosol spectrometers, aerosol generators and sensors as well as corresponding system and software solutions with more than 20 active patents and proprietary software algorithms. Palas GmbH is certified pursuant to ISO 9001 (the international standard for a quality management system ("**QMS**") granted by the International Organization for Standardization ("**ISO**")) and, in its management's view, one of the worldwide leading companies for research and development in the field of certified fine dust and nanoparticle measurement. The company actively collaborates with universities (such as *Karlsruher Institut für Technologie*) and research institutions, and it also holds several functions in bodies for the development of industry standards such as ISO, DIN (*Deutsches Institut für Normung*) and VDI (*Verein Deutscher Ingenieure*).

Increasing air pollution, the growing awareness of the resulting health risks and corresponding regulation are driving demand for the products of Palas GmbH. The devices are used, among other areas, in the public sector (especially in ambient air monitoring), the automotive industry, general industry applications, process monitoring, the pharmaceutical and medical technology industry as well as in laboratories and sterile rooms. Exposure to fine dust and its negative consequences to human health is increasingly becoming a major public concern. Fine dust contains harmful substances and is particularly released in industrial processes in power plants, smelters and motor vehicles. Particles within fine dust have different sizes – the smaller the particle, the deeper they penetrate the human organism. Therefore, there is a clear opportunity for businesses like Palas, which can accurately detect and measure such harmful particles.

"Fidas", the core product family of Palas GmbH, consists of fine dust measurement systems based on an optical measurement technology and proprietary software. The Fidas technology allows Palas GmbH to analyse single particles and simultaneously measure different particle sizes, such as PM2.5 and PM10 required by regulators in the European Union but also below those regulatory minimum requirements. Additionally, Fidas enables its users to analyse particle size distributions at a high temporal resolution of one second, at lower maintenance and operating cost than competing technologies known to the Company (given that Palas GmbH simultaneously measures PM2.5 and PM10 values with one device, while all competing technologies known to the Company require two separate devices).

In addition to its core operations in fine dust and nanoparticle measurement systems for certified ambient air monitoring, Palas GmbH has developed a range of matching devices for non-certified applications, *e.g.* the "AQ Guard" for indoor use, which as of the time of this Prospectus has become available for sale.

The product offering of Palas GmbH also includes aerosol spectrometers and aerosol generators. Aerosol spectrometers serve to measure the sizes and the concentration of particles in the air and are also based on optical measuring technology. Aerosol generators are used to produce test particles which are needed to compare the functioning of filters and particle measurement devices. Palas GmbH also offers filter media testing stands for testing filters which are used, among other areas, in the automobile industry, laboratories and sterile rooms or when monitoring emissions of industrial exhaust. Palas GmbH has also recognised the measurement of ultrafine aerosols (2 – 1,000 nano metres (nm)) as an important area for its future business and offers today a respective nanoparticle measuring device. Moreover, Palas launched a new product series for the quality testing of respiratory masks within a very short time. The newly developed filter test rig for respiratory masks can be used to test the effectiveness of masks for the coronavirus. Another newly developed testing device can be used directly at the place of use (*e.g.* in hospitals, offices, retirement homes) to test masks that are used several times for continuous effectiveness or to take random samples of new masks.

Palas GmbH has an international customer base in more than 60 countries and various end-markets. Examples of Palas' end-customers include blue chip customers such as Siemens, BASF, Bosch, Roche and BMW, certain OEM partners as well as relevant research institutions, such as the UK's NHS National Institute for Health Research or Fraunhofer Gesellschaft, which are approached by direct sale or sales partners. As at 31 December 2019, Palas had approximately 70 employees located in its German headquarters.

BCM AG is currently supporting Palas GmbH, among other topics, with its internationalisation. In this context, Palas Holding GmbH established a new subsidiary under the laws of Hong Kong in May 2020. The new entity Palas (Asia) Limited was established in order to expand Palas' business and customer base in Asia. As a first step, Palas (Asia) Limited is in the process of applying with the competent authority for the registration of a wholly foreign-owned enterprise in Shanghai, China, which is currently expected to open Palas' Shanghai office in July 2020.

In addition, BCM supported Palas GmbH in connection with the implementation of its corporate strategy focussing on sales and marketing, the streamling of its product portfolio and renewal of product design and established an advisory board from its network of industry experts.

When acquiring Palas GmbH, BCM AG concluded that Palas GmbH has an attractive competitive position within its niche, given its highly precise optical measurement technology paired with competitive pricing and relatively low operating costs for its devices. Furthermore, BCM AG also believes that Palas GmbH presents a technological competitive advantage given its devices can simultaneously measure various particle sizes in real time, while legacy technologies require different devices for multiple particle sizes. The Company estimates Palas GmbH's total addressable market (global air quality monitoring market) to grow at a CAGR of 8.9% between 2017 and 2022.

BCM AG acquired a majority in Palas GmbH in December 2018 as part of a succession solution after the company's founder and majority shareholder decided to retire and sell his shares. Dr Maximilian Weiß (managing director (CEO) of Palas GmbH), under whose leadership the current core product "Fidas" was developed and launched, reinvested in the context of the acquisition and holds a significant interest both at the level of Palas as well as in the form of shares in BCM AG.

Palas GmbH increased its sales from EUR 11.7 million in the fiscal year ended December 2018 by 18.2% to EUR 13.8 million in the fiscal year ended December 2019, and its Gross Profit from EUR 9.1 million to EUR 10.4 million. In the same period, EBITDA increased from

EUR 3.7 million to EUR 4.3 million, corresponding to an EBITDA Margin of 31.8% in 2018 and of 31.1% in 2019.

IHSE GmbH

The Company believes IHSE GmbH to be a technology leader for high performance IT infrastructure components in the Keyboard, Video and Mouse ("**KVM**") market, enabling highly secure, low latency and loss-free transmission of "mission-critical" data across devices within organisations in a broad range of end-markets. Such end-markets include, among others, entertainment (*e.g.* broadcasting and e-sports), financial services, industrial automation, healthcare, utilities, transportation, A&D, and education, playing a vital role in those sectors where cyber-attacks may have severe consequences for businesses and society. With its technology, IHSE is, in the Company's opinion, both an enabler and beneficiary of major trends such as the expansion of connected devices, the increased focus in security within data transmission and automation of processes (see "*14. Market and competition – 14.2 Macroeconomic development – 14.2.2 Global megatrends currently addressed by BCM Group*").

KVM technology can be used to switch, convert and extend in a bi-directional manner key primary computer signals such as keyboard, video and mouse, as well as newer ones like DVI, HDMI, digital audio or USB. In addition, KVM technology can be used to produce a highly secure and direct access from a console ("workplace") to multiple servers ("switching") or, in the opposite direction, from multiple consoles to one server ("sharing"). The result is a significant increase in efficiency, reliability, security and user friendliness of high-end IT applications, consoles and networks. The network infrastructure solutions of IHSE bridge distances between control units and computer units (normally servers or other high-performance computers) of up to 160 kilometres (km). IHSE concentrates its efforts on high-performance devices within the following three groups:

- extenders: devices used to connect a control unit with a computer unit;
- matrix switches: routing systems for connecting one or multiple control units with one or more computer units;
- converters and accessories: signal converters, distribution cables and other corresponding equipment.

IHSE was established in 1984 and its current managing director (CEO), Dr Enno Littmann, joined the company in 2008. In 2016, BPE III and EL-Invest GmbH acquired IHSE in a management buy-out transaction.

IHSE USA LLC, headquartered in Cranbury, New Jersey, USA, was established as a 50/50 joint venture with IHSE in 2009, in order to strengthen the sales activities of the company in the US market. In early 2017, IHSE GmbH acquired the remaining shares of the joint venture and currently holds 100% of its US subsidiary.

In 2015, IHSE GmbH initiated operations with a 100%-owned subsidiary in Singapore, IHSE Asia Pacific Pte Ltd, in order to be able to better address the Asian market. Previously, IHSE GmbH was active in Asia via a joint venture.

Both foreign subsidiaries are focused on the distribution of IHSE GmbH's products in their respective regions and support the global footprint of the company. IHSE GmbH also operates regional offices in France and Israel.

IHSE GmbH sells its products primarily through sales partners and systems integrators, while end-customers include large companies in various countries and sectors, *e.g.* Technicolor, SRF, ZDF, BT Sport, Fraport, Thales, Intel, Eiffage. As at 31 December 2019, IHSE has 110 employees.

Supporting measures by BCM AG (and previously BPE III) include the development of a systematic sales strategy, the internationalisation of IHSE GmbH by acquiring the remainder 50% of the US joint venture and the further expansion into Asia, the expansion of its production facilities in its new headquarters in Oberteuringen, the establishment of a financial monitoring system and further management team enhancements with the incorporation of a new Chief Operating Officer (COO) in 2017, a Chief Sales Officer (CSO) in 2018 and a Chief Financial Officer (CFO) in 2019. Regarding internationalisation, IHSE GmbH's invoice split has shifted from a focus on Europe/Middle East/Africa ("**EMEA**") with a share of invoices per region based on internal records of 62% EMEA (thereof 17% Germany), 27% Americas and 11% Asia/Pacific ("**APAC**") in 2015 to become more internationally diversified over time with a share of invoices per region of 44% EMEA (thereof 10% Germany), 36% Americas and 21% APAC in 2019.

In December 2019, BCM AG acquired IHSE GmbH from its previous owners BPE III and EL-Invest GmbH (see – *"17. Transactions and legal relationships with affiliated or related persons – 17.1 Relationships between BCM AG and related companies with the meaning of IAS 24 – 17.1.1 Acquisition of IHSE").* After careful evaluation, BCM AG concluded that IHSE is well-positioned as one of the global technology leaders within the high-end KVM technology niche and a clear representative of the Company's acquisition criteria and the overall "Made in Germany" notion of top quality and precision. Given its modularity, the company's technology (deemed as superior to that of its key competitors) is demanded across a variety of different end-markets, thus resulting in a well-diversified position both vertically and geographically. Additionally, IHSE is well-positioned for long-term growth as its solutions benefit from key megatrends such as cybersecurity, automation and connectivity. Based on IHSE GmbH's constant focus on R&D and successful innovation track record, BCM AG believes that IHSE GmbH will seek to continue to stay ahead of those megatrends and its customers' needs in the future. The Company estimates IHSE GmbH's total addressable market (global high-end KVM and audio visual market) to grow at a CAGR of 7.3% between 2018 and 2022.

IHSE increased its sales from EUR 29.1 million in the fiscal year ended 31 December 2018 by 38.6% to EUR 40.3 million in the fiscal year ended 31 December 2019. In the same period EBITDA increased from EUR 9.2 million to EUR 14.1 million respectively, corresponding to an EBITDA margin of 31.5% in 2018 and of 35.0% in 2019.

15.4.7. Pipeline

Given the systematic approach to sourcing potential acquisition targets within the selective focus of BCM Group (see "*–15.4.2 Sourcing process*"), the Company typically has a large pipeline of actionable accretive acquisition opportunities throughout the year. At the time of this Prospectus, the Company is in different stages of evaluating five transactions, two of which are strategic add-ons for the existing subsidiaries (one in each segment). One of the two add-ons would be a minority acquisition. The remaining three stand-alone targets show combined revenues of approximately EUR 105 million and a combined adjusted EBITDA of approximately EUR 33 million (based on fiscal year 2019 according to sellers' information and subject to due diligence) and all fit within the Company's acquisition criteria.

One of these target businesses is an innovation-driven specialist in ophthalmology. For this potential transaction, BCM AG has negotiated exclusivity, which ends six weeks after notification that an outstanding regulatory topic has been resolved. This transaction opportunity as well as three other opportunities were sourced proprietarily from BCM AG's network and presented to BCM AG due to its reputation in the German market, while one out of the current five opportunities is part of a broader structured M&A process.

The remaining four transaction opportunities are at different more preliminary stages of a potential acquisition process. While BCM AG has retained external advisers to perform a due diligence exercise in one of the five cases, four opportunities are at an earlier stage of internal analysis. BCM AG has submitted non-binding offers or letters of intent in three cases.

These transaction opportunities currently pursued only provide a glimpse for BCM Group's transaction pipeline as of the date of this Prospectus. Due to potential findings *e.g.* during the due diligence procedures or various other reasons it cannot be guaranteed that BCM Group will close any of the aforementioned transactions and the pipeline can change on short notice with potential transaction opportunities being abandoned for various reasons many of which are beyond the Company's control or influence. Reasons for not closing a transaction can, among other topics, include the identification of major findings during due diligence exercises, changing priorities of the sellers or differing valuation expectations among the parties. At the same time, new opportunities may evolve on short notice due to the Company's constant deal sourcing activities.

15.5 History and development of the Company

The following provides an overview of the history and development of the Company:

22 March 2000	Establishment of the Company as a limited liability company under the name "PLATYPUS Achtzehnte Beteiligungs- und Verwaltungs-GmbH"
16 May 2000	Acquisition of PLATYPUS Achtzehnte Beteiligungs- und Verwaltungs-GmbH by Brockhaus Private Equity Verwaltungs GmbH and change of name to "Eagle Fonds Verwaltungs- und Treuhand-GmbH"; the purpose of Eagle Fonds Verwaltungs- und Treuhand-GmbH was to hold a partnership interest in Brockhaus Private Equity I GmbH & Co. KG and Brockhaus Private Equity Partners Nr. 1 GmbH & Co. KG (together "**BPE I**") as trustee for certain private investors
21 December 2016	Resolution of the shareholders to dissolve Eagle Fonds Verwaltungs- und Treuhand-GmbH effective on 31 December 2016 due to the end of business activities of BPE I
13 June 2017	Resolution of the shareholders to continue the Company.
1 August 2017	Resolution of the shareholders to change the legal form to a stock corporation and to amend the Articles of Association including a change of the name to "Brockhaus Capital Management AG"

19 September 2017	Registration of the transformation of the Company into a stock corporation under the name "Brockhaus Capital Management AG" in the commercial register (*Handelsregister*) and start of its business in its current form
20 December 2017	Implementation of the first financing round through a capital increase with proceeds of approximately EUR 45 million raised from external investors
6 December 2018	Acquisition of a majority stake in Palas GmbH with a partial payment of the purchase price by issuing 100,000 new shares to Palas GmbH's CEO Dr Maximilian Weiß in the context of a capital increase against contribution in kind
11 December 2019	Implementation of a second financing round through a capital increase with proceeds of approximately EUR 55.5 million to finance the acquisition of IHSE
16 December 2019	100% acquisition of IHSE with partial payment of the purchase price by issuing approximately 191,000 new shares to IHSE's CEO Dr Enno Littmann and approximately 396,000 shares to investors in BPE III in the context of a capital increase against contribution in kind

15.6 Intellectual property rights

As of the date of this Prospectus, the Company owns seven trademarks. These trademarks are German trademarks, which are registered in the trademark register of the German Patent and Trademark Office (*Deutsches Patent- und Markenamt, DPMA*). Essentially, they concern the intellectual property rights to "Brockhaus Capital Management AG" in class 35, 36, "Brockhaus" in class 36, "BCM" in class 36 and "Brockhaus Technologies" in class 36. The trademarks were registered in the years 2017 to 2020.

The trademark "Brockhaus Technologies" was registered with the German trademark register on 2 April 2020, the publication in the Trademark Journal (*Markenblatt*) of the German Patent and Trademark Office occured on 8 May 2020. Owners of earlier trademarks who claim a ground for opposition pursuant to Sec. 42 para. 2 in conjunction with Sec. 9 et seq. German Trademark Act (*Markengesetz*) (relative grounds (*relative Schutzhindernisse*)) such as, *e.g.* in the case of likelihood of confusion of the trademarks, which may exist where the trademarks are identical or similar, can file an opposition within a period of three months following the publication in the Trademark Journal, *i.e.* until 10 August 2020. If such owner of an earlier trademark is successful in the opposition proceedings, the registered trademark will be cancelled. After expiry of the opposition period, owners of earlier trademarks can file an application for cancellation (*Löschungsantrag*) of the trademark in court on the basis of relative grounds for refusal of protection the trademark.

In addition to trade secrets, unpatented know-how, and other intellectual property rights, BCM Group owns and licenses the rights under a number of patents, trademarks and copyrights relating to certain of BCM Group's products and businesses. BCM Group also employs various methods, including confidentiality and non-disclosure agreements with individuals and companies BCM Group does business with, employees, distributors, representatives and customers to protect its trade secrets and know-how.

The Company believes its current subsidiaries are not substantially dependent on any single patent, trademark, copyright, or other item of intellectual property or group of patents, trademarks or copyrights.

15.7 Insurance

BCM Group, in the Company's opinion, has sufficient insurance coverage for its business activities. The Company has directors' and officers' ("**D&O**") liability insurance ("**D&O Insurance**") (*Vermögensschaden-Haftpflichtversicherung*) for the corresponding bodies and managerial employees for itself and its subsidiaries at market standard terms. The D&O Insurance covers financial losses incurred due to a breach of duty on the part of the persons insured within the scope of their responsibilities. The D&O insurance contracts provide for a deductible for all members of the Management Board (*Vorstand*) in accordance with the relevant provisions of the German Stock Corporation Act (*Aktiengesetz,* **"AktG"**), *i.e.*, each member of the Management Board remains personally responsible in the case of any finding of personal liability, as the case may be, for 10% of the total amount of such personal liability, up to an amount equalling 150% of the member's total annual fixed remuneration from the Company.

Additional D&O insurance policies exist at the subsidiary level. IHSE and Palas Holding GmbH both have D&O insurances for the corresponding bodies and managerial employees for themselves and their subsidiaries. Since IHSE holds investments in subsidiaries located in countries not covered by the insurance (USA), IHSE has also insured against impairments of the economic value of its investments in such subsidiaries with regard to D&O losses. IHSE's

D&O insurance provides for a deductible of EUR 0 per insured person and USD 25 k in the event of a Company Reimbursement in the USA.

15.8 Regulatory environment

The Company is not an investment fund within the meaning of Sec. 1 para. 1 sentence 1 of the German Investment Code (*Kapitalanlagegesetzbuch*, "**KAGB**"), and its business operations are accordingly not structured to manage an investment fund on its own, so that the Company does not have any license or duty to register pursuant to Sec. 20 and 44 KAGB when conducting its business.

Pursuant to Sec. 1 para. 1 sentence 1 KAGB, an investment fund is an organisation for joint investments which collects capital from a number of investors and invests the capital in accordance with a defined investment strategy for the benefit of these investors and does not have any operational business outside the financial sector. In order to be regarded as an investment fund in terms of the KAGB, an entity must fulfil all of these criteria.

As the Company does not pursue a defined investment strategy within the meaning of Sec. 1 para. 1 sentence 1 KAGB due to the business model described in section "*–15.4 Business operations*", it is currently not regarded as an investment fund. Furthermore, the Company is a parent company, which aims at primarily generating its revenue from distributions from its subsidiaries held by the Company in the long-run and not from re-selling the acquired companies.

By letter dated 8 September 2017, BaFin confirmed to the Company in this regard, that the Company's business model does not fall within the scope of application of the KAGB.

The regulatory requirements applicable to the business activities of the Company and the subsidiaries are subject to ongoing modifications. Potential non-compliance with legal provisions can lead to costs and/or sanctions. This can adversely influence both the reputation and the general business activities as well as the assets, financial situation and earnings position of the Company.

15.9 Legal disputes

There are no governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which the Company is aware, in the 12 months prior to the date of this Prospectus, which may have, or have had in the recent past significant effects on the financial position or the profitability of the Company and/or BCM Group during that time.

15.10 Research and development (R&D)

The Company itself does not conduct any research or development ("**R&D**") activities.

At subsidiary level, R&D activities currently focus on the new and further development of technologies, products, processes and software in the fields of particle measurement technology concerning aerosols as well as in the high-performance and secure transmission of computer signals, the latter especially in "mission critical" applications.

Palas GmbH, in addition to its established fine dust measuring devices recently developed corresponding devices for non-certified outdoor and indoor applications that are currently in the process of being introduced to the market.

IHSE's engineering team is constantly developing its proprietary-protocol-based KVM products to incorporate latest data transmission technology and to satisfy future customer needs. Its highly configurable product set up gives them the ability to react fast to changing need. In addition, increased development work is carried out in the area of data transmission via standardised Internet Protocols (IP) to continuously expand the existing product portfolio of IP-based devices.

As of 31 March 2020 12 employees of Palas GmbH and 14 employees of IHSE GmbH were employed in the area of operation R&D.

Additionally, within R&D, BCM Group companies were able to conduct successful third party cooperations, *e.g.* IHSE GmbH with Fraunhofer Institute or Palas GmbH with KIT – Karlsruher Institut für Technologie.

According to the Audited IFRS Consolidated Financial Statements 2019, the total R&D expenses amounted to EUR 345 k (Audited IFRS Consolidated Financial Statements Short Fiscal Year 2018: EUR 52 k), which corresponds to 2.1% of revenues (2018: 4.7%).

15.11 Material property, plant and equipment

The Company does not own any material property, plant or equipment. The business premises of the Company in Frankfurt am Main, Germany, are leased from BPE GmbH under a sublease agreement.

In January 2019, IHSE has relocated its sales and production site in Germany to newly developed own premises in Oberteuringen, Germany (see "*– 15.13 Material contracts –15.13.3 Acquisition of properties for IHSE's facilities in Oberteuringen*"). The premises are held by IHSE Immobilien GmbH.

Palas GmbH's sales and production premises are leased.

15.12 Employees

BCM AG had eight (8) employees as of 31 December 2019 (including the members of the Management Board). As of the date of this Prospectus, BCM AG has nine (9) employees (including the members of the Management Board).

On group level, BCM Group had on average 101 employees in the period of 1 January 2019 until 31 December 2019 and 201 employees as at 31 December 2019.

Average number	**1 Jan 2019 – 31 Dec 2019**	**1 Aug 2018 – 31 Dec 2018**	**1 Aug 2017 – 31 July 2018**	**1 Jan 2017 – 31 July 2017**
Full-Time	68	11	1	-
Half-time	25	5	-	-
Other	8	2	-	-
Employees total	**101**	**18**	**1**	**-**

Number	**31 Dec 2019**	**31 Dec 2018**	**31 July 2018**	**31 July 2017**
Full-Time	137	52	1	-
Half-time	47	19	-	-
Other	17	8	-	-
Employees total	**201**	**79**	**1**	**-**

As of 31 December 2019 the number of employees of the Company, its subsidiaries and together as BCM Group were divided into the following areas of operations:

	BCM AG	Palas	IHSE	BCM Group
Management	2	2	6	10
Admin/ finance/ HR/ IT	2	5	15	22
Research & development	-	12	14	26
Sales & distribution	-	10	25	35
Marketing	-	2	4	6
Production & warehouse	-	28	30	58
Procedurement	-	4	3	7
Support & engineering	-	3	9	12
Investement team	4	-	-	4
Other	-	10	11	21
Total	**8**	**76**	**117**	**201**

Among the 201 employees of BCM Group as at 31 December 2019, 15 employees were located in the Cranbury, NJ, USA while eight employees were located in Singapore, Asia. All other employees of BCM Group as at 31 December 2019 were located in Germany. All employees of BCM Group as at 31 December 2018 and 31 July 2018 were located in Germany.

As of the date of this Prospectus, BCM Group has 201 employees, thereof 15 employees located in the Cranbury, NJ, USA and 8 employees located in Singapore, Asia. All other employees of BCM Group as of the date of this Prospectus were located in Germany.

15.13 Material contracts

The following are the material contracts entered into by BCM Group outside the ordinary course of business as of the date of this Prospectus.

15.13.1. Acquisition of Palas

Share purchase agreement regarding the acquisition of shares in Palas Holding GmbH

With purchase agreement dated 16 November 2018 and amendment agreement dated 4 December 2018 (together "**SPA Palas**"), Mr Leander Mölter ("**Palas Seller 1**") and Dr Maximilian Weiß ("**Palas Seller 2**" and together "**Palas Sellers**") concluded a contract for the sale of Palas GmbH Partikel- und Lasermeßtechnik ("**Palas GmbH**") with Palas Holding GmbH (at that time acting under the corporate name Platin 1708. GmbH) as buyer. The Palas Sellers agreed to transfer their shares in Palas GmbH ("**Palas Shares**") to Palas Holding GmbH in return for a total consideration in the amount of EUR 35.1 million.

At the date of the SPA Palas, Palas Seller 1 held 70% of the Palas Shares and Palas Seller 2 held 30% of the Palas Shares. The Palas Shares held by Palas Seller 1 were transferred to

Palas Holding GmbH against cash payment and granting of a vendor loan to BCM AG by Palas Seller 1 in the amount of EUR 3 million, bearing interest of 6.0% p.a. The vendor loan has a term of five (5) years. BCM AG is obliged to make a partial repayment in the amount of EUR 1 million plus interest upon expiry of a three (3) year period beginning on the closing date on 6 December 2018. It must be repaid in full within 15 banking days following admission to trading on a domestic or foreign stock exchange in the course of an initial public offering with a simultaneous capital increase.

Palas Holding GmbH acquired part of the Palas Shares of Palas Seller 2 against a cash payment. The Palas Seller 2 contributed its remaining Palas Shares to Palas Holding GmbH and received a consideration in the form of 78% of the shares representing 49.7% of the voting rights of Palas Holding GmbH. Finally, Palas Seller 2 contributed shares in Palas Holding GmbH in an amount of 48% of the share capital of Palas Holding GmbH, representing 30.6% of the voting rights of Palas GmbH, into BCM AG and received in return 100,000 shares in BCM AG in the course of a subsequent capital increase against contribution in kind.

The sale took place with economic effect as of 1 January 2018, 0:00 (CET) (Wirtschaftlicher Stichtag).

The SPA Palas stipulates a commitment of the Sellers of Palas GmbH to a non-competition clause for a period of three years.

In connection with the SPA Palas, BCM AG and Dr Maximilian Weiß entered into a shareholder agreement dated 16 November 2018, with amendment dated 28 November 2019, regarding their shareholding in Palas Holding GmbH ("**Palas Shareholder Agreement**"). The Palas Shareholder Agreement includes the following material provisions:

- The transfer of shares requires the consent of the shareholders' meeting of Palas Holding GmbH with simple majority.

- In case of a sale of more than 50% of the Shares in Palas Holding GmbH, the Palas Seller 2 has the right to require from BCM AG and BCM AG may require from the Palas Seller 2 that his shares in Palas Holding GmbH be sold at the same terms to the prospective buyer.

- BCM AG has a right of first refusal (Vorkaufsrecht) in case one of the other shareholders intends to sell its shares in Palas Holding GmbH.

- In case Palas Seller 2 leaves Palas, BCM AG has the right to acquire his shares (call option), whereby the amount of the consideration depends on the circumstances of Palas Seller 2 leaving Palas.

- From 1 January 2024 until 30 June 2024, BCM AG and Dr Weiß are each entitled under certain conditions to request the transfer of the shares held by Dr Weiß to BCM AG (put and call option). The consideration for the shares of Dr Weiß corresponds to the fair market value (*Verkehrswert*) of Palas Holding GmbH at the time of the exercise of the respective option. If BCM AG is a listed company at that point in time, BCM AG may also issue Shares to Dr Weiß as consideration for the transfer of the shares in Palas Holding GmbH. If Dr Weiß exercises his put option, BCM AG may alternatively trigger a sale of all shares in Palas Holding GmbH to a third party.

Financing agreement regarding the acquisition of all shares in Palas GmbH

As regards the financing of the acquisition of Palas GmbH, Palas Holding GmbH, as borrower, entered into a loan agreement dated 4 December 2018 with Raiffeisenlandesbank Niederösterreich-Wien AG as creditor for credit lines in the amount of EUR 13 million ("**Loan Agreement Palas**").

The Loan Agreement Palas is divided into a loan repayable in instalments in the amount of EUR 6.5 million ("**Credit Line A**") and as a bullet loan in the amount of EUR 6.5 million ("**Credit Line B**"). The credit lines may be used exclusively to finance the payment of the purchase price and the transaction costs.

Interest is payable on the last day of each six-months interest period at a rate per annum on the outstanding borrowing amounting to the aggregate of (i) EURIBOR and (ii) the applicable margin per annum. The applicable margin is initially 3.00% p.a. for Credit line A and 3.5% p.a. for Credit Line B. It will be adjusted on the basis of the leverage ratio derived from the consolidated annual financial statements of Palas Holding GmbH and is in a range between 2.4% to 3% for Credit Line A and 2.9% to 3.5% for Credit Line B.

The final maturity date of Credit Line A is 31 December 2024 and of Credit Line B 31 December 2025. Credit Line A will be repaid in twelve semi-annual principal instalments of EUR 541,700.00 each on 30 June and 31 December, for the first time on 30 June 2019. Credit Line B is repayable in one principal instalment on the final maturity date of Credit Line B.

Various types of collateral have been provided to secure repayment under the Loan Agreement Palas, including

- a pledge of shares in Palas Holding GmbH and Palas GmbH;
- a first-ranking assignment of the rights in Palas Holding GmbH under the SPA Palas and from intra-group loans, and
- a subordination and retention agreement regarding future shareholder loans entered into between BCM AG and the creditor.

The loan agreement contains a number of customary financial and behavioural covenants.

Financial covenants include adherence to certain key financial figures such as the net debt EBITDA ratio of the Group, which at no time during the term of the loan agreement may exceed certain amounts (*e.g.* not exceeding 3.75 to 1 by 31 December 2019 and not exceeding 2.0 to 1 by 31 December 2022 onwards) and the equity ratio, which must be at least 40% at any time during the term of the Loan Agreement Palas. Compliance with the key financial figures is reviewed annually on the reporting date of 31 December, starting from 31 December 2019.

Failure to comply with any of these covenants may result in a right of termination for the creditor of the Loan Agreement Palas.

Vendor loan agreement between Mr Leander Mölter and Palas Holding GmbH

For the partial financing of the acquisition of Palas GmbHs' shares, Mr Leander Mölter, as the borrower and Palas Holding GmbH (at that time acting under the corporate name Platin 1708. GmbH) as the lender entered into a certain vendor loan agreement dated 16 November 2018 ("**Vendor Loan**"). The Vendor Loan is governed by German law.

The Vendor Loan exclusively serves for the purpose of the financing of the purchase price of Palas Holding GmbH's investment in Palas GmbH in the amount of EUR 3 million (see above "*Share purchase agreement regarding the acquisition of shares in Palas Holding GmbH*").

The purchase price was due in full on the closing date on 6 December 2018. The Vendor Loan is not disbursed in cash, but is paid by offsetting Palas Holding GmbH's claim to the loan disbursement against Mr Mölter's purchase price claim.

Under the terms of the Vendor Loan, Palas Holding GmbH is obliged to pay Mr Mölter interest on the loan or the loan amount not yet repaid from the closing date on 6 December 2018 until the date of full repayment of the Vendor Loan. The interest rate is 6% p.a.

The term of the Vendor Loan is five years from the closing date on 6 December 2018. Palas Holding GmbH is entitled to prematurely repay the Vendor Loan at any time completely or in installments without Mr Mölter being entitled to an early repayment penalty. Furthermore, Palas Holding GmbH is obliged to repay the Vendor Loan in cash within 15 bank working days if the Shares of BCM AG are listed on a domestic or foreign stock exchange with simultaneous capital increase (IPO).

The Vendor Loan may be terminated by Mr Mölter for good cause, such as the liquidation or the material deterioration of the asset situation of Palas Holding GmbH. A further important cause is given if (i) BCM AG or its subsidiaries within the meaning of Sec. 15 seq. of the German Stock Corporation Act (*Aktiengesetz*) no longer directly or indirectly hold more than 50% of all shares or 50% of the voting rights of Palas Holding GmbH, or (ii) Palas Holding GmbH does not hold more than 50% of all shares or 50% of the voting rights in Palas GmbH.

The Vendor Loan is subordinated to the Loan Agreement Palas (see "*Financing agreement regarding the acquisition of all shares in Palas GmbH*"), other possible obligations to banks regarding the acquisition of Palas GmbH and possible BCM AG loans.

15.13.2. Acquisition of IHSE

Share purchase agreement regarding the acquisition of all shares in IHSE Holding GmbH

On 29 August 2019, Brockhaus Private Equity Management (Luxembourg) S.à r.l. ("**IHSE Seller 1**") as trustee for BPE III and EL-Invest GmbH ("**IHSE Seller 2**", together with IHSE Seller 1 "**IHSE Sellers**") entered into a share purchase agreement ("**SPA IHSE**") with BCM AG as purchaser for the acquisition of all shares held by the IHSE Sellers in IHSE Holding GmbH ("**IHSE Shares**"). IHSE Seller 1 held 21,700 IHSE Shares with a total nominal value of EUR 21,700.00 and IHSE Seller 2 held 3,300 IHSE Shares with a total nominal value of EUR 3,300.00. Moreover, a shareholder loan in the amount of EUR 10 million granted to IHSE Holding GmbH by IHSE Seller 1 in 2016 was assumed by the Company in the course of the transaction. The SPA IHSE is governed by German law.

In the SPA IHSE, the IHSE Sellers undertook to transfer all IHSE Shares to BCM AG against a total consideration of EUR 110.2 million, thereof EUR 12.2 million for the replacement of the shareholder loan. This consideration was based on an enterprise value of IHSE assumed by the Company of approximately EUR 135 million. The parties agreed that the purchase price would be paid in cash and newly issued BCM shares to be issued in the course of a capital increase against contribution in kind.

Under an amendment agreement dated 12 December 2019, the IHSE Sellers undertook to transfer (i) a proportion of their IHSE Shares against cash payment directly to IHSE AcquiCo GmbH (a 100% subsidiary of BCM AG) and (ii) the remaining proportion of their IHSE Shares to BCM AG as contribution in kind against issuance of 613,274 new BCM shares from a capital increase.

In the SPA IHSE, the IHSE Sellers granted customary representations and warranties to BCM AG and vice versa, by way of an independent guarantee (*selbständiges Garantieversprechen*). In particular, the IHSE Sellers' guarantee includes several liabilities of the IHSE Sellers for any breaches of representations of statements from certain areas such as corporate matters or financial statements.

Based on the SPA IHSE, BCM AG took out – at its own cost – a buy side warranty and indemnity ("**W&I**") insurance with regard to the acquisition of the IHSE Shares. Accordingly, BCM AG undertook to raise any insured claims only to the W&I insurance and in no event against any of the IHSE Sellers. Furthermore, the Company procured that no claim of BCM AG against the IHSE Sellers under or in connection with the SPA IHSE is assigned or subrogated to the W&I insurer under the W&I insurance.

Furthermore, certain individuals had granted IHSE Beteiligungs GmbH vendor loans in an aggregate amount of EUR 5 million in the context of the acquisition of IHSE by BPE III in 2016. These loans were repaid by BCM Group after the closing of the acquisition of IHSE in December 2019.

The closing of the SPA IHSE occurred on 16 December 2019. At closing, the IHSE Sellers transferred 19,994 IHSE Shares to IHSE AcquiCo GmbH against payment of the cash consideration. BCM AG issued 613,274 new shares to the Sellers (202,015 shares to IHSE Seller 1 and 411,259 shares to IHSE Seller 2) against contribution of a total of 5,006 IHSE Shares as contribution in kind. The implementation of the capital increase was registered with the commercial register (*Handelsregister*) on 23 December 2019. The Company has then transferred these IHSE Shares to IHSE AcquiCo.

In connection with the acquisition of IHSE, the Company directly acquired 10.1% of the shares held by IHSE GmbH in IHSE Immobilien GmbH for a consideration of approximately EUR 204.5 k by separate notarial deed dated 9 December 2019. IHSE Immobilien GmbH is registered owner of two properties in Oberteuringen with land charges of EUR 6 million ("**IHSE Properties**") (see also "*– 15.13.3 Acquisition of IHSE Properties for IHSE's facilities in Oberteuringen*").

Financing agreement regarding the acquisition of all shares in IHSE Holding GmbH

On 12 December 2019, IHSE AcquiCo GmbH as borrower ("**Borrower**") entered into a German law governed loan agreement with RV AIP S.C.S. SICAV-SIF (acting for RV TF Acquisition Financing) as lender ("**Lender**") for the acquisition of IHSE Shares by BCM Group.

The loan agreement was entered into in order to finance (i) the pro rata replacement of another existing financing of IHSE; (ii) the pro rata financing of the purchase price for the acquisition of 100% of the shares in IHSE Holding GmbH; (iii) the pro rata financing of the purchase price of the shareholder loan; (iv) the pro rata financing of several liabilities; and (v) the pro rata financing of the transaction costs of the acquisition ("**Loan Agreement IHSE**").

The Loan Agreement IHSE consists of an amount of total EUR 38 million and is divided into a redeemable loan with an amount of EUR 24 million ("**Loan A**") and a bullet loan (*i.e.* a loan that is due for repayment in one sum at the end of the agreed term) in an amount of EUR 14 million ("**Loan B**").

Loan A bears interest at a rate of 2.75% p.a. and Loan B bears interest at a rate of 3.25% p.a. The interest is payable quarterly. If one or more reasons for a termination occur, the interest rates may increase.

The Loan Agreement IHSE terminates with respect to Loan A on 20 June 2025 and with respect to Loan B on 31 December 2026. The final instalment of Loan A is due by 30 June 2025 at the latest. The repayment of Loan B is due at the end of its term in full amount.

The Loan Agreement IHSE may be terminated by the Lender for cause of customary reasons, such as non-payment of a due payment obligation or improper use of the funds provided. In case of such an event of default give cause for termination and for as long as such event persists, the Lender shall in particular have the right to demand immediate payment of all or part of the drawdowns under Loan A and Loan B, whereupon the borrower shall be obliged to pay the relevant amounts together with accrued interest and any other amounts due.

Repayment under the Loan Agreement IHSE is encumbered by the Borrower as follows: (i) rights of first-ranking pledges of several present and future shares owned by the BCM AG and / or the Borrower or other subsidiaries, together with certain rights relating to these shares; (ii) assignments of claims by the Borrower, IHSE Holding GmbH, IHSE Beteiligungs GmbH and IHSE GmbH, for example receivables from goods and service or claims under insurance contracts; (iii) assignment of the current and future movable tangible and current assets of IHSE GmbH; and (iv) first pledge of all current and future account balances and deposits of the Borrower, IHSE Holding GmbH, IHSE Beteiligungs GmbH, IHSE GmbH and IHSE Immobilien GmbH located in Germany.

The loan agreement contains a number of customary financial covenants.

Financial covenants include adherence to certain key financial figures such as the net debt ratio of the Group, which at no time during the term of the loan agreement may exceed certain amounts (net debt ratio of 3.5 to 1 by 31 December 2020; being gradually reduced to 2.5 to 1 by 31 March 2022 onwards; a cash flow / debt service coverage ratio of greater than or equal 1.0 and an EBITDA to interest expense ratio of greater than or equal 4.0 at any time during the term of the Loan Agreement IHSE). Compliance with the key financial figures is reviewed quarterly, starting from 31 December 2020.

Failure to comply with any of these covenants may result in a right of termination of the Loan Agreement IHSE for the Lender.

15.13.3. Acquisition of IHSE Properties facilities in Oberteuringen

Prior to the conclusion of the SPA IHSE, on 18 May 2017 and 26 September 2017, IHSE Immobilien GmbH acquired the two IHSE Properties in Oberteuringen for the construction of new factory buildings by way of a property purchase agreement. The purchase price amounted to EUR 1.3 million.

The construction costs for the new factory buildings were partially financed out of the cash flows of IHSE and with external debt in an amount of originally EUR 6.7 million based on three loan agreements which were concluded between IHSE Immobilien GmbH and Sparkasse Bodensee on 26 September 2017, 7 November 2017 and 19 June 2018, respectively. The loan granted under the loan agreement entered into on 26 September 2017 is payable in the amount of EUR 60,000.00 per year in monthly payments of EUR 5,000.00 with the first instalment paid on 30 January 2019 whereas the loan under the loan agreement entered into on 7 November 2017 is payable on 30 December 2037. The loan granted under the loan agreement in a nominal amount of EUR 700 k entered into on 19 June 2018 shall be repaid on 30 December 2020, however, the Company intends to refinance this loan agreement before maturity in an amount of EUR 500 k.

Both parties have the right of termination for good cause, for example, in the event of significant changes in personal or financial circumstances or rather in the event of changes in ownership and shareholdings. The land charges registered on the properties of IHSE Immobilien GmbH in the amount of EUR 6 million as well as rental/leasehold interest claims for the property in Benzstraße, Oberteuringen, which have been assigned as security, serve as collateral. With letters dated 20 August 2019 and 1 December 2019, Sparkasse Bodensee confirmed *vis-à-vis* IHSE Holding GmbH that a change in the ownership structure of IHSE Holding GmbH does not require the consent of Sparkasse Bodensee.

15.13.4. License Agreement of IHSE with Fraunhofer Institut

On 4 October 2016, IHSE GmbH entered into a license agreement with the Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e.V. for the Field Programmable Gate Arrays ("**FPGA**") implementations of the Lici Lightweight Image Coding technology in KVM devices and the source code to generate these FPGA implementations. FPGA are integrated circuits in which a logic circuit can me programmed. KVM stands for Keyboard Video Mouse, the usual input and output devices in the workplace. Under the license agreement, IHSE GmbH was granted an exclusive worldwide, non-transferable license to the source code for use in KVM devices for compression and decompression of image files in KVM devices until 31 December 2018. The license agreement is currently still valid.

15.13.5. Cooperation and license agreement with the Karlsruhe Institute of Technology

The Karlsruhe Institute of Technology and Palas GmbH are jointly developing an ultra-light sensor for aerosol measurements to distinguish between spherical and aspherical particles. Under the cooperation agreement entered into on 11/20 June 2013, inventions involving employees of both parties will become the joint property of the parties. Under the license agreement, Palas GmbH has an exclusive license to the know-how developed by Palas GmbH and the Karlsruhe Institute of Technology over the course of and in connection with the cooperation agreement, and for those countries where the IP rights of the Karlsruhe Institute of Technology exist, Palas GmbH has the right to manufacture, use and distribute the licensed object. The term of the license agreement regularly ends on 31 December 2023 and is extended automatically by one year if it is not terminated.

16. Shareholder structure

The following table provides certain information regarding the participation of certain major shareholders (each holding 3% or more in the Company's share capital and voting rights) and of the members of BCM AG's team in the Company's share capital as of the date of the Prospectus and their assumed shareholdings after the implementation of the Private Placement and the exercise of the Greenshoe Option, if any. The following information is taken from the Company's share register or otherwise known to the Company.

	As of the date of the Prospectus				**Adjusted for the Placement Capital Increase[1]**		**Adjusted for the Greenshoe Capital Increase[2]**	
(in %)	**Voting rights[3]**	**Share Capital[3]**	**Voting rights[3]**	**Share Capital[3]**	**Voting rights/ share capital[3]**		**Voting rights/ share capital[3]**	
	(directly held)		(indirectly held)		(directly held)	(indirectly held)	(directly held)	(indirectly held)
ABACON Invest GmbH	9.90	9.23	-	-	6.32	-	6.04	-
ACUSTICA Zweite Verwaltungs-GmbH	8.32	7.75	-	-	5.33	-	5.09	-
- attibuted to Andreas Peiker	-	-	8.32	7.75	-	5.33	-	5.09
Orgentec Holding GmbH	6.32	5.89	-	-	4.03	-	3.85	-
VESTA GmbH	5.34	4.98	-	-	3.41	-	3.26	-
Dr. Liedtke Vermögensver-waltung GmbH	4.93	4.60	-	-	3.15	-	3.01	-
EL-Invest GmbH	3.19	2.97	-	-	2.07		1.98	-
- attributed to Dr Enno Littmann	-	-	3.19	2.97	-	2.07	-	1.98
Team Shareholders:								
Falkenstein Heritage GmbH	26.67	24.86	-	-	20.17	-	19,26	-
BPE GmbH	3.33	3.11	-	-	2.52	-	2.41	-
- both attributed to Marco Brockhaus	-	-	30.00	27.97	0.73	22.69	0.70	21.67
Dr Marcel Wilhelm	1.33	1.24	-	-	1.11	-	1.06	-
Georg Ganghofer	1.33	1.24	-	-	1.06	-	1.01	-
Harald Henning	0.67	0.62	-	-	0.52	-	0.50	-
Treasury shares[4]	0.00	6.77	-	-	0.00	-	0.00	-
Free float	28.67	26.73	-	-	49.58	-	51.85	-
Total share capital	**100.00**	**100.00**	**-**	**-**	**100.0**	**-**	**100.0**	**-**

1 Under the assumption that all 3,125,000 New Shares are placed in the Private Placement, but the Greenshoe Option is not exercised.

[2] Under the assumption that all 3,125,000 New Shares are placed in the Private Placement and the Greenshoe Option for all 468.750 Greenshoe Shares is exercised.

[3] Due to the existing Share Loans (see "*19. General information about the capital of the Company and applicable regulations – 19.7 Share loans*"), the Company holds 459,925 treasury shares that do not confer any rights to the Company. This leads to a higher percentage of voting rights compared to the actual shareholdings. As the Share Loans will terminate upon the completion of the Private Placement, shareholdings and voting rights will be identical thereafter. The voting rights threshold pursuant to the German Securities Trading Act (*Wertpapierhandelsgesetz*, "**WpHG**") and the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz* – "**WpÜG**") are determined on the basis of the entire share capital including the treasury shares currently held by the Company and would therefore correspond to the participation fractions indicated under "share capital".

[4] The Share Loans will terminate upon the completion of the Private Placement and the Company will not hold treasury shares thereafter.

Due to this shareholding structure, none of the major shareholders has, as of the date of this Prospectus, or will have, as of the date of settlement of the Placement Shares with investors, a controlling influence on the Company within the meaning of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz* – "**WpÜG**"). The WpÜG will only become applicable upon admission of the Shares to trading on the regulated market segment (*Regulierter Markt*) of a German stock exchange. A controlling influence within the meaning of the WpÜG means the direct or indirect holding of 30% or more of the voting rights. For purposes of determining the 30% threshold, own shares held by the Company (also referred to as treasury shares) are not to be deducted from the total share capital even though they carry no voting rights at present. No agreements exist between the Team Shareholders as to a pooling or other arrangements regarding the exercise of their voting rights in BCM AG, except of the voting trust agreement dated 7 May 2020 between Falkenstein Heritage GmbH and BPE GmbH regarding their shares.

Pursuant to the Company's Articles of Association, Falkenstein Heritage GmbH, which is controlled by Mr Marco Brockhaus, has the right to appoint one third of the members of the Supervisory Board, see "*20. Information about corporate bodies and the senior management of the Company – 20.3 Supervisory Board*". However, as this right is limited to one third of the members of the supervisory board and the members of the supervisory board of a German stock corporation are independent and not subject to instructions, *e.g.* by a shareholder, Mr Marco Brockhaus is not considered to exercise a controlling influence.

The Company is not aware of any agreements that could lead to a change in the control of the Company at a later date. The shareholders do not have different voting rights; each of their shares grants the same voting rights.

17. Transactions and legal relationships with affiliated or related persons

In accordance with IAS 24, transactions with persons or companies which are, inter alia, members of the same group as the Company or which are in control of or controlled by the Company must be disclosed, unless they are already included as consolidated companies in the Company's audited financial statements. The disclosure requirements under IAS 24 also extend to transactions with persons who have significant influence on the Company's financial and operating policies, including the members of the Management Board, the Supervisory Board and senior employees (individuals who have a key position at the Company), their related family members, as well as companies in which this group of persons has determinative influence. Furthermore, the related persons include those companies with which the Company has established a corporate group, the Company's subsidiaries in which the Company has a controlling influence over the business policy, and the main shareholders of the Company, including their affiliated enterprises.

The business relationships existing as of the date of this Prospectus between the Company and related persons, if any, result from the normal course of business and were concluded at common conditions in the market. This also applies for related family members to this group of individuals.

17.1 Relationships between BCM AG and related companies within the meaning of IAS 24

Management Board members hold positions in other entities, in which they have control or a significant influence on the financial and business policy of these entities. Some of these entities conducted transactions with BCM AG during the period covered by the historical financial information.

17.1.1. Acquisition of IHSE

With completion on 16 December 2019, BCM Group acquired 100% of the shares in IHSE. The total consideration paid amounted to EUR 110,170 k. The shares acquired in IHSE were partially sold to BCM AG by Brockhaus Private Equity Management (Luxembourg) S.à r.l. in its function as trustee (for further details of the transaction see *"15. Business – 15.13 Material contracts – 15.13.2 Acquisition of IHSE*"). The member of the Management Board Mr Marco Brockhaus is the sole shareholder and one of the five managing directors of Brockhaus Private Equity Management (Luxembourg) S.à r.l.

IHSE was offered for sale by the sellers in a structured and transparent auction process organised by a renowned M&A advisor, in which BCM AG prevailed against a number of other bidders with the economically best offer, which included the opportunity for investors in BPE III to receive shares in BCM AG instead of a distribution in cash by BPE III from the sale of IHSE.

17.1.2. Sublease agreement between BCM AG and BPE GmbH

BCM AG leases office space from BPE GmbH by way of a sublease agreement. BPE GmbH is controlled by Mr Marco Brockhaus. The aggregated value of the transaction amounted to EUR 26 k in the three months ended 31 March 2020, EUR 114 k in the fiscal year 2019, EUR 44 k in the short fiscal year 2018 and EUR 34 k in the fiscal year 2018.

17.2 Relationships between BCM AG and its key management personnel

In respect of BCM Group, key management personnel include the members of the Management Board and Supervisory Board of BCM Group. For an overview regarding the compensation, shareholding and long-term incentives as well as other remuneration and advisory fees of the members of the Management Board see "*20. Information about corporate bodies and the senior management of the Company – 20.2 Management Board*" and the Supervisory Board see *"20. Information about corporate bodies and the senior management of the Company – 20.3 Supervisory Board*".

17.2.1. Share loans between members of the Management Board and BCM AG

Mr Marco Brockhaus (via Falkenstein Heritage GmbH and BPE GmbH that are controlled by him) and Dr Marcel Wilhelm are parties to a share loan with the Company agreed on 15 December 2017 upon a pro rata lending of shares at no cost ("**Share Loan I**"). The share loan provides for the Company to re-transfer upon issuance of new shares such a number of shares so that the ratio of 1/3 for Team Shareholders (as defined below) and 2/3 for other investors is maintained (see *"–19.7 Share loans – 19.7.1 Share Loan I*").

In February 2020, Mr Marco Brockhaus (via Falkenstein Heritage GmbH and BPE GmbH that are controlled by him) and Dr Marcel Wilhelm subscribed for 65,234 shares at EUR 32.00 per share in course of the capital increase. Those shares are lent to the Company in the scope of a share loan ("**Share Loan II**") as described below (see *"– 19.7 Share loans – 19.7.2 Share Loan II*").

17.2.2. Subscription of shares by members of the Supervisory Board

Members of the Supervisory Board subscribed to 163,254 shares of the Company in the course of the capital increases in the fiscal year 2019.

18. General information on the Company

18.1 Formation, company, name, registered office, fiscal year and duration of the Company

The Company is a stock corporation (*Aktiengesellschaft – AG*) under German law, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main under HRB 109637.

The Company was established with articles of association (*Satzung*, "**Articles of Association**") dated 7 March 2000 in Germany under the name PLATYPUS Achtzehnte Beteiligungs- und Verwaltungs-GmbH with registered office in Frankfurt am Main, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main under HRB 49156 on 22 March 2000. After a notarised acquisition by Brockhaus Private Equity Verwaltungs GmbH on 16 May 2000, the name of the Company was changed to Eagle Fonds Verwaltungs- und Treuhand-GmbH with its registered office in Cologne from 2000-2006. On 11 December 2006 Eagle Fonds Verwaltungs- und Treuhand-GmbH changed its registered office back to Frankfurt am Main and was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main under its current HRB 109637.

In December 2016, the shareholders of Eagle Fonds Verwaltungs- und Treuhand-GmbH resolved to dissolve Eagle Fonds Verwaltungs- und Treuhand-GmbH effective on 31 December 2016. In June 2017, however, and before the dissolution became legally effective, the shareholders of Eagle Fonds Verwaltungs- und Treuhand-GmbH resolved to reverse the dissolution resolution. The shareholders of Eagle Fonds Verwaltungs- und Treuhand-GmbH resolved in August 2017 to change the legal form to a stock corporation (*Aktiengesellschaft*) and to amend the Articles of Association including a change of the name to "Brockhaus Capital Management AG". The change of the legal form and the name as well as the amendment of the Articles of Association were registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main on 19 September 2017, where it is registered under HRB 109637.

The Company's fiscal year has corresponded to the calendar year since 1 January 2019. The fiscal year ran previously from 1 August 2017 until 31 July 2018 with a short fiscal year from 1 August 2018 until 31 December 2018. The Company has no time limit on its duration.

The business address of the Company is: Brockhaus Capital Management AG, Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany. The Company can be reached by telephone at the number + 49 (0) 69 2043409-0 and by telefax at the number + 49 (0) 69 2043409-71.

The Company's commercial name is Brockhaus Capital Management and the Company's website is www.bcm-ag.com. As a German stock corporation, the Company is governed by German law. The LEI of the Company is 5299007DQ4OLATJQIX97.

18.2 Subject matter of the Company

Pursuant to Sec. 2 of the Articles of Association the subject matter of the Company is establishing and acquiring companies, holding and managing and supporting shareholdings in companies over the long-term, if appropriate, selling such shareholdings as well as providing services in connection with the above, such as support in matters involving distribution, marketing, financing and general organisational as well as management matters and acquiring financing. The subject matter also includes conducting the business activities of a management holding company for its subsidiaries, including managing and rendering services for those subsidiaries ("corporate group services"), providing debt capital to the subsidiaries, to the extent this does not require a permit from a public authority, and developing and implementing new business concepts for its subsidiaries and third parties as well as rendering various services including consulting services to companies, especially on the direction of the business, the business concept, the level of equity, possibilities for financing and capital investments ("business consulting"), to the extent this activity does not require a permit from a public authority. The subject matter of the Company also involves investing freely available liquid funds of the Company under a business strategy, which funds have not yet been tied up in investments, including also in listed securities such as stock, profit sharing certificates, other mezzanine instruments, bonds, funds, certificates or derivatives. With regard to its investments, the Company's objective is to promote and increase the value of its investments over the long-term.

The Company is entitled to engage in all transactions and take all measures which are not subject to authorisation and which are directly or indirectly necessary or appear useful to achieve the purpose of the Company.

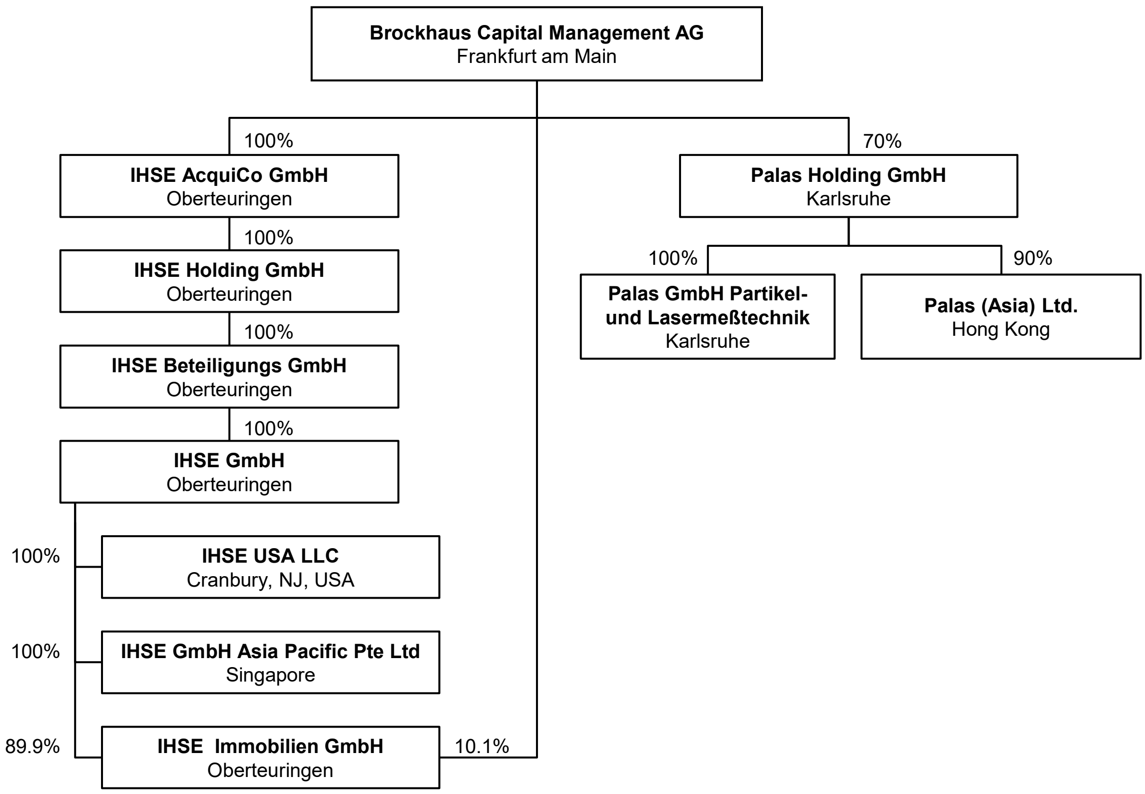
The Company is authorised to establish permanent establishments and branches in Germany and in foreign countries and to conclude joint venture contracts and similar contracts as well as to acquire rights. In addition, the Company can conclude inter-company agreements and/or cooperation agreements with other companies or limit itself to the administration of its subsidiaries. The Company can executive its business purpose completely or partially indirectly, especially by involving subsidiaries or single purpose companies. Furthermore, the Company is authorised to spin off its assets completely or partially for this purpose to subsidiaries and/or companies in which investments are held, including joint ventures.

18.3 Group Structure

The Company is the parent company of BCM Group. BCM Group is currently divided into the subsidiaries Palas and IHSE with the Company being the parent company of the group. The Company operates from Frankfurt am Main.

BCM Group (through its subsidiaries) also has locations with development, production, administration and other capacities in Karlsruhe (as for Palas) and Oberteuringen (as for IHSE). IHSE also operates its own sales companies in the USA and Singapore.

The following chart shows the corporate group structure of BCM Group:



Currently, it is planned to merge IHSE Holding GmbH as transferring entity into IHSE AcquiCo GmbH (the absorbing entity) in accordance with the provisions of the German Transformation Act (*Umwandlungsgesetz*, "**UmwG**"). The merger is currently expected to take effect on or before 31 August 2020. Furthermore, BCM Group's subsidiary Palas Holding GmbH established a new subsidiary under the laws of Hong Kong in May 2020. The new entity Palas (Asia) Limited was established in order to expand Palas' business and customer base in Asia. As a first step, Palas (Asia) Limited is in the process of applying with the competent authority for the registration of a wholly foreign-owned enterprise in Shanghai, China, which is currently expected to open Palas' Shanghai office in July 2020.

Although the Company holds only 70% in the share capital of Palas Holding GmbH, BCM AG holds 80.9% of the voting rights as shown in the following capitalisation table:

Shareholder Palas Holding GmbH	**Number of ordinary shares[1]**	**Number of preferred shares**	**Number of voting rights**	**Voting rights in %**
BCM Group	7,000	22,800	50,800	80.9
Dr Weiß	3,000	-	12,000	19.1
Total	10,000	22,800	62,800	100

1 Each ordinary share carries four voting rights

19. General information about the capital of the Company and applicable regulations

19.1 Existing share capital

As of the date of this Prospectus, the share capital of the Company amounts to EUR 6,793,058.00 and is divided into 6,793,058 ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*). The shares are freely transferable and the share capital has been fully paid up. The Company's shares were created pursuant to German law and are denominated in EUR.

Each share grants one vote at the Company's shareholders' meeting. There will not be any different voting rights for shareholders of the Company and no restrictions on voting rights and the shares carry full dividend entitlement.

On 7 July 2020, the extraordinary shareholders' meeting resolved to cancel the requirement of a consent of the Company's management board for a transfer of the Existing Shares by an amendment of the Company's Articles of Association. The resolution was registered with the commercial register (*Handelsregister*) on 9 July 2020, effecting the revocation of the restricted transferability *(Vinkulierung)* of the registered shares.

19.2 Development of the share capital

The following table sets out the development of the share capital since the transformation of the Company's legal form from a German limited liability company (*Gesellschaft mit beschränkter Haftung*) to a stock corporation (*Aktiengesellschaft*) in September 2017:

Date of entry in the commercial register	Type of the capital increase	Number of shares issued	Amount of the capital increase (EUR)	Share capital after implementation of the capital increase (EUR)	Placement price (in EUR)
7 March 2000	Incorporation	1	–	25,000.00	
19 July 2017[1]	Capital increase against cash contribution	2,475,000	2,475,000.00	2,500,000.00	1.00
20 Dec 2017	Capital increase against cash contribution	1,652,000	1,652,000.00	4,152,000.00	27.00
2 Jan 2019	Capital increase against contribution in kind	100,000	100,000.00	4,252,000.00	30.00
7 June 2019	Capital increase against cash contribution	41,667	41,667.00	4,293,667.00	30.00
11 Dec 2019	Capital increase against cash contribution	1,735,431	1,735,431.00	6,029,098.00	32.00
23 Dec 2019	Capital increase against contribution in kind	613,274	613,274.00	6,642,372.00	32.00
20 Feb 2020	Capital increase against cash contribution	150,686	150,686.00	6,793,058.00	32.00

On 3 June 2020, the Company published a subscription offer for a capital increase with subscription rights (*Bezugsrechtskapitalerhöhung*) from its existing authorised capital at a subscription price of EUR 32.00 per new share. The proceeds from this capital increase were intended to be used for the short-term financing of the acquisition of a target company. As the Company has decided not to further pursue this acquisition and in light of the planned Private Placement, the capital increase was not implemented despite strong demand from the Company's shareholders.

In connection with and for the purpose of the Private Placement, it is expected that the Company will issue up to 3,125,000 New Shares pursuant to the Placement Capital Increase as resolved by the extraordinary shareholders' meeting on 7 July 2020. It is expected that the registration of the consummation of the Placement Capital Increase with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main will take place on 10 July

1 On 19 September 2017, Brockhaus Capital Management AG was transformed into a German stock corporation (*Aktiengesellschaft*) from Eagle Fonds Verwaltungs- und Treuhand GmbH; the share capital of the Company was increased and divided into 2,500,000 shares in the course of the transformation, accordingly.

2020. Upon registration of the consummation of the Placement Capital Increase with the commercial register (*Handelsregister*), the Company's outstanding share capital will amount to up to EUR 9,918,058.00 and will be divided into up to 9,918,058 ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*).

If and to the extent the Greenshoe Option is exercised and the Greenshoe Capital Increase is implemented, further up to 468,750 Greenshoe Shares pursuant to the Greenshoe Capital Increase as resolved by the extraordinary shareholders' meeting of the Company on or around 9 July 2020 will be issued.

19.3 Authorised capital

19.3.1. Authorised Capital 2017

As of the date of this Prospectus, the Company has an authorised capital in the amount of EUR 1,170,373.00 pursuant to Sec. 5 para. 5 of the Company's Articles of Association in conjunction with Sec. 202 et seqq. AktG. The Management Board with the consent of the Supervisory Board is authorised to increase the share capital of the Company on or before 14 December 2022, on one or more occasions, in the amount stated above through the issuance of new registered shares with no par value, in return for contributions in cash and/or contributions in kind ("**Authorised Capital 2017**"). In general, the shareholders shall be granted subscription rights. The new shares may also be taken up by a credit institution or a financial institution operating within the scope of Sec. 53 para. 1 sentence 1 or Sec. 53b para. 1 sentence 1 or para. 7 KWG or a syndicate of such credit or financial institutions subject to an obligation to indirectly offer them to shareholders for subscription (*mittelbares Bezugsrecht*).

The Management Board, subject to the consent of the Supervisory board, may exclude the subscription rights of the Company's shareholders in the following cases:

- to avoid fractional amounts;

- in the event of an increase of the share capital against cash contribution in accordance with Sec. 186 para. 3 sentence 4 AktG, if the issue price of the new shares is not significantly lower than the stock market price of the existing shares of the Company at the time of the final determination of the issue price and to the extent that the new shares issues under exclusion of subscription rights in accordance with Sec. 186 para. 3 sentence 4 AktG do not exceed a total of 10% of the share capital, neither at the time when this authorisation takes effect nor at the time the authorisation is exercised. The 10%-limit includes shares that, under the exclusion of subscription rights, were sold or were or shall be issued during the term of this authorisation on the basis of other authorisations in direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG. Shares that were or are to be issued to service option and/or conversion rights or conversion obligations from convertible bonds and/or bonds with warrants or stock options shall also be included in the calculation if these bonds or stock options are issued during the term of this authorisation in direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG;

- to the extent necessary to protect against dilution (*Verwässerungsschutz*) in order to grant holders of previously issued conversion and option rights or conversion obligations, which have been or will be issued by BCM AG or companies in which BCM AG directly or indirectly holds a majority stake, a subscription right to new shares to the extent to which they would be entitled after exercising the conversion or option rights or after fulfilling conversion obligations;

- in the event of a capital increase against contribution in kind for the purpose of acquiring companies, shares in companies, or company investments.

The Management Board with the consent of the Supervisory Board is further authorised to determine the further details regarding the capital increase and the conditions for the issuance of shares, in particular the issue price.

The Supervisory Board is authorised to amend the Articles of Association accordingly to reflect the respective utilisation of the Authorised Capital 2017.

19.3.2. Authorised Capital 2019

On 27 June 2019, the Company’s shareholders' meeting resolved on the authorisation of further authorised capital in the amount of EUR 212,500.00 pursuant to Sec. 5 para. 6 of the Company’s Articles of Association in conjunction with Sec. 202 et seqq. AktG. The Management Board with the consent of the Supervisory Board is accordingly authorised to increase the share capital of the Company on or before 26 June 2024, on one or more occasions, in the amount stated above through the issuance of new registered shares with no par value, in return for contribution in cash and/or contribution in kind payable in part or in full (“**Authorised Capital 2019**”). In principle, the new shares shall be offered to the shareholders for subscription (also by way of indirect subscription in accordance with Sec. 186 para. 5 sentence 1 AktG).

The Management Board, subject to the consent of the Supervisory board, may exclude the subscription rights of the Company's shareholders in the following cases:

- to exclude fractional amounts from subscription rights;
- in the event of a capital increase against contribution in kind for the purpose of acquiring companies, parts of companies, company shareholdings, or other assets or rights;
- in the event of a capital increase against cash contribution, if the issue price of the new shares is not significantly lower than the value of the existing shares at the time of the final determination of the issue price and the shares issued under exclusion of the subscription right in accordance with Sec. 186 para. 3 sentence 4 AktG do not exceed 10% of the share capital, neither at the time this authorisation takes effect nor at the time this authorisation is exercised. The 10%-limit includes shares that, (i) under the exclusion of subscription rights, are issued or sold during the term of this authorisation in direct and mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG or (ii) are or may be issued to service bonds and/or participation rights with conversion and/or option rights or conversion or option obligations, provided that these financial instruments are issued during the term of this authorisation in mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG;
- in the event of a capital increase against cash contribution, to the extent that it is necessary, to grant holders of bonds or participation rights with conversion and/or option rights or conversion or option obligations issued by the Company or by group companies in which the company directly or indirectly holds a majority stake, a subscription right to new shares of the Company to the extent to which they would be entitled after exercising the option or conversion right or fulfilling the option or conversion obligation or after exercising a right of replacement of the company as shareholder.

The Management Board with the consent of the Supervisory Board is further authorised to determine the further details regarding the capital increase and the conditions for the issuance of shares, in particular the issue price.

The Supervisory Board is authorised to amend the Articles of Association accordingly to reflect the respective capital increase from the Authorised Capital 2019.

19.3.3. Authorised Capitals 2020/I and 2020/II

The Company’s annual general shareholders' meeting held on 17 June 2020 resolved on the authorisation of a new authorised capital in an amount of up to EUR 2,013,656.00 pursuant to Sec. 202 et seqq. AktG (“**Authorised Capital 2020/I**”). The resolution was registered with the commercial register (*Handelsregister*) on 24 June 2020.

The terms of the Authorised Capital 2020/I are similar to the terms of the Authorised Capital 2017 and the Authorised Capital 2019. In particular, the Management Board, subject to the consent of the Supervisory board, may exclude the subscription rights of the Company’s shareholders in the following cases:

- to exclude fractional amounts from subscription rights;

- in the event of a capital increase against contribution in kind for the purpose of acquiring companies, parts of companies, company shareholdings, or other assets or rights;

- in the event of a capital increase against cash contribution, if the issue price of the new shares is not significantly lower than the value of the existing shares at the time of the final determination of the issue price and the shares issued under exclusion of the subscription right in accordance with Sec. 186 para. 3 sentence 4 AktG do not exceed 10% of the share capital, neither at the time this authorisation takes effect nor at the time this authorisation is exercised. The 10%-limit includes shares that, (i) under the exclusion of subscription rights, are issued or sold during the term of this authorisation in direct and mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG or (ii) are or may be issued to service bonds and/or participation rights with conversion and/or option rights or conversion or option obligations, provided that these financial instruments are issued during the term of this authorisation in mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG;

- in the event of a capital increase against cash contribution, to the extent that it is necessary, to grant holders of bonds or participation rights with conversion and/or option rights or conversion or option obligations issued by the Company or by group companies in which the company directly or indirectly holds a majority stake, a subscription right to new shares of the Company to the extent to which they would be entitled after exercising the option or conversion right or fulfilling the option or conversion obligation or after exercising a right of replacement of the company as shareholder;

- to implement a so-called scrip dividend, in which case the shareholders are offered to contribute their claim for payment of the dividend to the Company (in whole or in part), as contribution in kind against granting of new shares from the authorised capital. This option has not been provided for by the Authorised Capital 2017 and the Authorised Capital 2019.

On or around 9 July 2020, the Company's extraordinary shareholders' meeting will resolve on the authorisation of a new authorised capital in an amount of 50% of the share capital of the Company existing following the execution of the Placement Capital Increase, *i.e.* in the amount of up to EUR 4,959,029 pursuant to Sec. 202 et seqq. AktG ("**Authorised Capital 2020/II**").

The terms of the Authorised Capital 2020/II will correspond to the terms of the Authorised Capital 2020/I, in particular with regard to the authorisation to exclude the subscription rights of the Company's shareholders. The resolution on the creation of the Authorised Capital 2020/II will be passed by an extraordinary shareholders' meeting in connection with the resolution on the Greenshoe Capital Increase (see "*5. The Listing – 5.1 Background to the private placement*"). The Authorised Capital 2017, the Authorised Capital 2019 and the Authorised Capital 2020/I will be revoked in their entirety by the same meeting.

19.4 Conditional capital

19.4.1. Conditional Capital 2019

As of the date of this Prospectus, the Company has a conditional capital pursuant to Sec. 5 para. 7 of the Company's Articles of Association in conjunction with Sec. 192 et seqq. AktG.

On 27 June 2019, the Company's ordinary shareholders' meeting resolved to conditionally increase the share capital in an amount of up to EUR 425,200.00 by issuing up to 425,200 registered shares with no par value ("**Conditional Capital 2019**").

The Conditional Capital 2019 exclusively serves the purpose of granting rights to the owners of stock options under the stock option programme adopted by the Company's ordinary shareholders' meeting on 27 June 2019 (see "*– 19.5 Stock option programme*"). The Management Board with the consent of the Supervisory Board is authorised to issue such rights if the grant of an option to a member of the Management Board is involved; in this case, the Supervisory Board shall determine the further details of the execution of the conditional capital increase.

The new shares participate in the profit from the beginning of the fiscal year for which, at the time of the issue of the new shares, a resolution of the shareholders' meeting on the appropriation of the balance sheet profit has not yet been passed.

The Company's Management Board with the consent of the Supervisory Board is authorised to determine the further details of the execution of the conditional capital increase, unless share option rights and shares shall be issued to members of the Management Board of the Company; in this case, the Supervisory Board shall determine the further details of the conditional capital increase.

The Supervisory Board is authorised to amend the Articles of Association in accordance with the extent of the capital increase from the Conditional Capital 2019.

19.4.2. Conditional Capital 2020 and convertible bonds

On or around 9 July 2020 the extraordinary shareholders' meeting of the Company is expected to resolve to conditionally increase the Company's share capital in an amount of EUR 2,000,000.00 to issue up to 2,000,000 ordinary registered shares with no par value ("**Conditional Capital 2020**"). The Conditional Capital 2020 serves to deliver new shares from the exercise of conversion rights or option rights or the compliance with conversion obligations to holders or creditors of option rights or conversion rights or the persons obligated to conversion or exercise of options under the option bonds or convertible bonds issued or guaranteed by the Company or a group company in the sense of Section 18 AktG based on the following authorisation to be resolved by the company's extraordinary shareholders' meeting on or around 9 July 2020.

According to the planned resolution, the Management Board with the consent of the Supervisory Board shall be authorised until 8 July 2025 to issue once or in several transactions, in the latter case also simultaneously in several tranches, option bonds and/or convertible bonds in bearer and/or registered form ("**Bonds**") with a total nominal amount of up to EUR 75 million, each with or without a maturity restriction. The Bonds, subject to the respective terms and conditions of the option bonds ("**Option Conditions**") grant option rights or impose option obligations. The Bonds may also, subject to the respective terms and conditions of the convertible bonds ("**Convertible Bond Conditions**") grant conversion rights or impose conversion obligations. The Bonds may grant rights or impose obligations to subscribe for up to 2,000,000 ordinary registered shares of the Company with a total prorated amount of the Company's share capital of up to EUR 2,000,000.00. The Bonds may be issued against cash contribution in Euro or – limited to the respective value in Euro – in any other statutory currency of an OECD member state. The Bonds may also be issued against non-cash contribution, in particular to acquire enterprises, interests in enterprises, business units, receivables, patents and licenses or other assets, provided however, that their value is at least equivalent to the issue price of the Bonds.

The Bonds may also be issued by domestic or foreign companies affiliated with the Company within the meaning of Sec. 15 et seqq. AktG ("**Group Company**"). In the event of an issue by a Group Company, the Management Board with the consent of the Supervisory Board is authorised to guarantee the Bonds on behalf of the Company and to grant conversion rights to the holders of convertible bonds or grant option rights/impose option obligations to the holders of option bonds relating to the shares in the Company.

The Option Conditions or the Convertible Bond Conditions may provide for the right of the Company not to grant new ordinary shares in the Company in the event of the exercising of options or conversions, but to pay the equivalent value in cash, which corresponds to the average volume-weighted closing price of ordinary shares in the Company in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during a time period determined in the Option Conditions or the Convertible Bond Conditions. The Option Conditions or the Convertible Bond Conditions may also stipulate that the Bond with attached option rights or conversion rights or option obligations or conversion obligations may - at the Company's option - be converted into already existing shares in the Company or of another company listed in a regulated market instead of new shares from conditional capital, or that the option right may be complied with by delivering such shares. The Option Conditions or the Convertible Bond Conditions may provide for a combination of such forms of compliance.

In the event of Bonds being issued, which grant option rights and/or conversion rights, and further in the event of determination of a variable conversion price depending on the future development of the price for the ordinary shares in the Company during the term of the Bond, the option price or conversion price per ordinary share in the Company to be determined from time to time - with the exception of the cases in which a substitution right or a conversion obligation is provided - shall amount to at least 95% of the volume-weighted average closing price of the Company's shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on at least five consecutive trading days ending on the trading day preceding the exercising date of the option rights or conversion rights.

In the event of determining a fixed option price or conversion price in the Convertible Bond Conditions, such price shall amount to at least 80% of the volume-weighted average closing price of the Company's ordinary shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in the period of at least five consecutive trading days ending on the trading day preceding the day on which the resolution of the Management Board on the issue of the Bond with attached option rights or conversion rights or conversion obligations is passed.

The Management Board with the consent of the Supervisory Board is authorised to determine the further details of the issue and the terms of the Bonds, in particular interest rate, type of interest accrual, issue price, term and division as well as option period and/or conversion period and a potential variability of the conversion ratio and, if applicable, to do so in consultation with the corporate bodies of the subsidiary issuing the option bond or the convertible bond.

The shareholders shall, in principle, be offered the new shares on the occasion of the issue of Bonds based on this authorisation for subscription, the subscription rights of the shareholders may however, be excluded.

19.5 Stock option programme

On 27 June 2019, the ordinary shareholders' meeting resolved to establish a stock option programme. The total volume of the stock option programme shall comprise up to 425,200 stock option rights and shall be distributed among management personnel and (senior) employees of the Company or its subsidiaries as follows:

- total of up to 159,000 stock option rights to members of the management of companies affiliated with the Company,
- a total of up to 106,000 stock option rights to employees of affiliated enterprises,
- a total of up to 54,200 stock options to members of the Management Board of the Company,
- a total up to 106,000 stock option rights for employees of the Company.

The Shareholders do not have any statutory subscription rights under the stock option programme.

Pursuant to the terms and condition of the options, each individual stock option right entitles the holder to acquire a registered share with no par value of the Company representing a proportionate amount of the share capital of EUR 1.00 per share, provided that this subscription ratio is not adjusted in accordance with the terms and conditions of the option.

The stock option rights can be issued in one or more tranches within the issuing period up to 26 June 2024. The issuance of stock option rights is first permissible within the intended time limit, starting with the registration of the Conditional Capital 2019 in the commercial register (*Handelsregister*) and is only permissible within these periods of issue.

The stock option programme serves to incentivise programme participants in a targeted manner and is intended to simultaneously achieve a binding effect for the participants in the Company. The goals involving success are based on a multi-year basis for measuring and are consistent with the legal requirements of the Stock Corporations Act and the German Corporate Governance Code ("**Code**").

As of the date of this Prospectus four persons who fall under the above criteria have accepted the Company's stock option programme offer and a total of 85,000 options were granted under the stock option programme as of the date of this Prospectus.

19.6 Authorisation to acquire own shares

The Company has no authorisation to purchase its own shares. However, as of the date of this Prospectus, the Company holds a total of 459,925 treasury shares on the basis of share loan agreements (see "*– 19.7 Share loans*").

19.7 Share loans

19.7.1. Share Loan I

Mr Marco Brockhaus (via Falkenstein Heritage GmbH and BPE GmbH that are controlled by him), Dr Marcel Wilhelm, Georg Ganghofer and Harald Henning ("**Team Shareholders**") held a total of 2,500,000 shares of the Company following the change of the Company's legal form which was registered in the commercial register (*Handelsregister*) on 19 September 2017 (the shares held by the Team Shareholders, "**Team Shares**").

In order to facilitate the self-commitment of the Team Shareholders announced before the first financing round in autumn of 2017 that they will never hold more than one third of the Company's outstanding share capital and voting rights, the Company and the Team Shareholders agreed on 15 December 2017 upon a pro rata lending of Team Shares at no cost ("**Share Loan I**") and the Team Shareholders transferred an according number of Shares to the Company. The Team Shares held as treasury shares by the Company bear no voting rights as a matter of mandatory German law (Sec. 71b AktG).

The terms of the Share Loan I provide for the Company to re-transfer upon issuance of new shares such a number of Team Shares to the Team Shareholders so that the ratio of 1/3 for Team Shareholders and 2/3 for other investors is maintained.

Following several capital increases in the years 2018 and 2019, the Team Shareholders together hold 2,111,044 Team Shares as of the date of this Prospectus. The Company holds 388,956 Team Shares as treasury shares based on the Share Loan I.

The Share Loan I will expire in full when a total of 5,000,000 shares have been issued to investors other than the Team Shareholders, *i.e.* the entire share capital of the Company amounts to EUR 7,500,000.00 and, as a consequence, all the Team Shares held as treasury shares have been re-transferred to the Team Shareholders, but at the latest three years subsequent to the acquisition of the Team Shares by the Company in accordance with Sec. 71c para. 2 AktG, *i.e.* on 20 December 2020.

In the event that the Company still holds Team Shares upon expiry of the Share Loan I on 20 December 2020 under the Share Loan I, the Team Shareholders have, in accordance with the terms of the Share Loan I, irrevocably instructed the Company to return 33.3% of the remaining Team Shares still held by the Company at the expiry of the Share Loan I pro rata to the Team Shareholders and to transfer the remaining 66.7% of such lent Team Shares on a pro rata basis to the other shareholders of the Company without consideration.

The Company expects to reach the aforementioned thresholds in the course of the Private Placement, resulting in a premature expiration of the Share Loan I after the registration of the execution of the Placement Capital Increase in the commercial register (*Handelsregister*) in accordance with the terms of the Share Loan I. In this case, there will be no transfer of Team Shares to other shareholders.

19.7.2. Share Loan II

The Team Shareholders who were indirectly entitled to receive a success-based compensation ("carried interest") from BPE III upon the successful closing of the sale of IHSE by BPE III to BCM Group, have re-invested in BCM Group 50% of the carried interest attributable to such sale by subscribing additional 70,969 newly created shares ("**New Team Shares**").

The re-investment by the Team Shareholders was implemented in the course of an additional capital increase against cash contribution under exclusion of subscription rights of the shareholders registered with the commercial register (*Handelsregister*) on 20 February 2020.

The New Team Shares were lent free of charge to the Company under a further share loan agreement dated 20 February 2020 at similar terms, but independent from the Share Loan I ("**Share Loan II**"), in order to maintain the ratio in share capital and voting rights of 2:1 between other investors and the Team Shareholders. The treasury shares held under this additional Share Loan II will be re-transferred to the Team Shareholders (pro rata) after the complete repayment of the Share Loan I and upon the issuance of new shares by the Company to the extent that the Team Shareholders never hold more than one third of the voting and other shareholders' rights connected with the New Team Shares.

The Share Loan II has an indefinite term.

The Share Loan II is however expected to expire in connection with the listing in accordance with the terms of the Share Loan II, which stipulate, that the Share Loan II expires automatically upon the successful admission to trading on a stock exchange.

19.8 General provisions governing a liquidation of the Company

Apart from the case of dissolution due to insolvency proceedings, the Company can only be dissolved by a resolution of the Company's shareholders' meeting. In order to adopt a resolution to dissolve the Company, a majority of at least 75% of the share capital represented when the resolution is passed is required. In the event of a dissolution of the Company by a resolution of the shareholders' meeting, the shareholders' meeting which resolves the dissolution shall determine the method of liquidation and elect the liquidators (Sec. 24 of the Articles of Association of the Company).

In this situation, the assets remaining after the deduction of all liabilities of the Company are distributed among the shareholders proportionally to their share in the share capital in accordance with the provisions of the AktG. In particular, certain provisions for the protection of creditors must be complied with.

19.9 General provisions governing a change in the share capital

Under the AktG, the share capital of a stock corporation may be increased by a resolution of the shareholders' meeting adopted by a majority of at least 75% of the share capital represented when the resolution is adopted, unless the articles of association of the stock corporation stipulate other majority requirements. The Articles of Association of the Company provide for a lower majority. Pursuant to Sec. 20 para. 2 of the Articles of Association of the Company, the shareholders' meeting of the Company adopts its resolutions by a simple majority of the votes and, to the extent a capital majority is required, by a simple majority of the share capital to the extent legally permitted and unless not otherwise provided for in the Articles of Association.

The shareholders may also create authorised capital. The creation of authorised capital requires a resolution passed by a majority of at least 75% of the share capital represented when the resolution is adopted, authorising the management board to issue a specific quantity of shares within a period not exceeding five years. The nominal amount of the authorised capital may not exceed half of the share capital existing at the time the authorisation is registered with the commercial register (*Handelsregister*).

In addition, the shareholders may create conditional capital for the purpose of issuing (i) shares to holders of bonds or other securities which grant a right to subscribe to shares, (ii) shares as consideration in the course of a merger with another company, or (iii) shares offered to management personnel and employees, in each case requiring a resolution passed by a majority of at least 75% of the share capital represented when the resolution is adopted. The nominal amount of the conditional capital may not exceed 10% of the share capital existing at the time the resolution is passed where it is created to issue shares to managers and employees and may not exceed half of the share capital in all other cases.

If the change in the share capital results in an increase or decrease in voting rights, the total number of voting rights and the date on which the increase of decrease takes effect must be published by the company without undue delay and BaFin must be informed thereof, at the latest within two trading days, as soon as the shares of the Company are admitted to trading in the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in accordance with Sec. 41 German Securities Trading Act (*Wertpapierhandelsgesetz*, "**WpHG**"). Furthermore, the company must transmit the information without undue delay, but not prior to publication, to the company register (*Unternehmensregister*).

19.10 General provisions governing subscription rights

Under the AktG, shareholders are granted subscription rights for new shares issued in a capital increase. This applies accordingly to convertible bonds, bonds with warrants, profit participation rights and participating bonds. Subscription rights are generally freely transferable and may be traded on one or more German stock exchanges for a certain period prior to the expiration of the subscription period. However, if the respective shares are subject to restrictions in transferability, these restrictions also apply to the subscription rights, unless expressly excluded in the shareholders' resolution on the capital increase.

The shareholders’ meeting may resolve to exclude the subscription rights with a majority of at least 75% of the share capital represented when the resolution is adopted. Furthermore, the exclusion of subscription rights requires a report by the management board that justifies and demonstrates that the company’s interests in excluding subscription rights outweighs the interests of the shareholders being granted subscription rights. The exclusion of subscription rights when new shares are issued by a listed company is specifically permissible where:

- the company increases the share capital against cash contribution;
- the amount of the capital increase does not exceed 10% of the existing share capital, and
- the price at which the new shares are being issued is not significantly lower than the stock exchange price.

An exclusion of subscription rights prevents shareholders not entitled to subscribe from maintaining their current percentage of shares and voting rights (*Verwässerungsschutz*, “dilution protection”). Pursuant to Sec. 255 para. 2 AktG, the resolution on the exclusion of subscription rights may be challenged before the courts if the issue amount resulting from the resolution of the increase the share capital or the minimum amount below which the new shares shall not be issued is unreasonably low. A general exclusion of subscription rights is not possible due to the nature of the conditional capital.

19.11 Exclusion of minority shareholders

Under Sec. 327a et seq. AktG, which governs the so-called “squeeze-out under stock corporation law”, the shareholders’ meeting of a stock corporation may, upon the request of a shareholder holding 95% of the share capital (“majority shareholder”), resolve to transfer the shares of minority shareholders to the majority shareholder against the payment of adequate compensation in cash. The majority shareholder is not excluded from voting on the resolution. The amount of the cash compensation to be offered to the minority shareholders has to reflect the circumstances of the company at the time the resolution is passed by the shareholders’ meeting. The amount of the cash compensation is based on the full value of the company, which is generally determined using the capitalised earnings method. Furthermore, the compensation, as a general rule, cannot fall below the average stock exchange price of the shares during the last three months prior to the announcement of the planned squeeze-out. The minority shareholders are entitled to initiate special court proceedings (*Spruchverfahren*) if there is a dispute about the fairness (*Angemessenheit*) of the cash compensation.

In the case of a so-called “squeeze-out under takeover law“ pursuant to Sec. 39a and 39b German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*, “**WpÜG**”), a bidder holding at least 95% of the voting share capital in a company after a public takeover offer or mandatory offer, may, within three months of the expiry of the deadline for acceptance of the offer, petition the competent regional court (*Landgericht*) for a court order transferring the remaining voting shares to itself against the payment of adequate compensation. A resolution of the shareholders’ meeting is not required. The nature of the compensation must correspond to the consideration paid under the takeover offer or mandatory offer; a cash alternative must always be offered optionally. The compensation offered in the course of the takeover bid or mandatory offer is considered to be reasonable if the bidder, as a result of the offer, has acquired shares in the amount of at least 90% of the share capital subject to the offer. Furthermore, after a takeover offer or mandatory offer, shareholders of the target company who have not accepted the offer may accept the offer within three months after the expiration of the acceptance deadline if the bidder is entitled to file a petition for the transfer of the outstanding shares with voting rights. During any exclusion proceedings under takeover law initiated at the request of the bidder, the provisions on a squeeze-out under stock corporation law do not apply and only apply after the exclusion process has been definitely completed (rechtskräftig).

Under Sec. 62 para. 5 of the German Transformation Act (*Umwandlungsgesetz*, “**UmwG**“), the shareholders’ meeting of a transferring stock corporation may pass a resolution pursuant to Sec. 327a para. 1 sentence 1 AktG within three months following the conclusion of a merger agreement, *i.e.* a resolution for the transfer of the shares of the remaining shareholders (minority shareholders) to the company that taking over the stock corporation (“majority shareholder”) against the payment of adequate compensation in cash if the majority shareholder holds shares in the amount of 90% of the share capital. As a consequence of this so-called “squeeze-out under transformation law”, the minority shareholders are excluded from the transferring company. The claim for compensation of the minority shareholders is subject to the provisions contained in Sec. 327a et seq. AktG.

Under Sec. 319 et seq. AktG concerning the so-called “integration“ (*Eingliederung*), the shareholders’ meeting of a stock corporation can resolve for integration with another stock corporation that has its registered office in Germany, provided the prospective parent company holds at least 95% of the shares of the company to be integrated. Upon registration in the commercial register (*Handelsregister*), all shares not held by the parent company are transferred to the parent company. The former shareholders of the integrated company are entitled to adequate compensation, which, generally, must be granted in the form of shares of the parent company. Where shares of the parent company are granted as compensation, the compensation shall be deemed appropriate if the shares are granted in the proportion as shares in the parent company would be granted per share in the integrated company if a merger had taken place, whereby fractional amounts may be compensated with additional cash payments.

19.12 Shareholder reporting and notification requirements

As a listed company, the Company is subject to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*, "**WpHG**") with regard to the disclosure requirements for significant shareholdings. The WpHG stipulates that any shareholder who reaches, exceeds or falls below certain thresholds of voting rights in a listed company due to acquisition, sale or otherwise must notify the respective issuer and BaFin at the same time in writing without undue delay, but at the latest within four trading days. Pursuant to Sec. 33 WpHG, the thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights in an issuer whose country of origin is the Federal Republic of Germany and whose shares are admitted to trading on an organised market.

The notification may be made in either German or English and may be received either in writing or telefax (Sec. 14 German Securities Trading Notification Regulation (*Wertpapierhandelsanzeigeverordnung*, "**WpAV**")). The company must publish this notification without undue delay, but no later than three trading days after receipt of the notification, in media, including those media which can be an assumed to disseminate the information throughout the European Union and the other treaty members to the EAA. The company must notify BaFin of the publication and must transmit the information contained in the notification to the electronic companies register for storage. The company must publish the total number of voting rights at the end of each calendar month in which there has been an increase or decrease in the voting rights in the same way and must submit this information to the company register (*Unternehmensregister*) and notify BaFin of the publication. The WpHG contains numerous provisions under which the voting rights are attributed to third parties and rigger a notification obligation, although the respective shares are not directly held by such third party, but have an influence on the voting rights associated with the shares or may have such influence when viewed in an abstract sense.

If the notification is not made or if a false notification is made, the shareholder is excluded from exercising the rights linked to those shares (including voting rights and the right to receive dividends) for the duration of the violation of the duty to report. Under certain circumstances, especially in the case of intentional or grossly negligent violation of the notification obligations, the exclusion of these rights may be extended for six additional months. A fine may also be imposed in case of the intentional or reckless failure to comply with notification obligations.

19.13 Notification obligation when holding financial instruments and other instruments

Shareholders who directly or indirectly hold financial instruments granting their holders the right to unilaterally, within the framework of a legally binding agreement, acquire shares of an issuer for which the Federal Republic of Germany is the country of origin that have already been issued and are furnished with voting rights, must notify the issuer and BaFin simultaneously without undue delay upon reaching, exceeding or falling below the thresholds of 5%, 10%, 15%, 20%, 25% 30%, 50% and 75% of the voting rights, Sec. 38 WpHG. The holder must comply with the above referenced provisions. In the event of non-compliance, the holder may be threatened with the loss of the rights associated with these shares and, a fine or a penalty in the event of intentional or grossly negligent violation of the notification obligations.

19.14 Notification obligation for holders of material shareholdings

Shareholders who reach or exceed the threshold of 10% (or a higher threshold) of the voting rights in a listed company are obligated to notify the company within 20 trading days regarding the objective being pursued through the acquisition of voting rights and the source of the funds used for the acquisition, in accordance with Sec. 43 WpHG. A change in those objectives must also be reported within 20 trading days. This rule can be overridden by an amendment to the Company's Articles of Association; however, the Company has not adopted such an overriding provision in its Articles of Association.

19.15 Publication of the acquisition of control and a mandatory offer

Furthermore, under the WpÜG, anyone whose share of voting rights reaches or exceeds 30% of the voting shares of the company is obligated to publish this fact, including the percentage of their voting rights held by and attributed to such person, without undue delay, but no later than seven calendar days, on the internet and in the official journal for statutory stock market announcements (*Börsenpflichtblatt*) or by means of an electronically operated information dissemination system, unless an exemption of from this obligation has been made by BaFin. Subsequently, such person is further required to submit a mandatory public tender offer to all other shareholders of the company.

19.16 Disclosure of transactions of persons discharging management responsibilities in a listed stock corporation

As a listed company, the Company is subject to the provisions of the Regulation EU no. 596/2014 of the European Parliament and the Council of 16 April 2014 ("**Market Abuse**

Regulation"). Persons discharging managerial responsibilities for an issuer of shares (*e.g.* members of a management, administrative or supervisory body of the Company) are required to inform the issuer as well as BaFin without undue delay, but at the latest within three business days after the date of a transaction, of their own transactions involving the issuer's shares or financial instruments linked thereto, in particular debt instruments and derivatives linked thereto ("director's dealings"). Persons closely associated with persons in such managerial role also have a personal duty to notify. This includes especially spouses, registered civil partners (*eingetragene Lebenspartner*), dependent children and other relatives who share the same household with the person in a leadership role for at least one year on the date the transaction requiring notification was concluded. A person closely associated also includes legal entities, trusts, or partnerships whose managerial tasks are performed by the aforementioned management person or a person closely associated with such management person or which are directly or indirectly controlled by such person or which were established directly or indirectly by such person or were established for the benefit of such person or whose economic interests largely correspond to those of such person. The above mentioned reporting duties do not apply so long as the total volume of the transactions of a person in a management role or persons in a closely associated with that person, each individually, do not reach a total amount of EUR 20,000.00 within a calendar year.

The Company, as the issuer which intends to and will apply for admission to the regulated market (*Regulierter Markt*) must publish and simultaneously notify BaFin of the notification received from the person subject to the notification obligations stating the name of the relevant person without undue delay to the company register (*Unternehmensregister*), but at the latest three business days after the transaction. In addition, the issuer must transmit the information without undue delay to the company register, but not prior to the publication of the respective information. The above mentioned publication obligations begin to apply to the Company once it has submitted an application for admission to the regulated market (*Regulierter Markt*). Non-compliance with the aforementioned notification and publication obligations may be sanctioned by imposing fines if the notification is not made, is incorrectly or incompletely made or has not been made in the required manner or on time.

19.17 Publications

Pursuant to the Company's Articles of Association, company notices are published exclusively in the Federal Gazette (*Bundesanzeiger*), except otherwise provided by law. To the extent the law requires disclosure of statements or information to shareholders without specifying a specific form of disclosure, posting of such statements or information on the Company's website, www.bcm-ag.com, will suffice. Any notices related to the shares will also be published in the Federal Gazette (*Bundesanzeiger*) and in at least one official national publication for statutory stock market notices of Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). All notices required under German securities laws will be published in an official national publication for statutory stock market notices of Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, if required, in the Federal Gazette (*Bundesanzeiger*).

Notices in connection with the approval of this Prospectus or any supplements thereto will be published in accordance with the Prospectus Regulation by means of publication on the website of the Company (www.bcm-ag.com).

19.18 Depository agent

KAS Bank N.V. – German Branch, Mainzer Landstraße 51, 60329 Frankfurt am Main, Germany, has been designated as the depository agent.

20. Information about corporate bodies and the senior management of the Company

20.1 General

The Company's corporate bodies are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the shareholders' meeting (*Hauptversammlung*). The responsibilities of these bodies are regulated in the Stock Corporation Act (*Aktiengesetz*, "**AktG**"), the articles of association (*Satzung*, "**Articles of Association**") as well as the rules of procedure for the Management Board (*Geschäftsordnung für den Vorstand*) and the Supervisory Board (*Geschäftsordnung für den Aufsichtsrat*).

The Management Board manages the business activities of the Company under its own responsibility in accordance with the law, the Articles of Association and the rules of procedures for the Management Board. The Management Board represents the Company with regard to third parties. It develops the strategic orientation of the Company, and, after consultation with the Supervisory Board, implements the Company's determined strategy. The Management Board is responsible for introducing and implementing reasonable risk management and risk controlling and especially takes care for establishing a monitoring system, so that developments that endanger the continuing existence of the Company are recognised early. The Management Board is required to regularly, timely and comprehensively inform the Supervisory Board about all relevant issues involving profitability (especially the return on equity), the development of the business (especially the sales and situation of the Company), the risk position, risk management and compliance in accordance with the provisions in the law. The Management Board is required to report to the Supervisory Board at least once each year, and at the latest in the last meeting of the Supervisory Board in each fiscal year, about the intended business policies and other fundamental issues involving business planning (especially the financial plan, investment plan and personnel planning), whereby differences between the actual development and earlier reported targets and the reasons for the differences must be addressed. Certain business plans for the coming fiscal year must be submitted by the Management Board to the Supervisory Board for approval. With regard to all matters which are of particular importance for the Company, each member of the Management Board who is aware about these matters must report orally or in written form without undue delay to the chairman and the deputy chairman of the Supervisory Board or all members of the Supervisory Board. Matters of particular importance also include all developments and events in a subsidiary known to the member of the Management Board, which could have a material influence on the Company's situation.

The Supervisory Board appoints all members of the Management Board and is authorised to remove them for just cause (*wichtiger Grund*). Simultaneous membership in the Management Board and the Supervisory Board in a German stock corporation (*Aktiengesellschaft*) is not permissible under the AktG. The Supervisory Board advises the Management Board in the management of the Company and monitors the management. Measures involving management cannot be assigned to the Supervisory Board.

The rules of procedure for the Management Board, set out requirements for consent by the Supervisory Board for certain types of business-related measures and transactions (see "*– 20.2 Management Board*"). Certain statutory requirements for consent of the Supervisory Board pertaining to business-related measures and transaction of the Management Board also apply (see "*– 20.2 Management Board – 20.2.1 Overview*").

The members of the Management Board and the Supervisory Board have fiduciary duties and duties of care towards the Company. The members of these corporate bodies must consider a broad range of interests, especially the interests of the Company, its shareholders, its employees and its creditors. The Management Board must also take into account the rights of the shareholders for non-discriminatory treatment and equal levels of information. If members of the Management Board or the Supervisory Board violate their duties, they are jointly and severally liable to the Company for damages.

Under German law, the individual shareholders and all other persons are prohibited from using their influence on the Company to cause a member of the Management Board or the Supervisory Board to take an action detrimental to the Company. Shareholders with controlling influence may not use their influence to cause the corporate bodies of the Company to violate the interests of the Company, unless the resulting harm is compensated or to cause the Company to act contrary to its own interests unless there is a domination agreement (*Beherrschungsvertrag*) between the shareholders and the Company and the influence remains within its boundaries of certain mandatory provisions of law or compensation is paid for the disadvantages that arises. Any person who intentionally uses his influence on the Company to cause a member of the Management Board or the Supervisory Board, an authorised representative (*Prokurist*) or an authorised agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders is also required to compensate the Company and, if appropriate, also the shareholders for the resulting additional losses. Alongside a person who uses his influence to the detriment of the Company, the members of the Management Board and Supervisory Board can be jointly and severally liable, if they acted in violation of their duties.

Under German law, a shareholder generally has no right to proceed directly against members of the Management Board or Supervisory Board to assert a breach of their duties to the Company. In general, only the Company has the right to enforce claims for damages against the members of the Management Board or Supervisory Board. With respect to claims against Supervisory Board members, the Company is represented by the Management Board, and the Supervisory Board represents the Company with respect to claims against members of the Management Board. Under a decision of the Federal Supreme Court of Justice (*Bundesgerichtshof*, "**BGH**") the Supervisory Board is required to assert damages claims against the Management Board if they are likely to succeed unless significant interests of the Company conflict with the pursuit of such claims and outweigh the reasons for bringing such claim. Even if either the Supervisory Board or the Management Board decide not to pursue a claim against the respective other governing body for violations of their duties, the Management Board and the Supervisory Board must nevertheless assert the Company's claims for damages if a resolution to this effect is passed by the shareholders' meeting with a simple majority vote. The shareholders' meeting may also appoint a special representative (besonderer Vertreter) to assert the claims. Such a special representative may also be appointed by the court upon a petition by shareholders whose shares cumulatively make up 10% of the share capital or a pro rata share of EUR 1,000,000.00.

Shareholders, whose shares cumulatively make up at least 1% of the share capital or more or a proportionate amount of the share capital of EUR 100,000.00 at the time when the above referenced request is filed, can assert claims for damages of the Company in their own names before the district court where the company has its registered office. Such an application is only permissible if the Company has not adopted a resolution by the shareholders meeting for assertion of the claims within a reasonable time period set by the shareholders; furthermore, facts must have become known which lead support the suspicion that the Company has incurred harm as a consequence of improper or gross violation of the law or the Articles of Association and if there are no more important reasons in the interest of the Company which stand in the way of asserting the claim for compensation. For its part, the Company is entitled at any time to file a complaint for damages, and this renders inadmissible all pending applications and complaints by the shareholders as soon as the Company takes such a step.

The Company may only waive or settle claims for damages against members of the Management Board or Supervisory Board three years after such claims arose and if the shareholders grant their consent at the shareholders' meeting by simple majority vote and if no objection is raised and documented in the minutes of the shareholders' meeting by shareholders whose shares cumulatively constitute 10% of the share capital.

No member of the Company's Management Board or Supervisory Board has been found guilty of criminal acts involving fraud in the last five years. In addition, none of these members have been affected in the last five years in their activity as a member of an administrative body, a management body or a supervisory body or member of the senior management by insolvencies, insolvency administration or liquidation, aside from Dr Marcel Wilhelm assuming the function of a liquidator in connection with the voluntary liquidation of Eagle Fonds Verwaltungs- und Treuhand-GmbH (a dissolution was finally reversed by shareholder resolution also resolving on the continuation and transformation into BCM AG) and the liquidation of fund vehicles of Eagle Fonds Verwaltungs- und Treuhand-GmbH, as well as Mr Martin Bestmann who has assumed the function of a liquidator in connection with the liquidation of Absolute Technology GmbH. No member of the Management Board and no member of the Supervisory Board has been publicly accused, and/or no sanctions have been imposed on them by the legally established public authorities or regulatory authorities (including certain professional associations). No member of the Management Board and no member of the Supervisory Board has ever been considered to be unsuited during at least the last five years by a court for membership in an administrative body, management body or supervisory body of an issuer or for activity in management or conducting the business of an issuer.

20.2 Management Board

20.2.1. Overview

The Management Board consists of at least one or more members pursuant to the Articles of Association. In accordance with Sec. 76 para. 2 sentence 2 AktG, the Management Board consists of two (2) members as of the date of this Prospectus. The Supervisory Board appoints members of the Management Board for a maximum term of five years and determines the number of members. The Supervisory Board may appoint replacement members for the members of the Management Board. The relationship of the members of the Management Board to each other is determined by the rules of procedure, which were resolved upon by the Supervisory Board on 15 December 2017 and entered into force on the same day.

Under the rules of procedure for the Management Board, the Management Board assigns its duties among the members of the Management Board subject to consultation with the Supervisory Board. In the event of serious concerns about a matter relating to the area of responsibility of another member of the Management Board, a resolution of the Management Board must be sought out if the concerns cannot be resolved by a discussion with the other member of the Management Board. In this case, the respective measure shall not be taken or implemented unless the immediate implementation is deemed necessary at the dutiful discretion of the Management Board.

Since more than one member of the Management Board has been appointed, the Supervisory Board has designated a chairman of the Management Board and may also appoint a deputy chairman in accordance with the Articles of Association. The Management Board shall adopt its resolutions by simple majority vote. If there is an exceptional situation in which there is no unanimity in a matter for which a decision is pending, the chairman of the Management Board will determine whether there will be a vote or whether the adoption of a resolution should be suspended. In the latter situation, a resolution must be adopted about the relevant matter in the next meeting of the Management Board. In the case of a tie vote, the vote of the chairman is determinative. This, however, does not apply if the Management Board consists of two (2) members, which currently is the case.

The chairman of the Management Board has the right to exercise a veto with regard to certain matters, in particular all matters, in which a resolution of the Management Board is required by law, by the Articles of Association or the rules of procedure (*Geschäftsordnung*) for the Management Board. This includes in particular matters of particular importance for the Company's or its subsidiaries' business.

The Management Board must prepare the annual financial statements (balance sheet, income statement with notes) and – to the extent required – the management report for the previous fiscal year within the first four months of a fiscal year and submit the report without undue delay to the auditor of the annual financial statements and subsequently without undue delay to the Supervisory Board together with the audit report for examination. At the same time, the Management Board must submit a proposal to the Supervisory Board on how the profit shown in the balance sheet will be used. The Supervisory Board must examine the annual financial statements, the Management Board's report and the proposal for how to use the profit shown in the balance sheet and report in writing about the examination to the ordinary shareholders meeting; the Supervisory Board must respond to the results of the audit of the annual financial statements by the auditor. The Supervisory Board must forward to the Management Board the Supervisory Board's report within one month after the items have been submitted by the Management Board and after the Supervisory Board has received the auditor's report about the audit of the annual financial statements. If the Supervisory Board approves the annual financial statements after examining them, the annual financial statements are determined. The described duties of the Management Board apply in the same manner for the consolidated financial statements of BCM Group.

In the event that only one member of the Management Board has been appointed, the Articles of Association stipulate that this sole member of the Management Board represents the Company by himself. As the Management Board currently consists of two (2) members, the Company is represented by those two (2) members jointly or by one member of the Management Board acting together with an authorised representative (*Prokurist*). Each member of the Management Board has been granted individual power of representation in accordance with the Articles of Association. The members of the Management Board have been released from the restrictions in Sec. 181 alternative 2 of the German Civil Code (*Bürgerliches Gesetzbuch*, "**BGB**").

According to the rules of procedure for the Management Board, each member of the Managing Board is simultaneously a managing director of BPE GmbH.

The rules of procedure for the Management Board further stipulate that certain measures and business transactions may only be implemented by the Management Board with prior consent of the Supervisory Board. Such measures and business transactions are, inter alia:

- the acquisition and disposal of companies and participations in companies, insofar as BCM AG is required to take capital measures for the respective undertaking;

- the conclusion of loan agreements with an amount of more than EUR 10 million in individual cases, unless such loan agreement has a term of less than six (6) months;

- the conclusion, change or termination of inter-company agreements within the meaning of Sec. 291 et seqq. AktG, and

- the granting of securities for third parties, in particular the assumption of securities, guarantees and letters of comfort outside the normal course of business if the Company's obligation exceeds EUR 5 million in individual cases.

Additionally, prior approval of the Supervisory Board is required for transactions with related parties whose economic value alone or together with transactions conducted with the same person during the current fiscal year prior to the conclusion of the transaction exceeds 1.5% of the total of the Company's non-current and current assets pursuant to Sec. 266 para. 2 lit. a) and b) HGB in accordance with the most recently adopted annual financial statements, Sec. 111b para. 1 AktG. Furthermore, the rules of procedure for the Management Board require prior approval of the Supervisory Board for any transactions between BCM AG or related companies on one hand and members of the Management Board or their related parties (except for employee programmes) if the amount of the transaction exceeds EUR 200.000,00 in an individual case.

20.2.2. Members of the Management Board

The following table shows the current members of the Management Board, their areas of responsibility and their current activities outside the Company as members of administrative, management or supervisory bodies or as partners, including those activities which were terminated during the last five years:

Name	Age	Position	First appoin ted	End of term	More mandates
Marco Brockhaus	51	Chairman of the Management Board (*Vorstands-vorsitzender*)	2017	2022	**Current:** • Managing partner (*Gesellschafter-Geschäftsführer*), BPE GmbH, Frankfurt/Main. • Member of the board, Brockhaus Private Equity Management (Luxembourg) S.à r.l., Luxembourg. • Managing partner (*Gesellschafter-Geschäftsführer*), Falkenstein Heritage GmbH, Wetzlar. • Managing director (*Geschäftsführer*), Brockhaus Private Equity II Verwaltungs GmbH, Frankfurt/Main. • Managing partner (*Gesellschafter-Geschäftsführer*), Manhattan Heritage GmbH, Wetzlar. • Managing director (*Geschäftsführer*), Pinto GmbH, Wetzlar **Concluded (within the past 5 years):** • Managing limited partner (*Geschäftsführender Kommanditist*), BBBDG GmbH & Co. KG, Frankfurt/Main.

					• Managing partner (*Gesellschafter-Geschäftsführer*), Brockhaus Private Equity Verwaltungs GmbH, Frankfurt/Main. • Managing limited partner (*Geschäftsführender Kommanditist*), Brockhaus Private Equity Geschäftsführungs GmbH & Co. KG, Frankfurt/Main. <u>Mandates with companies subject to KWG supervision (concluded within the past 5 years)</u> • Member of the supervisory board (*Mitglied des Aufsichtsrats*), 360 Treasury Systems AG, Frankfurt/Main.
Dr Marcel Wilhelm	48	Member of the Management Board	2017	2022	**Current:** • Managing director (*Geschäftsführer*), BPE GmbH, Frankfurt/Main • Managing director (*Geschäftsführer*), Brockhaus Private Equity II Verwaltungs GmbH, Frankfurt/Main. **Concluded (within the past 5 years):** • Managing director (*Geschäftsführer*), Brockhaus Private Equity Verwaltungs GmbH, Frankfurt/Main.

The Management Board allocates its responsibilities to the individual members of the Management Board in its own responsibility unless regulated otherwise by law, the articles of association or the rules of procedure. According to the Company's schedule of responsibilities (*Geschäftsverteilungsplan*), Marco Brockhaus, as CEO, is mainly responsible for the operational business of the Company, including strategy and development as well as decisions on acquisition and investment processes and capital measures of BCM AG. He is responsible for deal sourcing and network maintenance and for determining external communication.

Furthermore, he may make decisions regarding strategic portfolio management, monitor the subsidiaries and may assume advisory board mandates with subsidiaries.

Dr Marcel Wilhelm heads the administration as well as the legal department of the Company. He is responsible for regulatory issues and the internal compliance of BCM AG, personnel matters, IT and financial accounting as well as investor relations. His area of responsibility also includes monitoring and support in legal matters within the framework of acquisition and investment processes and portfolio management as well as monitoring money transactions. Where required, he may also assume advisory board mandates.

The members of the Management Board can be contacted at the Company's business address.

20.2.3. Relevant management expertise and experience

Marco Brockhaus

Marco Brockhaus (born 1968) is a graduate in business management and studied business management at the Julius-Maximilians-University of Wuerzburg. He is the founder and managing director of BPE GmbH, founded in 2000. He started his career in 1995 at Rothschild GmbH, now Rothschild & Co, in Frankfurt/Main where he was an investment analyst in the corporate finance division. From 1997 until 1999 he was project leader at 3i Deutschland Gesellschaft für Industriebeteiligungen mbH in Frankfurt/Main whereas in July 1999 he became manager and in this role responsible for investing and managing exits by way of both IPOs and trade sale. In 2000, Mr Marco Brockhaus founded Brockhaus Private Equity GmbH ("**BPE GmbH**"), of which he is the sole shareholder and has assumed the function of managing director since then. Since 2017, Mr Marco Brockhaus assumes the role as chairman of the Management Board of BCM AG. Mr Marco Brockhaus has held numerous supervisory and advisory board positions in various industry sectors. Furthermore, from 2011 to 2014, he was a member of the board of the German Private Equity and Venture Capital Association (*Bundesverband Deutscher Kapitalbeteiligungsgesellschaften – BVK*) where he was responsible for the mid-cap division.

Dr Marcel Wilhelm

Dr Marcel Wilhelm (born 1972) is a member of the Management Board of BCM and heads the administration as well as the legal department of the Company.

From 2001 to 2004, Dr Marcel Wilhelm worked for Rödl & Partner in Frankfurt/Main, a firm of accountants, tax advisers and consultants. Starting as an associate tax lawyer, he became responsible for the international client department and heading the legal and tax consulting practice for internationally operating companies seeking to invest in Germany in 2003.

Dr Marcel Wilhelm has been an attorney since 1998 and focused on corporate and tax law and acquired the additional qualification "Specialist Attorney for Tax Law" (*Fachanwalt für Steuerrecht*) in the year 2004. He graduated from the University of Passau and has been a member of the Munich Bar Association since 2001. Dr Marcel Wilhelm received his doctorate in 2006. Moreover, he has worked for BPE GmbH since 2006 and assumes the position as a managing director since 2012.

Further relevant management expertise and experience

The members of the Management Board can look back on a comprehensive and long-standing track record. The members of the Management Board (as well as certain key employees of the Company) have been and still are directors or employees of BPE GmbH, see "– *Marco Brockhaus*" and "– *Marcel Wilhelm*".

BPE GmbH has initiated and/or advises the Brockhaus Funds. In particular, because the Company intends to continue to invest in a manner similar to how the Brockhaus Funds invested historically (except for venture capital investments), the Company believes that the performance of the Brockhaus Funds is a further testament to the Management Board Members' management expertise and experience, in particular their ability to make acquisitions in German *Mittelstand* technology and innovation champions and deliver value, and that the historical performance of the Brockhaus Funds is therefore essential information for investors.

Marco Brockhaus established BPE GmbH and heads BPE GmbH over the three funds generations BPE I, Brockhaus II GmbH & Co. KG ("**BPE II**") and BPE III. Dr Marcel Wilhelm joined BPE GmbH in 2006 and thus was responsible for BPE II and BPE III, with Georg Ganghofer and Harald Henning joining BPE GmbH in the context of the establishment of BPE III.

To illustrate the respective management expertise and experience, the table below presents certain historical key performance metrics regarding the performance of the Brockhaus Funds, which the Company has received from the management of the respective fund, *i.e.* BPE GmbH for BPE I and BPE II and Brockhaus Private Equity Management (Luxembourg) S.à r.l. ("**BPE S.à r.l.**") for BPE III (each the "**Fund Management**"). According to the Fund Managements, these key performance metrics are derived from the audited financial statements of the Brockhaus Funds for the relevant years, which are not included in this Prospectus, or from the underlying accounting records and were calculated by the respective Fund Management. As to BPE III, these calculations are based, among other aspects, on estimates and forecasts of BPE S.à r.l. The key performance metrics of BPE I, BPE II and BPE III are neither published nor audited.

The following table is not financial information of the Company or BCM Group and the past performance of the Brockhaus Funds is not a reliable indicator of, and cannot be relied upon as a guide to, the future performance of the Company or BCM Group and no representation is made by the Company that it will achieve a similar performance to the Brockhaus Funds.

All investments in the portfolio companies are realised unless indicated otherwise.

Portfolio Company	**Type of Transaction**	**First invest date**	**Gross multiple[1,3]**	**Gross IRR[2,3]**
BPE III (fully invested)				
(All investments predominantly advised by Marco Brockhaus, Dr Marcel Wilhelm, Georg Ganghofer starting 2013, and Harald Henning starting 2014)				
J&S Holding GmbH	Buyout	Aug 2014	2.3x	31%
Tx Beteiligungs GmbH	Minority	March 2015	1.2x	8%
IHSE Holding GmbH	Buyout	April 2016	5.5x	60%
Peakwork AG (unrealised)	Growth	May 2017	1.1x[4]	6%[4]
Auvesy Holding GmbH (unrealised)	Buyout	Sept 2017	2.2x[4]	46%[4]
Total			**2.4x**	**34%**
BPE II (closed 2019)				
(All investments predominantly structured, advised and supervised by Marco Brockhaus and Dr Marcel Wilhelm starting 2006)				
CM Beteiligungs GmbH (ATT)	Buyout	Aug 2007	1.2x	3%
Par Sieben Vermögensverwaltung GmbH	Debt buyback	Feb 2011	1.2x	6%

cdv Software Entertainment AG	PIPE	Sep 2007	0.0x	n/a
Biopharm GmbH (Resorba)	Buyout	July 2009	2.7x	51%
360 Treasury Systems AG	Minority	Oct 2009	6.3x	105%
360T Beteiligungs GmbH	Minority	Oct 2009	4.3x	49%
eyevis Holding GmbH	Buyout	Nov 2012	0.0x	n/a
Total			**2.1x**	**26%**

BPE I (closed 2015)

(All investments predominantly structured, advised and supervised by Marco Brockhaus starting 2000 and Dr Marcel Wilhelm starting 2006)

Cyberchart GmbH	Venture Capital	Jan 2001	0.1x	n/a
Flash Photoservice GmbH	Venture Capital	Mar 2004	0.0x	n/a
Armatix GmbH	Venture Capital	Apr 2005	0.7x	n/a
moreTV Broadcasting GmbH	Venture Capital	Apr 2005	0.0x	n/a
4G Systems GmbH	Venture Capital	Jan 2006	0.0x	n/a
SimonsVoss GmbH	Growth	May 2002	1.7x	10%
ebs Holding GmbH / Wirecard AG	Growth	Oct 2002	6.0x	59%
ITM Technology AG	Growth	Oct 2003	0.3x	n/a
Digital Identification Solutions AG	Growth	Jun 2004	3.9x	51%
getmobile AG	Growth	Jan 2005	2.6x	405%
DMS Holding GmbH	Buyout	Jul 2003	5.2x	88%
recop Holding GmbH	Buyout	Apr 2006	0.2x	n/a
Total			**1.5x**	**23%**
excluding venture capital[5]			**2.6x**	**53%**

[1] "**Multiple**" means a multiplier which is calculated by dividing the sales proceeds from the disposal of a portfolio company by its historical acquisition costs (for example: sales proceeds of EUR 300.00 with the historical acquisition costs of EUR 100.00 lead to a gross multiple of 3.0x).

[2] "**IRR**" (= internal rate of return) means the internal interest on the invested capital, taking into account the size and timing of its cash flows (payments of investors and distributions, such as dividends or finally sales proceeds) and its net asset value at the time of the calculation. Thus, the IRR depends substantially on the amount of the costs for the acquisition, the amount of the sales proceeds as well as returns received in the meantime, for example, from dividend payments, and the period of time between the acquisition and the sale of the relevant portfolio company.

[3] "**Gross**" means in each case that costs and fees incurred in connection with holding and selling the relevant portfolio company have not been taken into account when calculating the multiple and the internal rate of return (IRR). Since BCM AG neither collects a management fee nor earns any carried interest, the gross numbers are in the Company's view decisive for evaluating the performance of the Brockhaus Funds.

[4] As these investments are not yet realised, these calculations are based, among other aspects, also on estimates and forecasts of BPE S.à r.l. as per 31 December 2019. Actual developments may deviate from such estimates for various reasons in particular, including the Covid-19 pandemic.

[5] BCM Group does not intend to acquire venture capital companies.

20.2.4. Remuneration of the Management Board

In the fiscal year ended 31 December 2019, the total remuneration of the Management Board (including fixed and variable components) amounted to EUR 880 k in the aggregate.

Pursuant to the Management Board contract dated 12 April 2018, the remuneration of Mr Marco Brockhaus for the fiscal year 2019 amounted to EUR 540,000.00 plus a variable compensation of 10% of the consolidated EBITDA as shown in the consolidated annual financial statements of BCM Group which is capped to a maximum of 200% of the fix salary. The variable compensation for the fiscal year 2019 amounted to EUR 145 k.

Pursuant to the Management Board contract dated 12 April 2018, the remuneration of Dr Marcel Wilhelm for the fiscal year 2019 amounted to EUR 180,000.00 plus a variable compensation of 1% of the consolidated EBITDA as shown in the consolidated annual financial statements of BCM Group which is capped to a maximum of 200% of the fix salary. The variable compensation for the fiscal year 2019 amounted to EUR 15 k.

The members of the Management Board are entitled to a severance payment if (i) their appointment as a member of the Management Board expires in the context of a transformation of the Company or (ii) the Company revokes their respective appointment for cause (wichtiger Grund) in accordance with Sec. 84 para. 3 sentence 1 AktG and terminates the contract (ordinary termination). The severance payment is limited to (i) two annual salaries in the case of Mr Brockhaus and to one annual salary in the case of Mr Wilhelm or (ii) the compensation for the remaining term (fixed salary and variable remuneration based on the last annual salary), whichever amount is lower. This does not apply if the Company has the right to terminate the Management Board contract for cause (extraordinary termination).

20.2.5. *Shareholdings of the Management Board*

As of the date of this Prospectus, Mr Marco Brockhaus indirectly holds through Falkenstein Heritage GmbH and BPE GmbH a total of 1,899,939 shares in the Company amounting to 27.97% of the registered share capital (including treasury shares) and, as of the date of this Prospectus, 30.00% of the voting rights of the Company.

On the basis of the Share Loan I, Falkenstein Heritage GmbH and BPE GmbH are entitled to a retransfer of shares pursuant to the terms of the Share Loan I for in aggregate 350,061 shares, attributable to Mr Brockhaus. On the basis of the Share Loan II, Mr Brockhaus is entitled to a retransfer of shares pursuant to the terms of the Share Loan II for further 56,632 shares.

Dr Marcel Wilhelm holds 84,442 shares in the Company as of the date of this Prospectus amounting to 1.24% in the registered share capital (including treasury shares) and 1.33% of the voting rights of the Company, as of the date of this Prospectus.

On the basis of the Share Loan I, Dr Wilhelm is entitled to a retransfer of shares pursuant to the terms of the Share Loan I for 15,558 shares. On the basis of the Share Loan II, Dr Wilhelm is entitled to a retransfer of shares pursuant to the terms of the Share Loan II for further 8,602 shares.

For the terms of the Share Loan I and Share Loan II see "*19. General information about the capital of the Company and applicable regulations – 19.7 Share loans*".

20.3 Supervisory Board

The Supervisory Board fulfils its responsibilities in accordance with the law and the Articles of Association of the Company. The Supervisory Board consists of six members in accordance with Sec. 9 clause 1 of the Articles of Association of the Company. To the extent the members of the Supervisory Board are elected by the shareholders meeting, the term of office extends for the period of time until the end of the shareholders' meeting which resolves upon the ratification of actions (*Entlastung*) for the fourth fiscal year after the start of the term of office, to the extent the shareholders' meeting does not set a shorter term of office. The fiscal year in which the election takes place is not included in the calculation. A re-election and – in the event of early departure from the Supervisory Board – the election of replaced members is possible.

Falkenstein Heritage GmbH, in which Mr Marco Brockhaus has controlling influence, has the right pursuant to Sec. 9 clause 2 of the Articles of Association of BCM AG to appoint one third of the members of the Supervisory Board so long as Falkenstein Heritage GmbH holds 10% of the voting rights. This right of appointment passes under certain circumstances to Mr Marco Brockhaus, his heirs or companies controlled by them if they also hold at least 10%.

Each member of the Supervisory Board can generally resign from its office at any time by giving one month's notice. The chairman of the Supervisory Board or, in the event of a resignation of the chairman, the deputy chairman can consent to a shortening or to a waiver of this notice period. The right to immediately resign from its office for good cause is not affected by this.

The Supervisory Board will elect a chairman and a deputy chairman from among its members to serve as members of the Supervisory Board for the duration of those members' terms of office, unless a shorter period is determined at the time of their respective election. If the chairman or his/her deputy leaves such office before the end of his/her term, the Supervisory Board shall conduct a new election without undue delay.

The rules of procedure for the Supervisory Board stipulate that the Supervisory Board shall convene at least twice in a calendar year upon convocation of the chairman with a seven (7) day notice. A Supervisory Board meeting shall also take place if requested by a member of the Supervisory Board or of the Management Board. If the chairman fails to call for such a meeting, the respective member of the Supervisory Board or of the Management Board may call the meeting.

Resolutions of the Supervisory Board are normally adopted in meetings of the Supervisory Board. Resolutions about items on the agenda which have not been announced in a timely manner can only be adopted if no member objects to the vote. Absent members must be given the opportunity in such a situation to object to the voting on the resolution within a reasonable time period set by the chairman. The resolution first takes effect when no absent member has objected within the deadline.

Meetings of the Supervisory Board may also be held and members may also take part via telephone or video conference. Upon initiative of the chairman, the Supervisory Board can adopt a resolution also orally, by telephone, in writing or by means of votes transmitted with electronic media. Such resolutions are determined by the chairman in writing and forwarded to all members.

The Supervisory Board has a quorum when at least half of the members making up the total Supervisory Board participate in adopting a resolution, but at least three members must participate. If the Supervisory Board consists of three members, it only has a quorum if all members participate in the voting on the resolution. A member also participates in the voting on a resolution if that member abstains from casting a vote. Absent members can participate in the voting on a resolution by having another member hand over a written vote for them. A vote transmitted with electronic media is also deemed to be a written vote. A combination of different forms of voting on a resolution is permissible, also together with a meeting of individual or multiple members of the Supervisory Board.

Resolutions of the Supervisory Board are passed, unless otherwise provided by mandatory law, by a simple majority of the votes cast. In the case of a tie vote, the vote of the chairman of the Supervisory Board, or if the chairman is hindered, the vote of the deputy chairman is determinative.

The chairman determines the sequence in which the items on the agenda are dealt with as well as the type and sequence of voting. Minutes must be prepared about the meetings of the Supervisory Board and must be signed by the person acting as the chairman at the meeting. The record to be produced about resolutions adopted outside meetings must be signed by the chairman of the Supervisory Board. The chairman is authorised to issue the declarations of intent required to implement the resolutions of the Supervisory Board and receive declarations of intent on behalf of the Supervisory Board. If the chairman is hindered, the deputy chairman has this authority.

Under the rules of procedure for the Supervisory Board, the members of the Supervisory Board are prohibited to assume functions in corporate bodies of competitors of the Company.

The following table shows the current members of the Supervisory Board, their areas of responsibility and their current activities outside the Company as members of administrative, management or supervisory bodies or as partners, including those activities which were terminated during the last five years:

Name	Age	First appointed	End of term	Present main activity	More mandates
Dr Othmar Belker (Chairman)	57	2017	2023	Independent consultant for investors	**Current:** n/a **Concluded (within the last 5 years):** • CFO Member of the management board (*Mitglied des Vorstands*), NORMA Group SE, Maintal. The mandate existed from November 2006 to March 2015. • Interim-CFO (*Geschäftsführer*), Deutsche Fachpflege Holding GmbH (DFG), Munich. The mandate existed from 2018 to May 2020. • Managing director (*Geschäftsführer*), DFH Dritte Beteiligung GmbH, Munich and its 14 subsidiaries (subsidiaries of AI Monet, Luxembourg). The mandate existed from 2018 to May 2020.
Michael Schuster (Deputy Chairman)	65	2017	2023	Attorney	**Current:** • Managing director (*Geschäftsführer*), Eagle Fonds II Verwaltungs- und Treuhand GmbH, Frankfurt am Main.
Andreas Peiker	69	2018	2023	Entrepreneur	**Current:** • Chairman of the management (*Vorsitzender der Geschäftsführung*),

					peiker Holding GmbH, Bad Homburg. • Managing director (*Geschäftsführer*), Peiker Wohnungsunternehmen Verwaltungs-GmbH, Bad Homburg. • Managing partner (*Gesellschafter-Geschäftsführer*), ACUSTICA Dritte Verwaltungs-GmbH, Bad Homburg. • Managing director (*Geschäftsführer*), ACUSTICA Zweite Verwaltungs-GmbH, Bad Homburg. • Managing director (*Geschäftsführer*), ACUSTICA Erste Verwaltungs-GmbH, Bad Homburg. **Concluded (within the last 5 years):** • Managing director (*Geschäftsführer*), peiker Consumer Electronics Evolution GmbH, Bad Homburg. The mandate ended in July 2015.
Martin Bestmann	54	2020	2023	Software expert	**Current:** • Managing partner (*Gesellschafter-Geschäftsführer*), Pole Position Software GmbH, Neunkirchen am Brand. • Managing director (*Geschäftsführer*), MB IT Consulting UG, Neunkirchen am Brand. • Managing director/liquidator (*Geschäftsführer/ Liquidator*), Absolute Technology GmbH, Neunkirchen am Brand.

Concluded (within the last 5 years):

- Managing director (*Geschäftsführer*), Absolute Technology GmbH, Neunkirchen am Brand The mandate ended 2018.

Dr Othmar Belker

Dr Othmar Belker studied economics at Trier University and the Albert-Ludwigs-University in Freiburg and completed his doctorate in the year 1990 at the Albert-Ludwigs-University Freiburg. After starting his career as an adviser at Roland Berger & Partner in Munich and Berlin in 1990, he worked as a holder of registered signing authority (*Prokurist*) and a member of the Management Board in various listed companies (such as Chemie Holding AG, Lindner Holding KGaA) from 1992 until 2006.

From November 2006 until March 2015, Dr Othmar Belker assumed the position as CFO and member of the management board of the NORMA Group SE and was responsible for finance and IT. From August to October 2015, he assumed on an interim basis the position as CFO in the Schenck Process Group in Darmstadt and has been an independent consultant for investors since 2016 with focuses on preparing IPOs, treasure, M&A as well as serving in advisory boards. From November 2018 until May 2020 he was the CFO of the private equity owned Deutsche Fachpflegegruppe (DFG).

Michael Schuster

Mr Michael Schuster studied law at the Universities of Mainz, Bonn and Frankfurt am Main and was admitted to the bar (*Rechtsanwaltskammer*) Frankfurt/Main in 1982. Since 1984, Mr Michael Schuster has been working as an independent attorney at law in Frankfurt/Main with a focus on corporate law. Mr Schuster has acted in investment structures in connection with BPE GmbH since the year 2000.

Andreas Peiker

Mr Andreas Peiker studied electrical technology and, in parallel, business management and completed his studies in 1975 as graduated engineer (*Dipl.-Ing.*). After a period of time abroad at Baileys Industrie (AEG) as well as the Canadian Imperial Bank of Commerce, he joined the family-owned company peiker acustic GmbH & Co. KG in 1975 and assumed the role as managing partner (*Geschäftsführender Gesellschafter*) from 1983 until the company was sold to the French Valeo group in January 2016. To date Mr Andreas Peiker is the chairman of the management of peiker Holding GmbH and a chairman and advisory board member in various companies belonging to the holding company.

Andreas Peiker has been awarded the German Federal Service Cross (*Bundesverdienstkreuz*) and has been a member of the Management Board and advisory board of the Rhein-Main-Taunus district group for several decades and has also been a delegate in the membership council and the investment committee of the State Association Hessen Metall.

Martin Bestmann

Mr Martin Bestmann is founder and managing director of Pole Position Software GmbH in Neunkirchen am Brand since 1998. This software company can look back on a successful track record in the development, establishment and sale of a large number of software and hardware companies. For example, Mr Martin Bestmann developed the lifecycle management software netOctopus, which was sold to Datawatch (listed at NASDAQ) in 1995, and LANrev, which was acquired by Absolute Software in 2009 (ABT.TO). He continued to support both companies after the exit as head of software development.

In March 2020, Mr Martin Bestmann and the Company entered into a framework agreement approved by resolution of the Supervisory Board. Under this agreement, Mr Martin Bestmann in his capacity as a software expert regularly supports the Company on a case by case basis in the evaluation of new investment targets in the IT and software segment, especially regarding due diligence audits. Mr Martin Bestmann was delegated as a Supervisory Board member based on the delegation right by Falkenstein Heritage GmbH in accordance with the Articles of Association.

On 17 June 2020, the shareholders' meeting resolved an amendment of the Articles of Association providing for six members of the Supervisory Board. As of the date of this Prospectus, two positions are still vacant.

Dr Cornelius Liedtke (designated)

The Company is currently in discussions with Dr Cornelius Liedtke regarding a filing for appointment of Dr Cornelius Liedtke as member of the Supervisory Board of the Company by the competent court in accordance with Sec. 104 AktG. Dr Cornelius Liedtke has declared his consent and that he would accept the appointment should the competent court decide to do so. He has further declared that there are no reasons that would contradict a possible Supervisory Board membership within the meaning of Sec. 100 and 105 AktG.

Dr Cornelius Liedtke has studied macroeconomics in Hamburg. He then worked as a research assistant with HWWA (Hamburgisches Welt-Wirtschafts-Archiv). He was a scholar of Stiftung Volkswagenwerke and received a postgraduate degree from London School of Economics. He then was a research assistant at the institute for financial studies at the University of Hamburg where he received his doctoral degree. Dr Liedtke has been managing partner (*Gesellschafter-Geschäftsführer*) of various companies of the B&L Group (Büll & Dr. Liedtke Group) in Hamburg since 1970. He is also managing partner (*Gesellschafter-Geschäftsführer*) of CLVV Automotive Beteiligungsgesellschaft mbH, Verwaltung CLU Unternehmensholding GmbH and Dr. Liedtke Vermögensverwaltung GmbH.

Dr Cornelius Liedtke has been a member of the supervisory board of Encavis AG in Hamburg since 2007 and has been a member of the advisory board of BRUSS Sealing Systems GmbH in Hoisdorf since 2011 and a member of the advisory board of SUMTEQ GmbH in Dueren.

The members of the Supervisory Board can be contacted at the Company's business address.

20.3.1. Committees of the Supervisory Board

The Company's Supervisory Board has not formed any committees.

20.3.2. Remuneration of the members of the Supervisory Board

For the fiscal year 2019 the chairman of the Supervisory Board received an annual fixed remuneration of EUR 60,000.00, the deputy chairman of the Supervisory Board receives an annual fixed remuneration of EUR 45,000.00, whereas the other members of the Supervisory Board received an annual fixed remuneration of EUR 30,000.00.

If the Company has established an audit committee, the chairman of the audit committee receives an additional annual fixed remuneration of EUR 10,000.00, whereas the other members of the Supervisory Board receive an annual fixed remuneration of EUR 5,000.00. The chairman of another committee receives an additional annual fixed remuneration of EUR 5,000.00, whereas the other members of the committee receive an annual fixed remuneration of EUR 2,500.00.

The members of the Supervisory Board also received reimbursement of their expenses and reimbursement of any value added tax payable on their remuneration.

Members of the Supervisory Board including its chairman who only belong to the Supervisory Board for part of the fiscal year received a lower remuneration in proportion to the time spent on the Supervisory Board. This also applies to the members of the audit committee.

In March 2020, Mr Martin Bestmann and the Company entered into a framework agreement approved by resolution of the Supervisory Board. Under this agreement, Mr Martin Bestmann as a software expert supports the Company on a case by case basis in the evaluation of new investment targets in the IT and software segment. For his services, Mr Bestmann receives a market standard advisory fee. The Company, with approval of the Supervisory Board in each case, will enter into separate agreements under the framework agreement for each individual assignment. The Company, with approval of the Supervisory Board, has engaged Mr Bestmann for the IT due diligence of a target in May 2020.

20.3.3. Shareholdings of Supervisory Board members

As of the date of this Prospectus, the members of the Supervisory Board hold shares in the Company as follows:

As of the date of this Prospectus, Dr Othmar Belker holds 18,110 shares in the Company, Andreas Peiker indirectly holds via ACUSTICA Zweite Verwaltungs-GmbH 526,624 shares and Martin Bestmann holds 8,333 shares in the Company.

20.4 Conflicts of interest/family relationships

There are no potential conflicts of interest between the members of the Management Board and the Supervisory Board as regards the Company on the one side and their private interests, memberships in governing bodies of companies, or other obligations on the other side. The members of the Management Board are subject to a comprehensive prohibition on competition under the rules of procedure which goes beyond the provisions as stipulated in Sec. 88 AktG.

Mr Michael Schuster is an independent attorney. As such, he has acted as an adviser for BPE GmbH since its establishment.

Other than the delegation of Mr Martin Bestmann and a second delegate yet to be appointed to the Supervisory Board upon delegation right in accordance with the Articles of Association, there are no agreements or arrangements with majority shareholders, customers, suppliers or other persons, as a result of which a member of the Management Board or the Supervisory Board has been appointed as a member of the management or supervisory body.

The Company has not granted any loans to members of the Management Board or the Supervisory Board or assumed collateral or guarantees on their behalf.

The Company with the consent of the Supervisory Board has entered into a framework agreement with Mr Martin Bestmann for software consultancy services. Mr Bestmann will receive a separate remuneration for consultancy services including, *e.g.* due diligence services for the Company in the context of evaluating potential acquisitions if and to the extent such services are not part of his duties as a member of the Supervisory Board of the Company.

Aside from this, the Company has not concluded any consulting, license or other contracts with members of the Supervisory Board.

There are no family relationships between the members of the Management Board and the Supervisory Board, either among themselves or in relation to the members of the other body.

20.5 Shareholder's meeting

The general shareholders' meeting is the corporate body in which the shareholders can exercise their rights within the Company. The ordinary shareholders' meeting is, in general and subject to the COVID-19 Act (as defined below), supposed to take place within the first eight months of each fiscal year.

On 27 March 2020, the German legislator passed an act to mitigate the consequences of the COVID-19 crisis in civil, insolvency and criminal proceedings ("**COVID-19 Act**"). The provisions of the COVID-19 Act pertaining to measures with regard to company, cooperative, association, foundation and residential property law will cease to be in force with expiry of 3 December 2021. The purpose of the COVID-19 Act is, in particular, to address challenges and uncertainties in preparing and holding general shareholders' meetings. The COVID-19 Act applies to general shareholders' meetings that are to be held in 2020 and stipulates that these do not need to be held within the first eight months of the fiscal year, but only before the end of the fiscal year. The management board may, with the consent of the supervisory board and subject to the applicable regulations passed by the competent authorities, decide at its own discretion if and to what extent the general shareholders' meeting is held in accordance with the COVID-19 Act.

20.5.1. Calling meetings

According to the Articles of Association of the Company, the ordinary shareholders' meeting is generally called by the Management Board unless also other persons are authorised to call the meeting under the law or the articles of association. In addition, extraordinary general shareholders' meetings must be called if the interests of the Company require this.

Notice must be issued in the German Federal Gazette (*Bundesanzeiger*) at least 30 days prior to the day of the shareholders’ meeting, the day of the receipt of the notice not being included when calculating this period. (“registration date”). The date of calling the meeting and the registration date are not included in the calculation of the above deadlines. Pursuant to the COVID-19 Act the convocation period may be reduced to up to 21 days without the registration period being extended.

Content and format of the transmission of notices depend on Sec. 125 AktG in connection with Commission Implementing Regulation (EU) 2018/1212 of 3 September 2018. The Management Board is entitled, but not required, to send this information also through another channel.

The general shareholders' meeting takes place at the headquarters of the Company or in a large German city (with more than 100,000 residents). The COVID-19 Act provides for the possibility to hold an annual general meeting without the physical presence of shareholders at the venue of the meeting provided that, inter alia, the entire meeting is transmitted by video and audio, voting rights can be exercised via electronic communication as well as proxy voting, and the shareholders are given the opportunity to ask questions by means of electronic communication.

Only those shareholders who have registered in a timely manner are entitled to participate in the general shareholders' meetings and exercise the right to vote. The registration is made to the address designated for this purpose in the notice calling the meeting in text form and in the German language. Six days must remain clear between the date of receipt of the registration and the date of the general shareholders' meeting. The notice calling the general shareholders' meeting can provide for a shorter time period measured in days.

20.5.2. Responsibilities of the ordinary shareholders' meeting and adopting resolutions

The ordinary shareholders' meeting resolves especially about:

- the appointment of the Supervisory Board;

- determination of the annual financial statements (if this is not done by the Management Board and the Supervisory Board);

- the use of the profit shown in the balance sheet;

- the approval of actions (Entlastung) of the members of the Management Board and the Supervisory Board;

- the appointment of the auditor;

- measures to raise and reduce capital, and

- amendments to the articles of association.

The resolutions of the shareholders' meeting are adopted by a simple majority of the share capital represented and authorised to vote when the resolution is adopted unless mandatory provisions in the law require a larger majority. If there is no majority in the first vote in the case of elections, a run-off vote will take place between the two candidates who have received the most votes. In the case of certain resolutions having fundamental importance, the law requires, in addition to the majority of the votes cast, also a majority of at least three fourth of the share capital represented in the voting on the resolution. These resolutions include especially:

- capital increases with exclusion of the subscription right;

- capital reductions;

- creation of authorised or conditional capital;

- liquidation of the Company;

- measures under the law governing transformation of corporate form such as mergers, spin-offs and change in legal form;

- transfer of the entire assets of the Company;

- integration of a company, and

- conclusion and amendment of affiliation agreements (*Unternehmensverträge*) (especially domination and profit and loss transfer agreements), and

- action within the meaning of the UmwG

Neither stock corporations' law nor the Articles of Association provide for minimum participation to have a quorum at the shareholders' meeting.

The chairman of the Supervisory Board or another member of the Supervisory Board to be chosen by the Supervisory Board acts as the chair for the shareholders' meeting. The chairman runs the meeting and determines the sequence on the agenda as well as the method of voting.

20.5.3. *Rights to participate and vote*

The shareholders of the Company who want to participate in the shareholders' meeting and exercise the right to vote must register for the shareholders' meeting. The registration for participation must be received by the Company by the end of the sixth day prior to the date of the shareholders’ meeting, unless a shorter period of time was set forth in the convening notice of the shareholders’ meeting.

In particular, the shareholders of the Company have the right to participate and vote in the shareholders' meeting. In case of a meeting without the physical presence of shareholders at the venue of the meeting pursuant to the COVID-19 Act, shareholders may participate over the internet. Each share grants one vote in the shareholders' meeting. The right to vote begins with completely having paid in the contribution. Pursuant to Sec. 71 b AktG, the Company has no rights under the treasury shares.

Voting rights may be exercised by proxy. Such proxies may also be transmitted to the Company electronically in a manner determined in more detail by the Management Board. The Management Board is authorised to provide that shareholders can also participate in the shareholders' meeting without being present and without having a proxy and that all or some of their rights may be exercised completely or partially by means of electronic communications (online participation). The Management Board can regulate in detail the extent and process for online participation.

The Management Board is authorised to provide that shareholders may cast their votes in writing or by means of electronic communications without participating in the shareholders' meeting (absentee voting). The Management Board may regulate the details of the process for absentee voting.

Each shareholder has a personal right to speak and pose questions in the shareholders' meeting which right is subject to various restrictions, especially with regard to the interests of the Company in maintaining confidentiality and the proper and rapid conduct of the shareholders' meeting. In case of a meeting without the physical presence of shareholders at the venue of the meeting pursuant to the COVID-19 Act, the shareholders' right to speak does not apply and the right to pose questions is modified. In this case, shareholders shall be given the opportunity to submit questions electronically and the company may stipulate that questions must be submitted at least two days before the meeting.

Under certain prerequisites regulated in the AktG and, to the extent applicable, in the COVID-19 Act, shareholders and members of the Management Board and the Supervisory Board of the Company are entitled to challenge before the courts resolutions of the shareholders' meeting or move that the court declare the resolutions to be void.

20.6 German Corporate Governance Code

The German Corporate Governance Code ("**Code**"), in its current version, effective 20 March 2020, comprises nationally and internationally recognised standards of corporate governance. The Code, which is intended to make the German system of corporate management and supervision transparent for investors, contains recommendations and suggestions for corporate management and supervision with regard to shareholders and the shareholders' meeting, the management board and supervisory board, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the Code. However, the AktG requires the management board and supervisory board of a listed company to declare annually that the recommendations have been and are being complied with, or to declare which recommendations have not been or are not being applied and why the management board and supervisory board have not applied them. This declaration must be made permanently available to the shareholders. The suggestions contained in the Code may be deviated from without disclosure.

Prior to the listing of the Company's shares on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company is under no obligation to issue a declaration regarding the compliance with the Code. Accordingly, the Management Board and the Supervisory Board have not yet made a declaration pursuant to Sec. 161 AktG.

In accordance with Sec. 161 para. 1 of AktG, the Management Board and Supervisory Board of the Company will declare compliance with the Code in the version dated 20 March 2020, and publish this declaration together with the corporate governance statement.

As of the date of this Prospectus, the Company complies, and following the listing of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) intends to comply, with the recommendations of the Code except for the following:

- No. B.3 of the Code: According to the Code's recommendation, the first-time appointment of management board members shall be for a period of not more than three years. The recommendation did not exist when the members of the Management Board were appointed. The current appointment of the Management Board members is for a period of five years. The Company believes that the five year period allows for an adequate level of consistency in the management of the Company. However, the Company intends to comply with this recommendation in the future.

- No. B.5 of the Code: According to the Code's recommendation, an age limit shall be specified for members of the management board and disclosed in the corporate governance statement. The Company does not consider the specification of a general age limit a reasonable criterion for the selection of suitable Management Board members. An age limit is not currently an issue between the persons currently appointed to the Management Board. Additionally, with regard to decisions affecting the composition of a functional, effective Management Board, the appointment of a member with many years of experience can be in the interest of the Company, rendering the specification of a general age limit unreasonable in the eyes of the Company, regardless of the candidate in question.

- No. C.1 of the Code: According to the Code's recommendation, the supervisory board shall determine specific objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire board while taking the principle of diversity into account. Proposals by the supervisory board to the general meeting shall take these objectives into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the supervisory board. The implementation status shall be published in the corporate governance statement. This statement shall also provide information about what the shareholder representatives on the supervisory board regard as the appropriate number of independent supervisory board members representing shareholders, and the names of these members. In the Supervisory Board's assessment, its members possess all of the skills and expertise required for the Supervisory Board's activities to be conducted efficiently. Hence, the Supervisory Board does not consider it necessary at this time to write up a special profile of skills and expertise as stipulated in the recommendation. The candidates proposed by the Supervisory Board to the shareholders' meeting therefore cannot aim to fill out a special profile of skills and expertise, and the implementation status is not published in the corporate governance statement.

- No. C.1 of the Code: According to the Code's recommendation, an age limit shall be specified for members of the supervisory board and disclosed in the corporate governance statement. The aforementioned aspects regarding the deviation from no. B.5 of the Code apply mutatis mutandis to the decision not to specify an age for members of the Supervisory Board as recommended in the Code.

- No C.10 of the Code: According to the Code's recommendations, the chair of the supervisory board, the chair of the audit committee, as well as the chair of the committee that addresses management board remuneration, shall be independent from the company and the management board, and the chair of the audit committee shall be independent from the controlling shareholder. The Company declares a deviation to the extent the recommendations refer to the chair of the aforementioned committees as the Company has not formed any committees.

- No. C.14 of the Code: According to the Code's recommendation, the proposal for a candidate for the supervisory board should be accompanied by a curriculum vitae, providing information on the candidate's relevant knowledge, skills and professional experience; it should be supplemented by an overview of the candidate's material activities in addition to the supervisory board mandate, and should be updated annually for all supervisory board members and published on the entity's website. The stipulations of the Code are vague and the definitions unclear. The Company therefore declares a deviation from the Code in this respect. Notwithstanding this, the Supervisory Board will make every effort to satisfy the requirements of the recommendation.

- No. D.1 of the Code: According to the Code's recommendation, the supervisory board shall adopt its own rules of procedure and shall publish these on the company's website. The Company declares a deviation to the extent the recommendation refers to the publication of the rules of procedure on the Company's website as the Supervisory Board is currently reviewing the rules of procedure. However, the Company intends to comply with this recommendation in the future.

- No. D.2 of the Code: According to the Code’s recommendation, depending on the specific circumstances of the enterprise and the number of supervisory board members, the supervisory board shall form committees of members with relevant specialist expertise. The respective committee members and the committee chairs shall be provided in the corporate governance statement. As in the past, the Supervisory Board will not set up committees, specifically an audit committee. Going forward, the full Supervisory Board will continue its existing practice of discussing all issues as they arise. So far, the Company holds a relatively small number of investments. Additonally, the Supervisory Board that consists of only six members deems important to discuss matters with all of its members in order to establish a comprehensive basis for its decisions including a broad scope of know-how, experiences and opinions. The Supervisory Board considers such aspects to be in line with the Code’s reference to the specific circumstances of the enterprise and the number of supervisory board members. Nevertheless, the Supervisory Board will on a regular basis evaluate if it seems reasonable with a view to the Company’s future development to set up committees, in particular an audit committee and a nomination committee, to further improve the work of the Supervisory Board in line with the requirements of the Company and its business.

- No. D.3 of the Code: According to the Code’s recommendation, the supervisory board shall establish an audit committee that – provided no other committee or the plenary meeting of the supervisory board has been entrusted with this work – addresses in particular the review of the accounting, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements and compliance. The aforementioned aspects regarding the deviation from no. D.2 of the Code apply mutatis mutandis to the Supervisory Board's decision not to establish an audit committee as recommended in the Code.

- No. D.4 of the Code: According to the Code’s recommendation the chairman of the audit committee shall have specific knowledge and experience in applying accounting principles and internal control procedures, shall be familiar with audits, and shall be independent. The chairman of the supervisory board shall not chair the audit committee. The Company declares a deviation as the Company has not formed an audit committee.

- No. D.5 of the Code: According to the Code’s recommendation, the supervisory board shall form a nomination committee, composed exclusively of shareholder representatives, which names suitable candidates to the supervisory board for its proposals to the shareholders’ meeting. The aforementioned aspects regarding the deviation from no. D.2 of the Code apply mutatis mutandis to the Supervisory Board's decision not to establish a nominating committee as recommended in the Code. Moreover, the Supervisory Board already consists exclusively of shareholder representatives, as required of a nominating committee by the Code.

- No. D.8 clause 1 of the Code: According to the Code’s recommendation, it shall be noted in the report of the supervisory board how many meetings of the supervisory board, and of the committees, the individual members attended in each case. The Company declares a deviation to the extent the recommendation refers to meetings of the committees as the Company has not formed any committees.

- No. D.11 of the Code: According to the Code’s recommendation, the audit committee shall conduct an evaluation of the quality of the audit on a regular basis. The Company declares a deviation as the Company has not formed an audit committee.

- No. D.13 of the Code: According to the Code’s recommendations, the supervisory board shall assess, at regular intervals, how effective the supervisory board as a whole and its committees fulfil their tasks and the supervisory board shall report in the corporate governance statement if (and how) the self-assessment was conducted. The Company declares a deviation to the extent the recommendations refer to the assessment of committees as the Company has not formed any committees.

- No. E.2 of the Code: According to the Code’s recommendation, each management board member shall disclose conflicts of interest to the chair of the supervisory board and to the chair or spokesperson of the management board without undue delay and shall inform the other members of the management board. The Company declares a deviation to the extent the recommendation refers to a general disclosure obligation the chair or spokesperson of the management board as the rules of procedure for the Management Board only provide for a disclosure obligation to the extent appropriate. The Company considers such obligation sufficient for an appropriate handling of conflicts of interests especially since the Supervisory Board and the respective member of the Management Board may always involve the Management Board, which only has two members. Furthermore, the obligation provided for by the rules of procedure for the Management Board allows for a more swift decision making and handling of conflicts of interest.

- No. E.3 of the Code: According to the Code’s recommendation, members of the management board shall only assume sideline activities, especially supervisory board mandates outside the enterprise, with the approval of the supervisory board. The Company declares a deviation to the extent the recommendation refers to an approval of the entire supervisory board as the rules of procedure for the Management Board only provide for the approval of the chair of the Supervisory Board. The Company considers such obligation sufficient for an appropriate handling of potential sideline activities especially since the chair of the Supervisory Board and the respective member of the Management Board may always involve the entire Supervisory Board.

- No. F.4 of the Code: According to the Code's recommendation, the supervisory board and management board of listed companies subject to special legal regulations shall specify, in the corporate governance statement, what Code recommendations were not applied due to over-riding legal stipulations. The stipulations of the Code are vague regarding the definition of "special legal regulations". Purely as a precautionary measure, the Company therefore declares a deviation from the Code in this respect. Notwithstanding this and subject to the applicability of the recommendation, the Company will make every effort to satisfy the requirements of the recommendation.

- Nos. G.1 to G.13 (including) and G.15 to G.16 (including) of the Code: These recommendations in relation to management board remuneration have been recently revised to a large degree. Specifically, the new legal requirements brought about by the Act Implementing the Second Shareholder Rights Directive (*Umsetzungsgesetz der zweiten Aktionärsrechterichtlinie – ARUG II*) will have to be taken into account. These new requirements have not entered into force and have therefore not been assessed by the Company. The Company therefore declares a deviation from the Code in this respect. The Company will assess and implement these new legal requirements and will evaluate compliance with the respective recommendations provided for by the Code.

- No. G.17 of the Code: According to the Code's recommendation, remuneration for supervisory board membership shall take appropriate account of the larger time commitment of the chair and the deputy chair of the supervisory board as well as of the chair and the members of committees. The Company declares a deviation to the extent the recommendation refers to the taking into account of the chair and the members of committees as the Company has not formed any committees.

21. Taxation

Potential investors are advised to consult their own tax advisers regarding the tax consequences of the purchase, ownership and disposal of shares, including the effects of state or local taxes, under the tax laws of Germany and any country in which they are resident. The relevant tax legislation may have an impact on the income received from the Shares.

22. Recent developments and outlook

22.1 Recent developments

22.1.1. Pipeline

As of the date of this Prospectus, the Company is in different stages of evaluating a number of acquisitions, including an innovation-driven specialist in ophthalmology, for which BCM AG has negotiated exclusivity ending six weeks after notification that an outstanding regulatory topic has been resolved. All of these potential acquisitions are currently in preliminary stages (for more information, see "*15. Business – 15.4 Business operations – 15.4.7 Pipeline*").

22.1.2. Group level and current segments

The COVID-19 pandemic has negatively impacted global economic growth since the first quarter of 2020. Revenue in April and May 2020 was clearly below 2019 like-for-like levels due to the impact of the COVID-19 pandemic with a lower order intake and some postponed projects from client side. Against this backdrop, the Company expects a high single digit percentage revenue decline in the first half of 2020 compared to the same period in 2019 on a like-for-like basis. With strengthening signs of a rebound in economic activity, management believes the low point for market activity has passed, with the recent weeks showing a clear pick-up in order intake, strong sales pipeline and overall growth drivers of BCM Group's subsidiaries remaining largely unaffected.

The Company believes that Palas currently has significant opportunities. Based on its competence in the measurement of finest particles and in filter testing technology, Palas was able to launch a new product series for the quality testing of respiratory masks within a very short time. The newly developed filter test rig for respiratory masks can be used to test the effectiveness of masks for the coronavirus. Another newly developed testing device can be used directly at the place of use (*e.g.* in hospitals, offices, retirement homes) to test masks that are used several times for continuous effectiveness or to take random samples of new masks. Directly after market launch, Palas has seen strong orders for the new product range, including from public authorities. On 1 July 2020, Palas announced that it joined BASF and TÜV Nord to establish a face mask testing facility in Shanghai, China, delivering test rigs for the new facility. The new facility enables quick sample tests of face masks procured in China for the Federal Ministry of Health in Germany for medical and non-medical uses.

In addition, the AQ Guard has been launched, which can not only be used for classic outdoor applications, but also covers other applications such as indoor measurement.

In view of the COVID-19 pandemic, Palas has taken cautionary measures to prevent a potential negative impact of external factors on its operations. In addition to a modification in its working capital management (*e.g.* maintaining inventories of production-relevant parts, but reducing other inventories), Palas implemented partial short-time working in April 2020, which was abandoned in May 2020 to address strong order intake.

In May 2020, Palas Holding established a new subsidiary under the laws of Hong Kong under the name Palas (Asia) Limited in order to expand Palas' business and customer base in Asia. As a first step, Palas (Asia) Limited is in the process of applying with the competent authority for the registration of a wholly foreign-owned enterprise in Shanghai, China. It is currently expected that this entity will open the Shanghai office of Palas in July 2020.

Revenue decreased in April and May 2020 when compared with April and May 2019 respectively. However, driven by its set-up as well as the launch of new products, Palas has seen strong order intake in April and May 2020, which has not yet transformed into revenue due to production lead times.

The Company believes that IHSE currently has significant potential due to the COVID-19 pandemic since many countries have introduced social distance measures for their citizens, including work from home whenever possible and only perform essential tasks at their regular workplaces if this is inevitable. Often there is a need to access computers and workplaces that are stationary due to the arrangement of connected devices and technical infrastructure. Typical examples are operating and process control stations in industrial plants, control rooms of TV stations and security and monitoring centres of state institutions, which require a highly secure, absolutely reliable and high-performance connection between remote employees and the computer systems on which many system-relevant services depend.

While the pipeline remains promising, revenue in April and May 2020 was clearly below April and May 2019. Due to the COVID-19 pandemic, IHSE has experienced a lower order intake in April 2020, with some recovery in May 2020, and some postponed projects from client side, mainly relating to infrastructure, such as powerplants, utilities or control rooms for airports/airtraffic, which IHSE believes will be processed after lifting of COVID-19-related restrictions. On 2 July 2020, IHSE announced that its KVM-extender-technology will be installed in the control rooms of the new airport of Berlin-Brandenburg, which is expected to open in

October 2020. Uptake in order intake and revenue realisation will mainly depend on the rebound of economic activity, especially in the United States and China.

22.1.3. Significant changes in the results of operations and financial position

Between 31 March 2020 and the date of this Prospectus, there have not been any significant changes in the the financial position of BCM Group other than as a result of costs incurred for IPO preparations, financial result and amortisation of intangible assets identified in the course of purchase price allocation, in particular due to the acquisition of IHSE.

Compared to the first quarter of 2020, results of operations between 31 March 2020 and the date of this Prospectus have been negatively affected by the decrease in revenue described above as well as by costs incurred for IPO preparations.

22.2 Outlook

The future performance of BCM Group will be driven by future acquisitions as well as the development of its two current segments (operated through its current subsidiaries Palas and IHSE). It is BCM's strategy to deliver additional inorganic growth through further acquisitions in addition to organic growth of its current subsidiaries.

BCM Group believes it is generally well positioned to continue its growth path due to favourable market trends in sectors such as environmental technologies, security technologies, med-tech or software that BCM Group is focused on. BCM AG is convinced that its current subsidiaries should benefit from strong market trends in their niches, such as increasing awareness for air pollution as well as the resulting need and regulation to measure air quality for Palas while digitalisation and connectivity should increase the demand for highly secure and low-latency data transmission technologies of IHSE.

22.2.1. Potential impact of the COVID-19 pandemic

BCM Group's results of operations and the financial position as of and for the fiscal year ending 31 December 2020 and perhaps beyond depend much on the further development of the COVID-19 pandemic, about which there is a high degree of uncertainty, and, therefore, are not yet foreseeable. The potential impact of COVID-19 on BCM Group's subsidiaries' businesses will, among others, largely depend on factors such as the duration of lock-down measures worldwide or the development of leading international economies. Therefore, in light of the current uncertainty, the financial impact of the COVID-19 pandemic cannot be reliably quantified. BCM Group has made certain amendments to its business plan both on subsidiary as well as on group level, to account for the unclear situation. However, there is no assurance that these amendments will be sufficient to reflect the actual future impact on BCM Group's businesses.

22.2.2. Group level and current segments

For the full fiscal year 2020, the Company assumes a top-line impact from COVID-19. Assuming that the trend towards lifting of COVID-19-related restrictions continues as expected, that there is no second wave of the pandemic and global economic activity recovers, the Company expects the negative effects of the pandemic to be a temporary development and hence a catch-up in the second half of 2020 and the first half of 2021. The Company believes that in particular Palas may also have potential opportunities arising from the COVID-19 crisis that could possibly lead to a positive trend in the case of Palas. Against that background, the Company targets mid-single digit overall revenue growth for BCM Group in 2020.

Moreover, the Company currently expects that the COVID-19 impact might reverse in 2021 with a recovery, targeting stronger, possibly double digit percentage revenue growth in the high-teens. Beyond 2021, the Company expects revenue growth in the mid-teens. Drivers thereof should be the mentioned market trends, global economic recovery as well as growth initiatives such as further internationalisation and expansion into new verticals for the Company's subsidiaries.

The Environmental Technologies segment, represented today by Palas, is expected to grow revenues in 2020 in line with 2019 with potential to even accelerate. This is based on the roll-out of the China strategy starting July 2020, increasing overall demand driven by the regulatory environment concerning air quality globally and further strong increase in demand for testing devices for respiratory masks. Palas is currently reviewing to increase its recurring revenues through its product AQ Guard which is equipped with a modem potentially allowing to sell data as well as through service contracts with existing customers. Despite lower revenue in the first quarter of 2020 order intake was higher compared to the first quarter of 2019. In general, revenue tends to show some volatility between quarters. Current backlog and order intake since April, however, support these assumptions.

In the Security Technologies segment, represented today by IHSE, the Company targets single digit revenue growth in 2020. This reflects the expected impact from COVID-19, especially from a delay of order intake, and non-recurrence of a large customer order recorded in 2019. The Company expects the business to return to its historical average growth rate in the medium term due to continued internationalisation and expansion into new verticals and the elimination of the one-time impact of the large 2019 customer order. In order to complement its rather project driven revenues, IHSE aims to expand its recurring revenues through service level agreements which were introduced in 2019.

In the medium term, the Company targets adjusted EBITDA margins on similar levels as 2019 pro forma. In the short term, there could likely be a negative COVID-19 impact. As BCM AG focuses on the acquisition of businesses with comparably high EBITDA margins, the Company envisages only limited upside from potential gross margin increases, as target businesses already feature high gross margins at acquisition.

In the case of Palas, BCM AG believes that 2019 margin levels will – on average – be sustainable in the medium term.

For IHSE, BCM AG sees potential to achieve a low increase in the medium term compared to 2019 levels, driven by increased focus on modular systems and continued premium pricing.

BCM AG's central function costs (excluding expenses of the preparations of the Private Placement and Listing) as percentage of Group revenue reflect investment already made to operate as a publicly listed entity and to continue driving growth for its subsidiaries. Central function costs are expected to return to 2019 levels as percentage of revenue in the medium term as a result of expected economies of scale.

The Company expects Group depreciation and amortisation to be at a very low single digit percentage of revenue.

On trade working capital, BCM AG targets 25-30% of revenue in the current group structure.

The Company considers its business model to be asset-light. Substantial expansion capital expenditure has been invested during the last years. In the medium term, BCM AG expects capital expenditure to relate predominantly to maintenance. For 2020, BCM AG targets capital expenditure to be at a low single digit percentage of revenue while, in the medium-term, capital expenditure of a very low single digit percentage of revenue is aimed at.

In line with the German average, BCM AG expects a tax rate of approximately 30% on the group level.

22.2.3. *Future acquisitions*

BCM Group intends to use cash flows, including the proceeds from the Private Placement, predominantly to expand its business activities, both through organic and inorganic growth, and further develop BCM Group as a leading technology group.

As to future acquisitions, BCM Group aims to make one to two acquisitions of technology companies per year that fit its strict acquisition criteria with the respective target company showing growth of around 20% and an EBITDA margin exceeding 25% approximately. Depending on the amount of the net proceeds from the Private Placement, BCM Group targets investing the net proceeds over the next one to two years. When making acquisitions, the Company seeks a leverage broadly around today's level at expected financing costs also mainly at today's level (which may increase depending on the flexibility required and financing sources available).

In the near future, the focus areas of pipeline opportunities may continue to include environmental technologies, security technologies, medical technologies and software. Considering its strict acquisition criteria, the Company currently aims to achieve cumulative additional revenue for the Group of more than EUR 100 million in the next one to two years.

23. Definitions

"**AC CHRISTES**"	AC CHRISTES & PARTNER GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
"**AktG**"	German Stock Corporation Act (*Aktiengesetz*)
"**Adjusted Earnings**"	Profit or loss adjusted for the expenses of share based compensation, financial result from NCI Put, expenses related to the cost of equity capital measures, the cost of M&A transactions, amortisation and impairment losses on acquisition-related intangible assets less deferred tax income attributable thereto.
"**Adjusted Earnings per Share**"	Adjusted Earnings divided by the weighted average number of shares outstanding. When shares were issued as part of the financing of acquisitions that are included in the consolidated statement of comprehensive income on a pro forma basis, the number of shares before closing of such transaction is adjusted accordingly
"**Adjusted EBIT**" (for BCM Group)	EBIT adjusted for amortisation and impairment losses on acquisition-related intangible assets, expensed share based compensation, expensed cost of equity capital measures and expensed cost of M&A transactions
"**Adjusted EBIT Margin**" (for BCM Group)	Adjusted EBIT expressed as a percentage of revenue
"**Adjusted EBITDA**" (for BCM Group)	EBITDA adjusted for expensed cost of M&A transactions, expensed cost of equity capital measures and expensed share-based compensation
"**Adjusted EBITDA Margin**" (for BCM Group)	Adjusted EBITDA expressed as a percentage of revenue

"**Audited IFRS Individual Financial Statements Short Fiscal Year 2017**"	The Company's audited annual financial statements for the short fiscal year from 1 January 2017 to 31 July 2017
"**Audited IFRS Individual Financial Statements 2017/18**"	The Company's audited annual financial statements for the fiscal year from 1 August 2017 to 31 July 2018
"**Audited IFRS Consolidated Financial Statements Short Fiscal Year 2018**"	The Company's audited annual financial statements for the short fiscal year from 1 August 2018 to 31 December 2018
"**Audited IFRS Consolidated Financial Statements 2019**"	The Company's audited annual financial statements for the fiscal year from 1 January to 31 December 2019
"**Audited IFRS Financial Statements**"	Audited IFRS Individual Financial Statements Short Fiscal Year 2017, together with the Audited IFRS Consolidated Financial Statements 2019, the Audited IFRS Consolidated Financial Statements Short Fiscal Year 2018 and the Audited IFRS individual Financial Statements 2017/18
"**APAC**"	Asia/Pacific
"**APMs**"	Alternative performance measures
"**Articles of Association**"	Articles of association of the Company
"**Authorised Capital 2017**"	Current authorised capital of the Company
"**Authorised Capital 2019**"	The authorised capital of the Company resolved on 27 June 2019
"**Authorised Capital 2020/I**"	The authorised capital of the Company resolved on 17 June 2020

"**Authorised Capital 2020/II**"	The authorised capital of the Company resolved on or around 9 July 2020
"A&D"	Aerospace and defence
"**B2B**"	Business-to-business
"**BaFin**"	German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*)
"**BCM AG**", or "**Company**"	Brockhaus Capital Management AG
"**BCM Group**"	BCM AG together with its respective consolidated subsidiaries
"**BGH**"	Federal Supreme Court of Justice (*Bundesgerichtshof*)
"**BGB**"	German Civil Code (*Bürgerliches Gesetzbuch*)
"**Bookbuilding Period**"	Expected timeframe from the beginning to the end of the Private Placement
"**Bonds**"	Option bonds and/or convertible bonds in registered form to be issued by the Management Board with the consent of the Supervisory Board as authorised by the extraordinary shareholders' meeting on or around 9 July 2020
"**Borrower**"	IHSE Acquico GmbH as a borrower regarding Loan Agreement IHSE
"**BPE I**"	Brockhaus Private Equity I GmbH & Co. KG together with Brockhaus Private Equity Partners Nr. 1 GmbH & Co. KG
"**BPE II**"	Brockhaus II GmbH & Co. KG
"**BPE III**"	Brockhaus Private Equity III (Scottish) L.P.

"**BPE S.à r.l.**"	Brockhaus Private Equity Management (Luxembourg) S.à r.l
"**BPE GmbH**"	Brockhaus Private Equity GmbH
"**Brockhaus Funds**" or "**Brockhaus Fund**"	Certain private equity fund programmes advised and/or initiated by BPE GmbH (and each individually Brockhaus Fund)
"**CAGR**"	Compound Annual Growth Rate
"Carve-Outs"	Larger conglomerates are under pressure to sell parts of their businesses outside their core operations
"**Citigroup**"	Citigroup Global Markets Limited
"**Clearstream**"	Clearstream Banking AG
"**Code**"	German Corporate Governance
"**Commerzbank**"	COMMERZBANK Aktiengesellschaft
"**Conditional Capital 2019**"	Conditional capital of the Company as resolved by the general shareholders' meeting on 27 June 2019
"**Conditional Capital 2020**"	Conditional capital of the Company as resolved by the general shareholders' meeting on or around 9 July 2020
"**Convertible Bond Conditions**"	Terms and conditions of the convertible bonds to be issued by the Management Board with the consent of the Supervisory Board as authorised by the extraordinary shareholders' meeting on or around 9 July 2020

“**COVID-19 Act**”	Act to mitigate the consequences of the COVID-19 crisis in civil, insolvency and criminal proceedings passed on 27 March 2020
“**Credit Line A**”	Repayment in instalment in the amount of EUR 6.5 million of Loan Agreement Palas
“**Credit Line B**”	Bullet loan in the amount of EUR 6.5 million of Loan Agreement Palas
“D&O”	Directors’ and officers’
“**D&O Insurance**”	Directors’ and officers’ liability insurance
“**Designated Sponsor**”	Baader Bank Aktiengesellschaft
“**EBIT**” (for BCM Group)	Earning before taxes and financial result
“**EBITDA**” (for BCM Group)	Earnings before interest, tax, depreciation and amortisation
“**EBITDA Margin**” (for BCM Group)	EBITDA expressed as a percentage of revenue
“**ECB**”	European Central Bank
“**EEA**”	European Economic Area
“**EMEA**”	Europe/Middle East/Africa
“ESG”	Environmental, social and governance
“**ESMA Guidelines**”	Guidelines issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 on alternative performance measures
“**EUR**”	Euro
“**EUR k**”	Thousand Euro

"**EUR million**"	Millions of Euros
"**Existing Shares**"	6,793,058 existing ordinary registered shares (*Namensaktien*) of the Company with no par value (*Stückaktien*) (corresponding to the Company's entire share capital prior to the Placement Capital Increase
"**EY**"	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
"**Financial Statements**"	Audited IFRS Financial Statements together with the Unaudited IFRS Consolidated Interim Financial Statements
"FPGA"	Field Programmable Gate Arrays
"Free Cash-Flow (pre-tax)"	Adjusted EBITDA adjusted for changes in trade working capital, changes in other working capital and capex real estate and M&A
"Fund Management"	Each management of the respective fund, *i.e*. BPE GmbH for BPE I and BPE II and BPE S.à r.l. for BPE III
"**GAAP**"	Generally accepted accounting principles
"GCEE"	German Council of Economic Experts (*Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*)
"**GDP**"	Gross domestic product
"**GDPR**"	EU General Data Protection Regulation
"**German GAAP**"	German generally accepted principles of proper accounting (together with HGB)
"**German GAAP Financial Statements 2019**"	The Company's audited individual financial statements for the fiscal year ended 31 December

	2019 prepared in accordance with HGB and German GAAP
"**Germany**"	Federal Republic of Germany
"**Greenshoe Capital Increase**"	Capital increase against cash contribution due to the Greenshoe Option
"**Greenshoe Option**"	Granted option to the Stabilisation Manager, acting for the account of the Underwriter, to purchase up to 468.750 Greenshoe Shares
"**Greenshoe Shareholder**"	Falkenstein Heritage GmbH
"**Greenshoe Shares**"	Up to 468.750 new ordinary registered shares (*Namensaktien*) with no par value with a notional value of EUR 1.00 each from a further capital increase against cash contribution out of authorised capital if and to the extent Citigroup as Stabilisation Manager, acting on behalf of the Joint Bookrunners, exercises the Greenshoe-Option and has subscribed for new shares out of authorised capital in connection with the over-allotment
"**Gross**"	Means in each case that costs and fees incurred in connection with holding and selling the relevant portfolio company have not been taken into account when calculating the multiple and the internal rate of return (IRR)
"**Gross Profit**"	Means Total Output less cost of materials
"**Group Company**"	Domestic or foreign companies affiliated with the Company within the meaning of Sec. 15 et seqq. AktG
"**HGB**"	German Commercial Code (*Handelsgesetzbuch*)
"**IAS**"	International Accounting Standards

"**IDW**"	German Institute of Accountants (*Institut der Wirtschaftsprüfer*)
"**IFRS**"	International Financial Reporting Standards as adopted by the European Union
"**IHSE**"	IHSE Holding GmbH together with its consolidated subsidiaries
"IHSE Acquisition"	BCM Group completed the acquisition of IHSE, effective 16 December 2019
"**IHSE GmbH German GAAP Individual Financial Statements**"	The audited individual financial statements of IHSE GmbH as of and for the fiscal years ended 31 December 2016, 31 December 2015, 31 December 2014 (including the comparative figures for the fiscal year ended 31 December 2013), prepared in accordance with German GAAP
"**IHSE Holding GmbH German GAAP Consolidated Financial Statements**"	The audited consolidated financial statements as of and for the fiscal years ended 31 December 2019, 31 December 2018 and 31 December 2017 of IHSE Holding GmbH prepared in accordance with German GAAP
"IHSE Properties"	Two properties of IHSE Immobilien GmbH located in Oberteuringen
"**IHSE Seller 1**"	Brockhaus Private Equity Management (Luxembourg) S.à.r.l.
"**IHSE Seller 2**"	EL-Invest GmbH
"**IHSE Sellers**"	IHSE Seller 1 and IHSE Seller 2 together
"**IHSE Shares**"	IHSE shares sold under the SPA IHSE
"IoT"	Internet-of-Things

"**IRR**"	Internal rate of return
"**ISIN**"	International Securities Identification Number
"**ISO**"	International Organization for Standardization
"**IT**"	Information technology
"**Jefferies**"	Jefferies GmbH
"**Joint Bookrunners**"	Commerzbank together with the Joint Global Coordinators
"**Joint Global Coordinators**"	Citi and Jefferies
"**KAGB**"	German Investment Act (*Kapitalanlagegesetzbuch*)
"**KPMG**"	KPMG AG Wirtschaftsprüfungsgesellschaft
"**KVM**"	Keyboard, Video and Mouse
"**Listing**"	The admission to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), of 9,918,058 ordinary registered shares (*Namensaktien*) of the Company with no par value (*Stückaktien*) with a notional value in the share capital of the Company of EUR 1.00 each and with full dividend rights from 1 January 2020
"**LEI**"	Legal Entity Identifier.
"**Lender**"	RV AIP S.C.S. SICAV-SIF acting for RV TF Acquisition Financing in connection with a financing

	agreement regarding the acquisition of all shares in IHSE Holding GmbH
“**Loan A**”	Redeemable loan in the amount of EUR 24 million under the Loan Agreement IHSE
“**Loan B**”	Bullet loan in the amount of EUR 14 million under the Loan Agreement IHSE
“**Loan Agreement IHSE**”	Loan agreement between IHSE Acquico GmbH and RV AIP S.C.S. SICAV-SIF
“**Loan Agreement Palas**”	Loan agreement dated 4 December 2018 with Raiffeisenlandesbank Niederösterreich-Wien AG
“**M&A**”	Mergers & acquisitions
“**Major Shareholder”**	Mr Marco Brockhaus
“**Management Board**”	The management board of the Company (*Vorstand*)
“**Market Abuse Regulation**”	Regulation (EU) no. 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse
“**MiFID II**”	EU Directive 2014/65/EU on markets in financial instruments
"MiFID II Product Governance Requirements"	MiFID II; Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and local implementing measures together
“**Multiple”**	Multiplier which is calculated by dividing the sales proceeds from the disposal of a portfolio company by its historical acquisition costs
“**NCI Put**”	Written put options on non-controlling interests, see note 6 to the Audited IFRS Consolidated Financial

	Statements 2019 and note 3 to the Unaudited IFRS Consolidated Financial Statements included in this Prospectus under *“24. Financial Information (F-pages)”* on page F-1 et seq.; obligation assumed by BCM Group towards the remaining managing director of Palas GmbH to acquire his 30% share at a later date
“**Net Book Value**”	The net book value of the Company as reflected in the Company’s balance sheet in accordance with IFRS as of 31 March 2020, calculated on the basis of total assets minus total liabilities
“**New Shares**”	Up to 3,125,000 new ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*) from a capital increase under exclusion of subscription rights of the shareholders against cash contribution as resolved by the extraordinary shareholders’ meeting on 7 July 2020
“**New Team Shares**”	Newly created shares subscribed for by the Team Shareholders
“**OEM**”	Original Equipment Manufacturer
“**Option Conditions**”	Terms and conditions of the option bonds to be issued by the Management Board with the consent of the Supervisory Board as authorised by the extraordinary shareholders’ meeting on or around 9 July 2020
“**Over-Allotment**”	Additional shares of the Company
“**Over-Allotment Shares**”	Existing ordinary registered shares (*Namensaktien*) with no-par value (*Stückaktien*) from the shareholding of Falkenstein Heritage GmbH for the purpose of a potential over-allotment
“**Over-Allotment Share Loan**”	468.750 existing ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*) to

	be converted from registered shares (*Namensaktien*) before settlement from the shareholding of Falkenstein Heritage GmbH
"**Palas**"	Palas GmbH and Palas Holding together
"**Palas GmbH**"	Palas GmbH Partikel- und Lasermeßtechnik
"**Palas GmbH German GAAP Individual Financial Statements**"	The audited individual financial statements of Palas GmbH Partikel- und Lasermeßtechnik as of and for the fiscal year ended 31 December 2018 (including comparative figures for the previous year 2017), prepared in accordance with German GAAP
"Palas Holding"	Palas Holding GmbH
"**Palas Holding German GAAP Consolidated Financial Statements**"	Palas GmbH German GAAP individual financial statements and from Palas' audited consolidated annual financial statements as of and for the fiscal year ended 31 December 2019 prepared in compliance with German GAAP
"**Palas Seller 1**"	Mr Leander Mölter
"**Palas Seller 2**"	Mr Maximilian Weiß
"**Palas Sellers**"	Palas Seller 1 and 2 together
"**Palas Shares**"	Shares in Palas GmbH
"**Palas Shareholder Agreement**"	Shareholder Agreement between BCM AG and Dr Maximilian Weiß dated 16 November 2018, with amendment dated 28 November 2019
"**Placement Capital Increase**"	The capital increase to create the New Shares

"**Placement Price**"	The placement price for the Placement Shares being EUR 32.00 per Placement Share
"**Placement Shares**"	New Shares and Over-Allotment Shares jointly
"**PLTA**"	Profit and loss transfer agreements
"**Private Placement**"	Private placement of 3,593,750 ordinary registered shares (*Namensaktien*) of the Company with no par value (*Stückaktien*) with a notional value in the share capital of the Company of EUR 1.00 each and with full dividend rights from 1 January 2020
"**Pro Forma Financial Information**"	Pro forma consolidated statement of comprehensive income for the period from 1 January 2019 to 31 December 2019, supplemented by pro forma notes
"**Prospectus**"	The prospectus for the admission
"**Prospectus Regulation**"	Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC
"**QIBs**"	Qualified institutional buyers
"**QMS**"	Quality management system
"**Restricted Securities**"	Shares prohibited to offer, pledge, allot, market, distribute, sell, contract to sell, market, transfer or other-wise dispose of any Shares or other securities of the Company held by certain shareholders or any of their Affiliates
"**R&D**"	Research and development

"**Securities Act**"	United States Securities Act of 1933
"SDG"	Social Development Goals
"**Shares**"	The shares of BCM AG
"**Share Loan I**"	Agreed share lending
"**Share Loan II**"	Further share lending
"**SMEs**"	Small and medium-sized *Mittelstand* companies
"**SPA IHSE**"	Share purchase agreement between IHSE Seller 1 and IHSE Seller 2
"**SPA Palas**"	Purchase agreement dated 16 November 2018 and amendment agreement dated 4 December 2019 regarding the shares in Palas Holding GmbH
"**Stabilisation Manager**"	Citigroup
"**Stabilisation Period**"	Timeframe in which stabilisation measures may be taken
"**Supervisory Board**"	The supervisory board of the Company
"**Target Market Assessment**"	Distribution through all distribution channels as permitted by MiFID II
"**Team Shareholders**"	Marco Brockhaus (via Falkenstein Heritage GmbH and BPE GmbH controlled by him), Dr Marcel Wilhelm, Georg Ganghofer and Harald Henning
"**Team Shares**"	The shares held by the Team Shareholders
"**Total New Shares**"	New Shares and the Greenshoe Shares

"**Total Output**"	Means the sum of revenue, increase/decrease in finished goods and work in process and other own work capitalised
"**UmwG**"	German Act on Transformation Corporate Form (*Umwandlungsgesetz*)
"**Unaudited IFRS Consolidated Interim Financial Statements**"	The Company's unaudited consolidated interim financial statements as of and for the three-months ended 31 March 2020
"Underwriters"	Commerzbank together with the Joint Global Coordinators
"**USA**"	United States of America
"**USP**"	Unique selling proposition
"Vendor Loan"	Agreement between Mr Leander Mölter and Palas Holding GmbH for the partial financing of the acquisition of Palas GmbHs' shares
"**W&I**"	Warranty and indemnity
"**WpAV**"	German Securities Trading Notification Regulation (*Wertpapierhandelsanzeigeverordnung*)
"**WpHG**"	German Securities Trading Act (*Wertpapierhandelsgesetz*)
"**WpÜG**"	German Securities Acquisition and Takeover Act (*Wertpapiererwerbs-Übernahmegesetz*)

24. Financial Information (F-Pages)

Unaudited IFRS Consolidated Interim Financial Statements of BCM Group for the three-months period ended 31 March 2020

Audited IFRS Consolidated Financial Statements of BCM Group from 1 January 2019 to 31 December 2019

Audited IFRS Consolidated Financial Statements of BCM Group from 1 August 2018 to 31 December 2018

Audited IFRS Individual Financial Statements of BCM Group from 1 August 2017 to 31 July 2018

Audited IFRS Individual Financial Statements of BCM Group from 1 January 2017 to 31 July 2017

Audited German GAAP Individual Financial Statements of BCM AG from 1 January 2019 to 31 December 2019

Audited German GAAP Individual Financial Statements of Palas GmbH from 1 January 2018 to 31 December 2018

Audited German GAAP Consolidated Financial Statements of IHSE Holding GmbH from 1 January 2019 to 31 December 2019

Audited German GAAP Consolidated Financial Statements of IHSE Holding GmbH from 1 January 2018 to 31 December 2018

Audited German GAAP Consolidated Financial Statements of IHSE Holding GmbH from 1 January 2017 to 31 December 2017

Unaudited IFRS Consolidated Interim Financial Statements of BCM Group for the three-months period ended 31 March 2020

Brockhaus Capital Management AG Interim Consolidated financial statements Q1 2020

For the period from1 January 2020 to 31 March 2020

Consolidated statement of comprehensive income

In € k	Q1 2020	Q1 2019
Revenue	**12,563**	**3,020**
Increase/ (decrease) in finished goods and work in progress	(408)	95
Other own work capitalised	146	109
Total output	**12,301**	**3,224**
Cost of materials	(3,403)	(912)
Gross profit	**8,898**	**2,312**
Personnel expenses	(4,296)	(1,344)
Other operating expenses	(2,711)	(712)
Expected credit loss allowance on trade receivables	(6)	-
Other operating income	196	73
EBITDA	**2,081**	**330**
Depreciation of property, plant and equipment and amortisation of intangible assets	(375)	(177)
EBITA	**1,706**	**153**
Amortisation of intangible assets identified in first-time consolidation	(1,952)	(563)
Finance costs	(560)	(246)
Finance income	1	1
Financial result	(559)	(245)
Earnings before tax	**(804)**	**(655)**
Income tax	(310)	(17)
Profit or loss*	**(1,114)**	**(672)**
Foreign currency translation adjustments	46	-
Total comprehensive income*	**(1,068)**	**(672)**
Weighted average number of shares outstanding	6,266,118	2,628,000
Earnings per share (€)	**(0.18)**	**(0.26)**

* The profit or loss and total comprehensive income are fully attributable to shareholders of Brockhaus Capital Management AG.

Consolidated statement of financial position

In € k	31.03.2020	31.12.2019
Assets		
Property, plant and equipment	11,289	11,322
Intangible assets and goodwill	158,892	160,585
Deferred tax assets	747	982
Non-current assets	**170,928**	**172,888**
Inventories	10,735	10,676
Trade receivables and other assets	6,807	6,504
Advance payments	410	489
Cash and cash equivalents	20,973	17,171
Current assets	**38,925**	**34,840**
Total assets	**209,853**	**207,728**

Equity and liabilities		
Subscribed capital	6,793	6,642
Capital reserve	123,398	118,727
Other reserves	145	97
Currency translation difference	(44)	(90)
Accumulated losses	(7,574)	(6,459)
Equity	**122,718**	**118,917**
Non-current financial liabilities	55,878	55,889
Other provisions	516	490
Deferred tax liabilities	18,054	18,556
Non-current liabilities	**74,448**	**74,935**
Current tax liabilities	912	736
Current financial liabilities	4,867	5,435
Trade payables and other liabilities	6,316	6,916
Contract liabilities	464	665
Other provisions	129	125
Current liabilities	**12,687**	**13,876**
Liabilities	**87,134**	**88,811**
Total equity and liabilities	**209,853**	**207,728**

Consolidated statement of changes in equity

In € k	Subscribed capital	Capital increase not yet registered	Capital reserve	Other reserves	Currency translation difference	Accumulated loss	Equity
01.01.2020	**6,642**	**-**	**118,727**	**97**	**(90)**	**(6,459)**	**118,917**
Transactions with shareholders							
Capital increase	151	-	4,671	-	-	-	4,822
Profit or loss	-	-	-	-	-	(1,114)	(1,114)
Other comprehensive income	-	-	-	-	46	-	46
Equity-settled share-based payment transactions	-	-	-	48	-	-	48
31.03.2020	**6,793**	**-**	**123,398**	**145**	**(44)**	**(7,574)**	**122,718**

In € k	Subscribed capital	Capital increase not yet registered	Capital reserve	Other reserves	Currency translation difference	Accumulated loss	Equity
01.01.2019	**4,152**	**3,000**	**42,078**	**-**	**-**	**(2,636)**	**46,594**
Transactions with shareholders							
Registration of the capital increase	100	(3,000)	2,900	-	-	-	-
Profit or loss	-	-	-	-	-	(672)	(672)
31.03.2019	**4,252**	**-**	**44,978**	**-**	**-**	**(3,308)**	**45,922**

Consolidated statement of cash flows

In € k	Q1 2020	Q1 2019
Profit or loss	(1,114)	(672)
(Income taxes paid)/ income tax refunds	(565)	(190)
Income tax expense/ (income tax income)	310	17
Expenses for equity-settled share-based payment transactions	48	-
Amortisation, depreciation and impairment losses	2,327	740
Financial result	559	245
Other non-cash expenses/ (income)	9	-
(Increase)/ decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	(507)	(429)
Increase/ (decrease) in trade payables and other liabilities not attributable to investing or financing activities	(630)	(136)
Increase/ (decrease) in other provisions	30	103
Cash flow from operating activities	**466**	**(323)**
Acquisition of property, plant and equipment	(178)	(83)
Acquisition of intangible assets	(9)	-
Development costs capitalised	(60)	(56)
Acquisition of subsidiaries, net of cash acquired (deferred purchase price component Palas)	-	(750)
Interest received	1	1
Cash flow from investing activities	**(245)**	**(887)**
Repayment of lease liabilities	(115)	(80)
Interest paid	(621)	-
Repayment of loans and other financial liabilities	(542)	-
Proceeds from the issue of shares	4,822	-
Cash flow from financing activities	**3,543**	**(80)**
Change in cash and cash equivalents	3,765	(1,290)
Cash and cash equivalents* at the beginning of the period	17,171	31,578
Change in cash and cash equivalents from currency fluctuations	37	-
Cash and cash equivalents* at the end of the period	20,973	30,288

* Cash held corresponds to cash and cash equivalents.

Selected notes

1. Company and general information

Brockhaus Capital Management AG (**BCM AG** or the **Company** or the **Parent Company**, together with its subsidiaries the **Group**) has its registered office in Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany, and is registered with the commercial register at the Frankfurt am Main District Court under commercial register file number HRB 109637.

These condensed interim consolidated financial statements refer to the period from 1 January 2020 to 31 March 2020 (**reporting period** or **Q1 2020**) and comprise comparative for the period from 1 January 2019 to 31 March 2019 (**prior-year period** or **Q1 2019**).

The consolidated financial statements are presented in euro, which is the Company's functional currency. The information reported is rounded in accordance with standard commercial practice in euro (**€**), thousands of euro (**€ k**) or millions of euro (**€ m**). Due to this rounding method, the numbers presented do not always add up precisely to the totals provided. Negative figures are presented in parentheses and zero values are denoted as hyphen (-).

2. Accounting and valuation methods

The consolidated financial statements 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. IFRS include the applicable International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) along with the Interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34.

The same accounting policies and methods of computation are followed in these interim consolidated financial statements as compared with the last annual consolidated financial statements. With respect to the accounting and valuation methods applied by the Group, please refer to Note 4 of the consolidated financial statements 2019.

These condensed interim consolidated financial statements are unaudited.

3. Alternative performance measures

In addition to the information provided as part of these financial statements, management uses additional performance indicators to manage the Group. These include the **pro forma consolidated statement of comprehensive income** and **other alternative performance measures***.

Pro forma consolidated statement of comprehensive income

In the prior-year period, income and expenses of IHSE are not recorded in the consolidated statement of comprehensive income due to the date that control was obtained was only in December 2019. As the informative value of the consolidated statement of comprehensive income, particularly its suitability for comparing the periods, is limited, the Executive Board analyses the earnings figures on a pro forma basis. In the following table, the Q1 2019 figures are presented as if IHSE had already been acquired as of 1 January 2019.

In € k	Q1 2020	Q1 2019
Revenue	**12,563**	**10,462**
Increase/ (decrease) in finished goods and work in progress	(408)	570
Other own work capitalised	146	109
Total output	**12,301**	**11,140**
Cost of materials	(3,403)	(3,343)
Gross profit	**8,898**	**7,797**
Personnel expenses	(4,296)	(3,502)
Other operating expenses	(2,711)	(1,751)
Expected credit loss allowance on trade receivables	(6)	-
Other operating income	196	97
EBITDA	**2,081**	**2,642**
Depreciation of property, plant and equipment and amortisation of intangible assets	(375)	(347)
EBITA	**1,706**	**2,294**
Amortisation of intangible assets identified in first-time consolidation	(1,952)	(2,177)
Finance costs	(560)	(611)
Finance income	1	1
Financial result	(559)	(610)
Earnings before tax	**(804)**	**(492)**
Income tax	(310)	(295)
Profit or loss	**(1,114)**	**(787)**

To calculate prior-year period's pro forma income and expenses, management assumed that preliminary fair value adjustments conducted at date of acquisition of IHSE, would also have applied at an acquisition on 1 January 2019, that the financing structure post-acquisition would have existed at beginning of the year and that costs of the acquisition would not have occurred prior to the assumed acquisition, i.e. prior to 1 January 2019. However, no acquisition costs occurred in the period from 1 January 2019 to 31 March 2019.

* *Here and in the following "pro forma" is used according to IFRS 3.B64(q) and not according to the Prospetus Regulation. Asterisk does not belong to the financial statements*.

Other alternative performance measures

The Group provides information on adjusted earnings before interest and tax (**adjusted EBIT**) and adjusted earnings before interest, tax, depreciation and amortisation (**adjusted EBITDA**). The percentage that these figures amount to in terms of revenue is determined as the respective margin (**adjusted EBITDA margin** and **adjusted EBIT margin**). In addition, information is provided on the **adjusted earnings per share**. Alongside **revenue** and **gross profit**, management uses these performance indicators to manage the Company and regards them as significant for the understanding of the Group's financial performance. The alternative performance indicators are not defined in the IFRS and the definitions of the Group are potentially not comparable with similarly designated performance indicators of other companies.

Management eliminates expenses from **share-based payment** according to IFRS 2.51 (a) from the performance indicators relevant for management of the Company. The reason for this is that these are not financially incurred by the Company but by its shareholders. The issuance of options and shares does not represent an outflow of resources for the Group. Consequently, management eliminates the relevant expenses from share-based payment for the analysis of the financial performance of the Group.

As non-controlling interests are not shown owing to the application of the anticipated acquisition method, financial liabilities and provisions for the remaining 30% of shares in Palas are recorded in the Group's statement of financial position. The increase of such liabilities and provisions is recorded partially in personnel expenses as share-based compensation and the remainder in the financial result. Therefore, the Group eliminates **financial result from NCI put** arising from this issue when calculating adjusted earnings figures.

The earnings figures for the analysis of the Group's performance are also adjusted for the **costs of completed M&A transactions** according to IFRS 3.53. Such costs are initially incurred only for purchases of companies. Owing to the business model of BCM AG, these costs do have a recurring character but respectively amount to zero when assuming an unchanged consolidated group. Further, in the opinion of group management, such expenses were to be recorded as acquisition costs, which conventionally would need to be capitalized for acquisitions and should thus not represent an expense.

Amortisation expenses and impairment losses on intangible assets identified as part of purchase price allocations for acquisitions (**PPA amortisation expenses**) are deducted from the basis for figures according to IFRS for the purposes of value-enhancing corporate management. These amortisation expenses relate to accounting entries at the capital consolidation level, that is independent of the business figures of the separate group companies. These amortisation expenses are not found in any of the individual annual financial statements of the group companies. Expenses are recorded solely at the level of consolidation. The expense has no impact on liquidity, has no relevance for the Group's capacity to distribute dividends and no such replacement investment spending is incurred for this in the future in cash flows. Considerably lower earnings due to PPA amortisation according to IFRS result solely from the fact that an M&A transaction has taken place. A considerably poorer presentation of the financial performance arises solely due to capital consolidation. Also, in result it is possible that a subsidiary develops considerably more favourably than budgeted but it is nevertheless still necessary to recognize substantial amortisation expenses in the consolidated financial statements due to the purchase price allocation. As income from the **reversal of deferred tax liabilities** on the PPA amortisation is accrued in the consolidated statement of comprehensive income, this is consequently also eliminated in the commensurate amount for the determination of the post-tax performance indicators.

At closing of an IPO, which comprises issuance of new shares, a part of the costs incurred must be accounted for as a deduction from equity and thus is not expensed in profit or loss. Conditions for recording in equity are defined in IAS 32.37. In the reporting period, the Group has launched preparations for a stock market listing of its shares (**IPO**). For such preparatory work, costs incurred, which are expensed in profit or loss. Due to the extraordinary nature of such costs, the Group eliminates **expensed cost of equity capital measures** from the adjusted earnings figures.

Pursuant to IFRS, full consolidation is undertaken, that is the collective presentation of all income and expenses of all majority interests from the date that control is obtained. As a consequence, for acquisitions completed during the fiscal year, only a part of the business volume is presented in the consolidated statement of comprehensive income. In order to provide users of these financial statements with more information content, the performance indicators are presented **pro forma** as supplement. Under the pro forma approach, expenses and income from subsidiaries acquired in the reporting period are consolidated from the beginning of the reporting period in which the respective acquisition took place. Thus, IHSE was included in the pro forma consolidated statement of comprehensive income of the prior-year period from 1 January 2019.

Calculation of adjusted EBITDA

	From date of control obtained		Pro forma
In € k	Q1 2020	Q1 2019	Q1 2019
Earnings before tax	**(804)**	**(655)**	**(492)**
Financial result	559	245	610
Amortisation, depreciation and impairment losses	2,327	740	2,524
EBITDA	**2,081**	**330**	**2,642**
Share-based payment	69	21	21
Costs from completed M&A transactions	-	-	-
Expensed cost of equity capital measures	472	-	-
Adjusted EBITDA	**2,622**	**351**	**2,663**
Adjusted EBITDA margin	*20.9%*	*11.6%*	*25.5%*

Calculation of adjusted EBIT

	From date of control obtained		Pro forma
In € k	Q1 2020	Q1 2019	Q1 2019
Earnings before tax	**(804)**	**(655)**	**(492)**
Financial result	559	245	610
EBIT	**(245)**	**(410)**	**118**
PPA amortisation expenses*	1,952	563	2,177
Share-based payment	69	21	21
Costs from completed M&A transactions	-	-	-
Expensed cost of equity capital measures	472	-	-
Adjusted EBIT	**2,248**	**174**	**2,315**
Adjusted EBIT margin	*17.9%*	*5.8%*	*22.1%*

* Amortisation and impairment losses on intangible assets identified in the purchase price allocation for acquisitions

Calculation of adjusted earnings and adjusted earnings per share

	From date of control obtained		Pro forma
In € k	Q1 2020	Q1 2019	Q1 2019
Profit or loss	**(1,114)**	**(672)**	**(787)**
Share-based payment	69	21	21
Financial result from NCI put	30	27	27
Costs from completed M&A transactions	-	-	-
Expensed cost of equity capital measures	472	-	-
PPA amortisation expenses*	1,952	563	2,177
Reversal of deferred tax liabilities	(530)	(174)	(600)
Adjusted earnings	**879**	**(235)**	**838**
Weighted average number of shares outstanding	6,266,118	2,628,000	6,151,058
Adjusted earnings per share (€)	**0.14**	**(0.09)**	**0.14**

* Amortisation and impairment losses on intangible assets identified in the purchase price allocation for acquisitions

As part of financing the acquisition of IHSE, a cash contribution capital increase and a contribution in kind capital increase were conducted in December 2019. As a result of the issuance of shares of BCM AG, own shares from the share loan were retransferred. The effects of these transactions on the number of shares outstanding was taken into account in the prior-year period pro forma perspective.

4. Business segments

The operating segment **Environmental Technologies** comprises businesses in the field of development, production and distribution of fine dust and nano particle measurement devices, aerosol spectrometers and generators as well as filter test rigs.

The operating segment **Security Technologies** comprises businesses in the field of development, production and distribution of high-performance devices for the switching and extension of computer signals. Since this segment is IHSE, which was acquired only in December 2019, the figures for the prior-year period amount to zero.

Segment financial information is reported according to management accounting, which essentially concurs to IFRS. Long-term assets are located almost exclusively in Germany.

In € k	Reportable segments: Environmental Technologies Q1 2020	Environmental Technologies Q1 2019	Security Technologies Q1 2020	Security Technologies Q1 2019	Total Q1 2020	Total Q1 2019	Central functions Q1 2020	Central functions Q1 2019	Total Q1 2020	Total Q1 2019
Revenue	2,230	3,020	10,333	-	12,563	3,020	-	-	12,563	3,020
Gross profit	1,759	2,312	7,139	-	8,898	2,312	-	-	8,898	2,312
Adjusted EBITDA	**266**	**957**	**3,320**	**-**	**3,586**	**957**	**(964)**	**(606)**	**2,622**	**351**
Share-based compensation									(69)	(21)
Cost of acquisition of subsidiaries									-	-
Expensed cost of equity capital measures									(472)	-
EBITDA									2,081	330
Trade working capital*	4,005	5,366	11,815	-	15,820	5,366	(182)	(40)	15,637	5,326
Cash and cash equivalents	2,392	1,506	7,614	-	10,006	1,506	10,967	28,782	20,973	30,288
Financial liabilities	16,829	17,479	43,789	-	60,618	17,479	127	209	60,745	17,688
Revenue by region										
EMEA	**1,660**	**2,008**	**5,899**	**-**	**7,559**	**2,008**	**-**	**-**	**7,559**	**2,008**
Germany	780	817	1,161	-	1,941	817	-	-	1,941	817
Netherlands	-	-	1,989	-	1,989	-	-	-	1,989	-
United Kingdom	302	568	149	-	451	568	-	-	451	568
France	153	208	125	-	278	208	-	-	278	208
Other	425	415	2,475	-	2,900	415	-	-	2,900	415
Americas	**125**	**682**	**3,106**	**-**	**3,231**	**682**	**-**	**-**	**3,231**	**682**
USA	117	682	3,106	-	3,223	682	-	-	3,223	682
Other	8	-	-	-	8	-	-	-	8	-
APAC	**445**	**330**	**1,328**	**-**	**1,773**	**330**	**-**	**-**	**1,773**	**330**
China	74	145	1,069	-	1,143	145	-	-	1,143	145
Other	371	185	259	-	630	185	-	-	630	185
Total	**2,230**	**3,020**	**10,333**	**-**	**12,563**	**3,020**	**-**	**-**	**12,563**	**3,020**

* Trade working capital comprises inventories, trade receivables less trade payables.

Altered geographic revenue split

In the reporting period, the Group changed the allocation of revenue by country to regions from a Germany- and Europe-centred view to a more global perspective.

If the region definition had not changed, revenue split would have been shown as follows:

	Reportable segments									
	Environmental Technologies		Security Technol-ogies		Total		Central functions		Total	
In € k	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Revenue by region										
Germany	780	817	1,161	-	1,941	817	-	-	1,941	817
Rest of Europe	**802**	**1,114**	**3,570**	**-**	**4,372**	**1,114**	**-**	**-**	**4,372**	**1,114**
France	153	208	125	-	278	208	-	-	278	208
Netherlands	-	-	1,989	-	1,989	-	-	-	1,989	-
Portugal	-	-	866	-	866	-	-	-	866	-
United Kingdom	302	568	149	-	451	568	-	-	451	568
Other	347	337	441	-	788	337	-	-	788	337
Rest of world	**648**	**1,089**	**5,602**	**-**	**6,250**	**1,089**	**-**	**-**	**6,250**	**1,089**
USA	117	682	3,106	-	3,223	682	-	-	3,223	682
China	74	145	1,069	-	1,143	145	-	-	1,143	145
Other	457	263	1,426	-	1,883	263	-	-	1,883	263
Total	**2,230**	**3,020**	**10,333**	**-**	**12,563**	**3,020**	**-**	**-**	**12,563**	**3,020**

Pro-forma business segments

	Reportable segments									
	Environmental Technologies		Security Technologies		Total		Central functions		Total	
In € k	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Revenue	2,230	3,020	10,333	7,442	12,563	10,462	-	-	12,563	10,462
Gross profit	1,759	2,312	7,139	5,485	8,898	7,797	-	-	8,898	7,797
Adjusted EBITDA	**266**	**957**	**3,320**	**2,312**	**3,586**	**3,269**	**(964)**	**(606)**	**2,622**	**2,663**
Share-based compensation									(69)	(21)
Cost of acquisition of subsidiaries									-	-
Expensed cost of equity capital measures									(472)	-
EBITDA									2,081	2,642
Trade working capital*	4,005	5,366	11,815	9,252	15,820	14,618	(182)	(40)	15,637	14,578
Cash and cash equivalents	2,392	1,506	7,614	N/A	10,006	N/A	10,967	28,782	20,973	N/A
Financial liabilities	16,829	17,479	43,789	N/A	60,618	N/A	127	209	60,745	N/A
Revenue by region										
EMEA	**1,660**	**2,008**	**5,899**	**4,176**	**7,559**	**6,184**	**-**	**-**	**7,559**	**6,184**
Germany	780	817	1,161	726	1,941	1,543	-	-	1,941	1,543
Netherlands	-	-	1,989	1,230	1,989	1,230	-	-	1,989	1,230
United Kingdom	302	568	149	366	451	934	-	-	451	934
France	153	208	125	166	278	374	-	-	278	374
Other	425	415	2,475	1,688	2,900	2,103	-	-	2,900	2,103
Americas	**125**	**682**	**3,106**	**1,300**	**3,231**	**1,982**	**-**	**-**	**3,231**	**1,982**
USA	117	682	3,106	1,297	3,223	1,979	-	-	3,223	1,979
Other	8	-	-	3	8	3	-	-	8	3
APAC	**445**	**330**	**1,328**	**1,966**	**1,773**	**2,296**	**-**	**-**	**1,773**	**2,296**
China	74	145	1,069	1,622	1,143	1,766	-	-	1,143	1,767
Other	371	185	259	344	630	529	-	-	630	529
Total	**2,230**	**3,020**	**10,333**	**7,442**	**12,563**	**10,462**	**-**	**-**	**12,563**	**10,462**

* Trade working capital comprises inventories, trade receivables less trade payables.

Cash and cash equivalents as well as financial liabilities of IHSE, i.e. the Security Technologies business segment, were substantially affected by the acquisition of IHSE by the Group in December 2019. As a result, reporting their values as per 31 March 2019 would not be a meaningful basis for comparison. Therefore, those values as well as totals that would comprise those values are stated as not applicable (N/A) in the table above.

Pro forma geographic revenue split by old region definition

	Reportable segments									
	Environmental Technologies		Security Technologies		Total		Central functions		Total	
In € k	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Revenue by region										
Germany	780	817	1,161	726	1,941	1,543	-	-	1,941	1,543
Rest of Europe	**802**	**1,114**	**3,570**	**2,990**	**4,372**	**4,104**	**-**	**-**	**4,372**	**4,104**
France	153	208	125	166	278	374	-	-	278	374
Netherlands	-	-	1,989	1,230	1,989	1,230	-	-	1,989	1,230
Portugal	-	-	866	13	866	13	-	-	866	13
United Kingdom	302	568	149	366	451	934	-	-	451	934
Other	347	337	441	1,215	788	1,552	-	-	788	1,552
Rest of world	**648**	**1,089**	**5,602**	**3,726**	**6,250**	**4,815**	**-**	**-**	**6,250**	**4,815**
USA	117	682	3,106	1,297	3,223	1,979	-	-	3,223	1,979
China	74	145	1,069	1,622	1,143	1,767	-	-	1,143	1,767
Other	457	263	1,426	807	1,883	1,070	-	-	1,883	1,070
Total	**2,230**	**3,020**	**10,333**	**7,442**	**12,563**	**10,462**	**-**	**-**	**12,563**	**10,462**

5. Revenue

Disaggregation of revenue from contracts with customers

The Group generates revenue mostly from the sale of measuring devices and test rigs in the Environmental Technologies business segment and from the sale of KVM devices and KVM systems in the Security Technologies business segment. The following table breaks down the Group's revenue from contracts with customers (IFRS 15) according to the significant product and service lines and timing of revenue recognition. For information on the geographic distribution of revenue, please refer to Note 4.

Income from the short-term leasing of devices

In addition to revenue from contracts with customers according to IFRS 15, the Group also records income from the short-term leasing of devices according to IFRS 16. Those income components are shown as separate line items in the following overview.

	Environmental Technologies		Security Technologies		Total	
In € k	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
External customers						
Products sold	2,775	3,679	11,740	-	14,515	3,679
Services rendered	104	92	65	-	169	92
External gross revenue	**2,879**	**3,771**	**11,806**	**-**	**14,684**	**3,771**
Revenue reductions	(691)	(758)	(1,473)	-	(2,163)	(758)
Revenue from contracts with customers	**2,188**	**3,013**	**10,333**	**-**	**12,521**	**3,013**
Short-term leasing of devices	42	7	-	-	42	7
Revenue	**2,230**	**3,020**	**10,333**	**-**	**12,563**	**3,020**
Timing of revenue recognition						
Point in time	1,896	2,921	10,268	-	12,164	2,921
Over time	292	92	65	-	357	92
Revenue from contracts with customers	**2,188**	**3,013**	**10,333**	**-**	**12,521**	**3,013**
Short-term leasing of devices	42	7	-	-	42	7
Revenue	**2,230**	**3,020**	**10,333**	**-**	**12,563**	**3,020**

6. Costs for IPO preparation

In the reporting period, the Group has incurred € 472 k in costs with regards to the preparation of its stock market listing (IPO) (prior-year period: € - k). For further information, please refer to Note 3.

7. Procedure for determining income tax

In the reporting period, income tax is recognized on the basis of the best estimates made for the weighted average annual income tax rate expected for the full year.

8. Earnings per share

The following table presents the calculation of earnings per share.

	Q1 2020	Q1 2019
Profit or loss in € k	(1,114)	(672)
Weighted average number of shares outstanding	6,266,118	2,628,000
Earnings per share in €	**(0.18)**	**(0.26)**

The adjusted pro-forma earnings per share calculate as follows. For further information thereon, please refer to Note 3.

Adjusted pro-forma	Q1 2020	Q1 2019
Profit or loss in € k	879	838
Weighted average number of shares outstanding	6,266,118	6.151.058
Earnings per share in €	**0.14**	**0.14**

9. Development of equity

By entry into the commercial register dated 20 February 2020, the Company increased the capital by € 150,686 to € 6,793,058. The new shares were issued by partial utilization of the Authorized Capital 2017/I at a price of € 32.00 per share, and funds of € 4,822 k flowed to the Company. Of the 150,686 new shares, 70,969 shares were subscribed for by members of the founding team. In order to maintain a share of 1/3 of voting and profit participation rights of the founding team, the 70,969 shares were transferred to the Company by way of an uncompensated share loan (**Share Loan II**).

As a result of the further 79,717 new shares being issued to external investors, 39,858 shares from the original share loan, as described in Note 22.1 of the consolidated financial statements 2019 (**Share Loan I**), were transferred back to the members of the founding team. Therefore, as per 31 March 2020, the Company holds 459,925 own shares by way of the share loans (thereof 388,956 in Share Loan I and 70,969 in Share Loan II).

Owing to the share loans, distribution of voting and profit participation rights as per 31 March 2020 is as follows:

Shareholder group	Number of shares	% equity share
Founding team	2,111,044	33.3%
Pre-IPO investors	4,222,089	66.7%
Shares outstanding	**6,333,133**	**100.0%**

Ownership of shares as per 31 March 2020 is as follows:

Shareholder group	Number of shares	% equity share
Founding team	2,111,044	31.1%
Pre-IPO investors	4,222,089	62.2%
Shares outstanding	**6,333,133**	**93.2%**
BCM AG (own shares)	459,925	6.8%
Total	**6,793,058**	**100.0%**

The breakdown and development of equity during the reporting period is presented in the consolidated statement of changes in equity.

10. Financial liabilities

Financial liabilities are composed as follows:

In € k	31.03.2020	31.12.2019
Senior bank debt	48,937	49,583
Real estate loans	6,425	6,440
Leasing liabilities	780	770
Liability from purchase of remaining 30% shares in Palas	1,362	1,332
Other financial debt	3,241	3,199
Total financial liabilities	**60,745**	**61,324**
Thereof: Non-current	55,878	55,889
Thereof: Current	4,867	5,435

In the case of these instruments, the fair values do not differ significantly from the carrying amounts as the interest receivables and interest payables are either essentially equal to the current market rates or the instruments are short term.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy. It does not contain information on the fair value of financial assets and financial liabilities that are not measured at fair value if the carrying amount represents an appropriate approximation of the fair value.

11. Carrying amounts and fair values

The Group has financial instruments that are not measured at fair value in the statement of financial position.
31.03.2020

	Carrying amount			Fair value			
In € k	Financial assets at amortized cost	Financial liabilities	Total	Level 1 Quoted prices	Level 2 Derived prices	Level 3 Non-derivable prices	Total
Assets not measured at fair value							
Trade receivables	6,240	-	6,240				
Other receivables	567	-	567				
Cash and cash equivalents	20,973	-	20,973				
Total	**27,780**	**-**	**27,780**				
Financial liabilities not measured at fair value							
Secured bank loans	-	55,362	55,362	-	55,362	-	55,362
Unsecured loans	-	3,241	3,241	-	3,241	-	3,241
Liability from purchase of remaining 30% of shares in Palas	-	1,362	1,362	-	-	1,362	1,362
Trade payables	-	1,337	1,337				
Other liabilities	-	4,978	4,978				
Total	**-**	**66,281**	**66,281**				

Financial liabilities are valued using discounted cash flows. The valuation model takes account of the present value of the expected payments using the effective interest rate.

31.12.2019

In € k	Carrying amount: Financial assets at amortized cost	Carrying amount: Financial liabilities	Carrying amount: Total	Fair value: Level 1 Quoted prices	Fair value: Level 2 Derived prices	Fair value: Level 3 Non-derivable prices	Fair value: Total
Assets not measured at fair value							
Trade receivables	5,848	-	5,848				
Other receivables	655	-	655				
Cash and cash equivalents	17,171	-	17,171				
Total	**23,674**	**-**	**23,674**				
Financial liabilities not measured at fair value							
Secured bank loans	-	56,023	56,023	-	56,023	-	56,023
Unsecured loans	-	3,199	3,199	-	3,199	-	3,199
Liability from purchase of remaining 30% of shares in Palas	-	1,332	1,332	-	-	1,332	1,332
Trade payables	-	2,450	2,450				
Other liabilities	-	4,466	4,466				
Total	**-**	**67,469**	**67,469**				

12. Related party transactions

Key management personnel
In respect of the Group, key management personnel include the members of the Executive Board and Supervisory Board of the Parent Company.

A member of the Executive Board has received from the Company 1,595 shares of the Company as part of the partial transfer back of Share Loan I. Owing to the structure of the legal function of the share loans, the volume and the outstanding balance of the transaction are presented with a value of zero. Please refer in this regard to Note 9.

Members of the Executive Board have subscribed for 65,234 shares at € 32.00 per share in course of the capital increase in February 2020. Those shares are lent to the Company in the scope of Share Loan II. Please refer in this regard to Note 9.

In € k	Value of transactions: Q1 2020	Value of transactions: Q1 2019	Outstanding balances: 31.03.2020	Outstanding balances: 31.03.2019
Issue of shares	2,087	-	-	-

Other related parties
Executive Board members hold positions in other entities, in which they have control or a significant influence on the financial and business policy of those entities. Some of those entities conducted transactions with the Group in the reporting period.

Falkenstein Heritage GmbH, with registered office in Wetzlar, holds 26.7% of the voting rights in the Company. This entity is controlled by a member of the Executive Board of BCM AG.

Brockhaus Private Equity GmbH is a minority shareholder in the Company with 3.3% of the voting rights and is controlled by members of the Executive Board of BCM AG. BCM AG leases office space from Brockhaus Private Equity GmbH by way of a sublease agreement.

Falkenstein Heritage GmbH and Brockhaus Private Equity GmbH are parties to Share Loan I and – as part of this – have received partial retransfers of 35,871 shares of the Company in the reporting period. Owing to the structure of the legal function of the share loan, the volume and the outstanding balance of the transaction are presented with a value of zero. Please refer in this regard to Note 9.

The aggregated values of the transactions and the outstanding balances related to entities that are either controlled by or subject to the significant influence of key management personnel are as follows:

	Value of transactions		Outstanding balances	
In € k	Q1 2020	Q1 2019	31.03.2020	31.03.2019
Sublease	26	26	-	-

13. Contingent liabilities

For collateralisation of bank loans, there are pledges on current and non-current assets as well as land charges in place.

14. COVID-19 pandemic

Current developments in connection with the COVID-19 pandemic suggest that global economic growth in the first half of 2020 will be impacted negatively by spread of the disease and the interruption of economic activity resulting from it. As of 31 March 2020, the pandemic has not substantially impacted earnings, assets and financial position of the Group. The COVID-19 pandemic might impact the Group's earnings, assets and liabilities in the future. However, in light of the current uncertainty, a quantification of financial impact of the COVID-19 pandemic is not assessable.

15. Events after the reporting period

There have not been events after the reporting date which had a substantial effect on the Group's earnings, assets and financial position.

Frankfurt am Main, 20 May 2020

Marco Brockhaus Chairman of the Executive Board, CEO	Dr. Marcel Wilhelm Member of the Executive Board, Legal Counsel

Audited IFRS Consolidated Financial Statements of BCM Group from 1 January 2019 to 31 December 2019

Brockhaus Capital Management AG Consolidated financial statement 2019

For the period from1 January 2019 to 31 December 2019

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Consolidated statement of comprehensive income

in € k	Note	01.01.2019- 31.12.2019	01.08.2018 - 31.12.2018
Revenue	7	**16,561**	**1,098**
Increase/ (decrease) in finished goods and work in progress		211	(72)
Other own work capitalised	8	769	26
Total output		**17,541**	**1,052**
Cost of materials	9	(4,299)	(220)
Gross profit		**13,242**	**832**
Personnel expenses	10	(6,803)	(748)
Other operating expenses	11	(5,558)	(1,647)
Expected credit loss allowances on trade receivables	20	(2)	(14)
Other operating income	12	390	263
EBITDA	6	**1,270**	**(1,314)**
Depreciation of property, plant and equipment and amortisation of intangible assets	13	(820)	(28)
EBITA		**450**	**(1,342)**
Amortisation of intangible assets identified in first-time consolidation	13	(2,714)	(188)
Finance costs	14	(1,179)	(47)
Finance income		56	-
Financial result		(1,124)	(47)
Earnings before tax		**(3,387)**	**(1,577)**
Income tax	15	(436)	(59)
Profit or loss*		**(3,823)**	**(1,636)**
Foreign currency translation adjustments		(90)	-
Total comprehensive income*		**(3,913)**	**(1,636)**
Weighted average number of shares outstanding		2,905,836	2,502,510
Earnings per share (€)	16	**(1.32)**	**(0.65)**

* The profit or loss for the period and total comprehensive income are fully attributable to shareholders of Brockhaus Capital Management AG.

Consolidated statement of financial position

in € k	Note	31.12.2019	31.12.2018
Assets			
Property, plant and equipment	17	11,322	797
Intangible assets and goodwill	18	160,585	32,283
Deferred tax assets	15	982	-
Non-current assets		**172,888**	**33,080**
Inventories	19	10,676	4,281
Trade receivables and other assets	20	6,504	1,377
Advance payments		489	76
Cash and cash equivalents	21	17,171	31,578
Current assets		**34,840**	**37,312**
Total assets		**207,728**	**70,392**
Equity and liabilities			
Subscribed capital	22	6,642	4,152
Capital increase not yet registered	23	-	3,000
Capital reserve	24	118,727	42,078
Other reserves	25	97	-
Currency translation difference		(90)	-
Accumulated losses		(6,459)	(2,636)
Equity		**118,917**	**46,594**
Non-current financial liabilities	26	55,889	15,948
Other provisions	28	490	42
Deferred tax liabilities	15	18,556	3,415
Non-current liabilities		**74,935**	**19,405**
Current tax liabilities		736	235
Current financial liabilities	26	5,435	1,030
Trade payables and other liabilities	27	6,916	2,819
Contract liabilities	7	665	266
Other provisions	28	125	42
Current liabilities		**13,876**	**4,392**
Liabilities		**88,811**	**23,798**
Total equity and liabilities		**207,728**	**70,392**

Consolidated statement of changes in equity

in € k	Note	Subscribed capital	Capital increase not yet registered	Capital reserve	Other reserves	Currency translation difference	Accumulated losses	Equity
01.08.2018		**4,152**	**-**	**42,140**	**-**	**-**	**(1,000)**	**45,292**
Transactions with shareholder								
Capital increase before registration	23	-	3,000	-	-	-	-	3,000
Costs of capital increases		-	-	(62)	-	-	-	(62)
Profit or loss/ total comprehensive income		-	-	-	-	-	(1,636)	(1,636)
31.12.2018		**4,152**	**3,000**	**42,078**	**-**	**-**	**(2,636)**	**46,594**
Transactions with shareholder								
Registration of the capital increase	23	100	(3,000)	2,900	-	-	-	-
Capital increase	22	2,390	-	74,018	-	-	-	76,409
Costs of capital increases		-	-	(269)	-	-	-	(269)
Profit or loss/ total comprehensive income		-	-	-	-	(90)	(3,823)	(3,913)
Equity-settled share-based payment transactions	36	-	-	-	97	-	-	97
31.12.2019		**6,642**	**-**	**118,727**	**97**	**(90)**	**(6,459)**	**118,917**

Consolidated statement of cash flows

in € k	Note	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Profit or loss		(3,823)	(1,636)
Income taxes paid/ income tax refunds		(1,735)	(318)
Income tax expense/ (income tax income)	15	436	59
Expenses for equity-settled share-based payment transactions	36	97	-
Amortisation, depreciation and impairment losses	13	3,534	216
Financial result	14	1,124	47
Gain/ (loss) on the sale of fixed assets		(50)	-
Other non-cash expenses/ (income)		3	-
Increase/ decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		495	495
Increase/ (decrease) in trade payables and other liabilities not attributable to investing or financing activities		1,215	116
Increase/ (decrease) in other provisions		131	1
Cash flow from operating activities		**1,426**	**(1,019)**
Acquisition of property, plant and equipment	17	(919)	(35)
Acquisition of intangible assets	18	(26)	-
Development costs capitalised	35	(443)	-
Proceeds from sale of property, plant and equipment		137	-
Acquisition of subsidiaries, net of cash acquired	33	(86,043)	(25,999)
Interest received		1	-
Cash flow from investing activities		**(87,293)**	**(26,033)**
Loans and other borrowed funds raised		17,193	12,740
Repayment of lease liabilities		(337)	-
Interest paid		(232)	(31)
Repayment of loans and other financial liabilities		(1,673)	-
Proceeds from issue of shares		56,784	-
Costs of capital increases		(269)	-
Cash flow from financing activities		**71,466**	**12,709**
Change in cash and cash equivalents		(14,401)	(14,343)
Cash and cash equivalents at the beginning of the period		31,578	45,920
Change in cash and cash equivalents adjusted from currency fluctuations		(6)	-
Cash and cash equivalents* at the end of the period	21	17,171	31,578

* Cash held corresponds to cash and cash equivalents (Note 21).

Notes to the consolidated financial statements

I. General information, methods and policies

1. Information on the Group

Brockhaus Capital Management AG (**BCM AG** or the **Company** or the **Parent Company**, together with its subsidiaries the **Group**) has its registered office in Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany, and is registered with the commercial register at the Frankfurt am Main District Court under commercial register file number HRB 109637. The Company was created by changing the legal form of Eagle Fonds Verwaltungs- und Treuhand GmbH, with its registered office in Frankfurt am Main (Frankfurt am Main District Court, commercial register file number HRB 78705) through entry in the commercial register of 19 September 2017.

The Company's purpose is to establish companies and acquire, hold, manage and foster investments in companies over the long term, and, as the case may be, sell such investments as well as provide services relating to the aforementioned, such as support for sales, marketing, finance and general organisational and management matters and for the acquisition of funding. The Company's purpose also includes business activities involving a managing holding entity of subsidiaries and providing services for these (group services), extending liabilities to subsidiaries, to the extent that this does not require official approval, and developing and implementing new business concepts for subsidiaries and third parties as well as providing services and advice to companies, especially regarding business alignment, business concept, capital resources, funding options and capital investment (management consulting), to the extent this this does not require official approval. The Company's purpose within the scope of the business strategy also includes investing free cash available to the Company, which is not yet committed to investments. This includes investing in listed securities, such as shares, participation certificates, other mezzanine instruments, debt securities, funds, certificates or derivatives. The Company's objective for its investments is long-term fostering and growth in value.

2. Accounting policies

The consolidated financial statements were prepared voluntarily. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and supplementary provisions found under Section 315e (3) in conjunction with (1) of the German Commercial Code (HGB). IFRS include the applicable International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) along with the Interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

3. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis. Excluded from this are specific items that were recognised at a subsequent measurement amount or at **fair value** on the reporting date. Explanations are provided in the corresponding accounting policies.

Historical cost is generally based on the fair value of the consideration paid in exchange for the asset. Fair value is the price that would be received for the sale of an asset or paid for the transfer of liability in an orderly transaction between market participants at the measurement date. This applies irrespective of whether the price was directly observable or was estimated using a valuation method.

The consolidated financial statements comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements. The consolidated financial statements are commensurate with the classification requirements of IAS 1. In the interests of clarity, the items of the consolidated statement of other comprehensive income and the statement of financial position are aggregated and broken down further and explained in the notes.

The accounting policies and explanations and further information are applied consistently. Exempted from this are the new accounting policies presented under Note 4.18.

The presentation in the statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due or are to be settled within twelve months of the reporting date. The statement of comprehensive income is prepared to determine the profit or loss and the total comprehensive income.

In accordance with IAS 1.106 et seq. the statement of changes in equity presents the movement of each component of equity within the reporting period and in the prior reporting period.

According to IAS 7, the statement of cash flows records cash flows to present information on the movement of the Company's cash and cash equivalents. Cash flows are differentiated between operating activities, investing activities and financing activities. The sum of cash movements of these three components corresponds to the change in cash and cash equivalents. The statement of cash flows is recorded according to the indirect method for the presentation of cash flows from operating activities and the direct method for the presentation of cash flows from investing activities and financing activities.

The fiscal year of the Company has been changed, resulting in the existence of a short fiscal year from 1 August 2018 to 31 December 2018 (**prior year** or **prior-year period**). As a result, comparability of the reporting periods is limited. From 1 January 2019 the Company's fiscal year corresponds to the calendar year. These consolidated financial statements relate to the fiscal year from 1 January 2019 to 31 December 2019 (**reporting period**).

The consolidated financial statements are presented in euro, which is the Company's functional currency. The information reported is rounded is accordance with standard commercial practice in euro (**€**), thousands of euro (**€ k**) or millions of euro (**€ m**). Due to this rounding method, the numbers presented do not always add up precisely to the totals provided. Negative figures are presented in parentheses and zero values are denoted with a hyphen (-).

The Executive Board prepared these consolidated financial statements as at 28 April 2020 and presented them to the Supervisory Board for approval.

4. Accounting policies

Amounts were recognised and measured based on the going concern assumption. For the preparation of the financial statements, assets and liabilities and income and expenses are not netted unless a requirement demands or explicitly permits this.

4.1 Consolidation policies

Business combinations

The subsidiaries are consolidated using the acquisition method pursuant to IFRS 3. The cost of the business combination is allocated by recognizing the identifiable assets acquired and liabilities and contingent liabilities assumed at their fair values at the acquisition date. A positive remaining difference is recognised as goodwill. A negative remaining difference is recognised through profit and loss after renewed examination. Transaction costs are expensed as incurred unless they are related to the issue of debt securities or equity instruments.

Any contingent consideration obligation is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Brockhaus Capital Management AG and all its controlled subsidiaries (controlling interests) are included in the consolidated financial statements. Pursuant to IFRS 10 control exists when an investor has control, is exposed to or has rights to variable returns and it is able to affect the amount of those variable returns through its power over the subsidiary. It is generally assumed that ownership of a majority of voting rights results in control. To support this assumption, where the Group does not own a majority of voting rights or similar rights, it considers all relevant matters and circumstances in assessing whether it has control of this entity. This is the case, for instance, where there is a current ability to exercise control via potential voting rights or other contractual arrangements. The financial statements of subsidiaries are prepared as at the same reporting date as the financial statements of the Parent Company and uniform accounting policies are applied.

On account of control, the following group entities were included in the consolidated financial statements as at 31 December 2019:

- Palas Holding GmbH, Karlsruhe
- Palas GmbH Partikel- und Lasermeßtechnik, Karlsruhe
- IHSE AcquiCo GmbH, Oberteuringen
- IHSE Holding GmbH, Oberteuringen
- IHSE Beteiligungs GmbH, Oberteuringen
- IHSE GmbH, Oberteuringen
- IHSE Immobilien GmbH, Oberteuringen
- IHSE USA LLC, Cranbury, NJ, USA

> IHSE GmbH Asia Pacific Pte Ltd, Singapore

Subsidiaries are included in the consolidated financial statements from the date of acquisition, i.e. from the date the Group obtains control. Consolidation ceases when the parent loses control of the subsidiary. When the Group loses control of a subsidiary, it derecognises the assets and liabilities and any related non-controlling interests and other components of equity. Any gain or loss is recognised at fair value.

All intragroup balances, transactions, income, expenses, as well as gains and losses resulting from intragroup transactions are eliminated in full.

4.2 Foreign currency

The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency. Each entity within the Group determines its own functional currency. The items in the financial statements of individual entities are measured in their functional currency. Transactions in foreign currencies are initially translated into the functional currency at the spot exchange rate applicable on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the closing rate on the reporting date. Exchange differences are recognised in profit or loss. This excludes foreign exchange differences on loans to the extent that these are used for hedging a net investment in a foreign operation. Such exchange differences are recognised directly in equity and reclassified to profit or loss for the period only on the disposal of the net investment. Deferred tax assets and liabilities arising from foreign currency translation differences are also recognised directly in equity. Non-monetary items that were measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date of fair value measurement.

> Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are recognised as assets and liabilities of the foreign operation and translated at the closing rate.
> Assets and liabilities of foreign operations are translated into euro at the closing rate. Income and expenses are translated at the average rate prevailing on the transaction date. For practical reasons, an average weighted exchange rate is used for the translation for exchange rates that do not strongly fluctuate. All resulting foreign currency translation differences are recorded in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognised in equity is reclassified from equity to profit or loss.

For the consolidated financial statements the following exchange rates were used for foreign currency translation:

USD	1 euro
Closing rate	1.12
Average rate	1.11

The subsidiary IHSE GmbH Asia Pacific Pte Ltd uses the US dollar as functional currency as US dollar settlement is used for the primary business relationships.

4.3 Revenue from contracts with customers

Pursuant to IFRS 15, revenue is recognised according to a principles-based five-step model that is to be applied for all contracts.

> Step 1: The contract with the customer is first identified.
> Step 2: The separate performance obligations in the contract must be identified.
> Step 3: The transaction price is determined, with explicit provisions being set out for the treatment of variable consideration, financing components, payments to customers and non-monetary exchanges.
> Step 4: The transaction price is to be allocated across the separate performance obligations. The base for this is the stand-alone selling price of the separate performance obligations.
> Step 5: Finally, revenue is recognised when the performance obligation is satisfied by the company. The precondition for this is the transfer of control of the goods or service to the customer.

When concluding a contract, it is necessary to determine whether the revenue resulting from the contract is to be recognised at a point in time or over time. This first involves using specific criteria to clarify whether control of the performance obligation is transferred over time. If this is not the case, revenue is to be recorded at the point in time when control is transferred to the customer. By contrast, if control is transferred over time, revenue may only be recognised over time if the percentage of completion can be reliably determined using input or output methods.

<u>Revenue recognition</u>

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a good or service to a customer. The table below provides information on the type and the point in time at which performance obligations are fulfilled from contracts with customers and the associated revenue recognition principles.

Type of product/service	Type and time of performance obligation and significant payment terms	Revenue recognition pursuant to IFRS 15
Sale of measuring devices and KVM devices or KVM systems	Customers obtain control when the products leave (ex works) or were accepted from the company premises (transfer of risks and rewards). The invoices are issued as at this date. Invoices are generally payable within 14 to 30 days. For significant major customers, in some cases longer terms of payment (30-60 days, in exceptional cases up to 90 days) are granted. Price reductions and discounts are generally granted for these devices/systems. The contracts do not permit the customer to return the acquired products. Advance payments or partial advance payments for part of the total purchase price are agreed for large volume orders, new customers or for customers who are not covered by credit insurance.	Revenue is recognised when the products leave the company premises or are accepted from the company premises by the customer (transfer of control). Revenue is recognised less price reductions or cash discounts. Advance payments received are recognised under contract liabilities.
Production and sale of test rigs	Palas builds test rigs for customers. The test rigs are generally composed of standard measuring devices. Advance payments are typically agreed. Production time depends on the complexity. For standard test rights, the production time is generally not more than six months. In rare cases, the production time can involve a longer time period.	Standard test rigs: Revenue is recognised after dispatch of the test rigs (transfer of control). Customised test rigs: Revenue is recognised according to the cost-to-cost method over time for customised test rigs. The associated costs are recognised in profit or loss as incurred. Advance payments received are recognised under contract liabilities.
Repairs of devices	The Group provides repair services for devices as required.	Revenue is recognised at a point in time after rendering the service.
Sale of software configurations for test rigs (for additional analyses)	The Group sells software for test rigs which enables extended analyses. This software can either be acquired immediately with the test rig or subsequently. This concerns standard software and not customised production.	Sales revenue is recognised upon transfer or transmission of the software to the customer.
Revenue from extended warranties	In some instances subsidiaries provide separate extended warranty services to their customers (distinct service to the customers).	Revenue is recognised over the period in which the warranty services are provided. Advance payments received for warranty services still to be rendered are recognised as contract liabilities.

The Group generates revenue from the sale of standard measuring devices and related system solutions in the Environmental Technologies operating segment. In the Security Technologies operating segment the Group generates revenue from the sale of KVM devices and KVM systems. Revenue from product sales is recognised at the time of transfer of the significant risks and rewards related with the ownership of the goods sold to the buyer if it is reasonably certain that the economic benefits from the sale will flow to the Group. The amount of revenue recognised is based on the fair value of the consideration received or receivable less any cash discounts and rebates. The Group grants certain wholesalers (also referred to as sales partners or distributors) rebates or price discounts which are taken into account as part of revenue recognition.

Contracts with customers do not stipulate the right to return the goods within a certain period of time. Goods returns are only permitted within the regular warranty period due to defects.

The Group generally receives short-term advances from its customers. As a practical expedient, the Group does not adjust the amount of promised consideration for the effects of a significant financing component if, at contract inception, it expects that the period between the transfer of a promised good or service to a customer and the payment of this good or service by the customer will not exceed one year.

The Group generally issues a two-year warranty for the general repair of defects which existed at the date of the sale, as legally required. These assurances are recognised in accordance with IAS 37 Provisions (Note 28).

4.4 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as soon as the related service is provided. A liability must be recognised for the amount to be paid if the Group currently has a legal or factual obligation to pay this amount on the basis of work done by an employee and the obligation can be reliably estimated.

Termination benefits

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

Equity-settled share-based payments

The Group has a share option program enabling it to issue purchase rights to shares of the Parent Company to Executive Board members and employees of the Group and to managing directors and employees of subsidiaries.

The total amount to be recorded as expense for received work performance is determined by referring to the fair value of the share-based payment on the grant date. The fair value of share options is determined by taking into account the long-term performance targets using Monte Carlo simulation. The fair value determined on grant date is recorded as expense on a straight line basis over the vesting period (the period in which all issued vesting conditions must be satisfied). The offsetting entry is posted in equity. The vesting period generally starts on the grant date of the share options. The expense can nevertheless be recorded on an earlier date if the performance of the employee begins before the formal approval of the options being issued.

The Group recognises the remuneration expense before the start of the performance period, even if the issue date is after the start of employment. The expense for share-based payment is based on the estimated fair value of the share options as at the grant date in the period between the start of the performance and the grant date. As soon as the grant date is set, the estimated fair value is adjusted to ensure that the expense is prospectively recognised based on the actual fair value of the awarded equity instruments on the grant date.

For share allocations that cannot be vested, no expense is recorded, with the exception of equity-settled share-based payment plans whose vesting is dependent on a market condition or a non-vesting condition. These equity instruments are treated as being possible to vest regardless of whether a market condition or non-vesting condition occurs provided all other performance or employment conditions are satisfied.

Based on the non-market vesting conditions, the Company estimates the number of options and shares that are anticipated to be vested at the end of each reporting period. Possible changes relative to the original estimates are recorded in profit or loss with a commensurate offsetting entry in equity.

If the contractual terms of a remuneration agreement with settlement in equity instruments are modified, expenses are recognised, as a minimum, at the fair value of the equity instruments granted determined on the grant date, unless those equity instruments cannot be vested because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. The Group also recognises the effects of modifications that increase the total fair value of the share-based payment or are otherwise beneficial to the employee. These are measured at the date of modification.

Expenses which arise in connection with an equity-settled remuneration agreement are recorded as personnel expenses.

Cash-settled share-based payments

For share-based payments which are settled in cash, the Group recognises a provision for the services rendered by employees. The Group measures the fair value of the liability on each reporting date and again on the settlement date. Changes in the entitlement are recorded in personnel expenses in the amount of the share attributable to the grant date fair value over the vesting period. The remaining change in the entitlement is reported in the financial result.

4.5 Finance income and costs

Interest income or expense is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. For the calculation of interest income and expenses, the effective interest rate is applied to the gross carrying amount of the financial asset (where the credit status of this is not impaired) or to the amortised cost of the financial liability. For financial assets which are credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, the calculation of interest income returns to being made on a gross basis.

4.6 Government grants

Government grants are recognised if there is reasonable assurance that the grants will be made and the entity complies with the conditions attached to them. Expense-related grants are recognised as income over the period required to offset them against the corresponding expenses for which the grants are intended. Grants for an asset reduce the carrying amount of the asset. Government grants were awarded for research and development projects. There are no unfulfilled conditions or contingencies attached to these grants.

4.7 Current and deferred income taxes

The tax expense for a period comprises current and deferred taxes. Taxes are recognised in profit or loss, except to the extent that they relate to transactions recognised in other comprehensive income or directly in equity. In such cases, the tax is correspondingly recognised in other comprehensive income or directly in equity, respectively.

Current tax is measured as the amount expected to be reimbursed by, or paid to, the tax authorities. The amount is calculated on the basis of the tax rates and tax laws applicable as at the reporting date.

Deferred taxation is recognised for all taxable temporary differences as at the reporting date between the carrying amount of an asset or liability in the statement of financial position and its tax base, in applying the liability method.

Deferred taxes for all taxable temporary differences are recognised with the exception of the following.

No deferred taxes are recognised arising from the initial recognition of

- goodwill or
- an asset or liability in a transaction which:
- is not a business combination and
- at the date of the transaction, affects neither profit or loss for the period according to IFRS nor taxable profit.

No deferred taxes are recognised on taxable temporary differences,

- which relate to investments in subsidiaries, associates and shares in joint ventures,
- if the timing of the reversal of temporary differences can be controlled and
- it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences, unused tax loss carry forwards and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, unused tax loss carry forwards and tax credits can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Previously unrecognised deferred tax assets are reassessed at the end of each reporting period and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates expected to be valid for the period in which an asset is realised or a liability is settled. The amount is calculated on the basis of the tax rates (and tax laws) applicable as at the reporting date. The combined tax rate is 31% (prior year: 31%). Deferred tax assets and deferred tax liabilities are offset against one another if the Company has a legally enforceable claim to set off actual tax assets against actual tax liabilities and these amounts relate to income taxes of the same tax subject, levied by the same tax authority.

4.8 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is recognised in profit or loss.

The residual values, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted as necessary. Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life.

The estimated useful life can be seen in the following overview:

> Leasehold improvements: 10 years
> Office equipment: 10 to 13 years
> Other equipment, operating and office equipment: 3 to 10 years
> Technical equipment and machinery: 3 to 10 years

For the items of property, plant and equipment acquired in the course of acquisitions, the respective applicable remaining useful life is determined based on the aforementioned useful lives and the useful life already lapsed at the date of acquisition.

Impairment testing and the recognition of impairment losses and reversals are carried out according to the approach for intangible assets with finite useful life. For further information in this regard, please refer to Note 4.9.

4.9 Intangible assets and goodwill

Goodwill arising from business combinations is measured at cost less accumulated impairment losses.

Expenditure for research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if development costs can be reliably measured, the product or process is technically and commercially feasible, future benefit is probable and the Group intends and has sufficient resources to be able to complete development and use or sell the asset. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditures are capitalised only if they increase the future economic benefits of the asset to which they relate. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Impairment testing of goodwill is conducted annually; for other intangible assets with finite useful life and for property, plant and equipment impairment testing is conducted only if there is a specific indication of impairment. An impairment loss is recognised through profit or loss in the item "Amortisation, depreciation and impairment losses" in the statement of comprehensive income if the recoverable amount falls below the carrying amount of the asset. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The recoverable amount is the higher of the net realisable value and value in use. The net realisable value is equal to the recoverable amount less costs to sell arising from the sale of an asset at arm's length. The value in use is calculated based on the estimated cash flows from the use and disposal of an asset using the discounted cash flow method. The cash flows are derived from the long-term corporate planning, which take account of historical developments and macroeconomic trends. The value in use of the relevant cash-generating unit is used to test the recoverability of goodwill.

<u>Amortisation</u>
Intangible assets are amortised on a straight-line basis over their estimated useful lives. Amortisation is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives are as follows:

> Patents and trademarks: 10 years
> Capitalised development costs: 5 years
> Software: 3 years
> Licenses and other rights: 3 to 10 years
> Basis technology: 5-8 years
> Customer relationships: 10-15 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4.10 Inventories

Stocks of raw materials and supplies are recognised at the lower of average acquisition cost and realisable value. Raw materials and supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at least at cost. Finished goods and work in progress are reported at the lower of cost or net realisable value using individual calculations which are based on the current cost accounting. In addition to directly attributable material and production costs, cost includes an appropriate share of material and production overheads as well as amortisation and depreciation expenses related to production and production-related administrative expenses. Costs relating to general administration and interest on borrowings are not capitalised.

4.11 Financial instruments

Classification at initial recognition and the subsequent measurement of financial assets depend on the company's business model for managing its financial instruments and on the characteristics of the contractual cash flows of the financial instruments.

The Group's business model for the management of its financial instruments reflects how the entity manages its financial assets to generate cash flows. Depending on the business model, cash flows are realised through the collection of contractual cash flows ("hold to collect" business model), the sale of financial assets ("for sale" business model) or both ("hold to collect and for sale" business model).

In order to classify and measure a financial asset as "amortised cost" or "fair value through other comprehensive income", the cash flows must comprise "solely payments of principal and interest“ (SPPI) on the outstanding capital amount. This evaluation is designated as SPPI test and is conducted at the level of the individual financial instrument.

<u>Initial recognition and measurement</u>
A financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity. If the timing of the trading date and the settlement date can diverge, the settlement date is applicable for initial recognition. The initial measurement of a financial instrument is at fair value. Transaction costs are generally included.

As at the reporting date, the Group has solely primary financial instruments and financial liabilities that are allocated to the "amortised cost" category and to the "hold to collect" business model.

The Group concluded interest rate cap contracts. For comments on interest rate risks, please refer to Note 31.

<u>Subsequent measurement</u>
Financial instruments at amortised cost are non-derivative financial instruments, which generate solely payments of principal and interest (cash flow characteristics) and are held for the collection of contractual cash flows (business model test). The Group's financial instruments at amortised cost comprise trade receivables and payables, other financial assets and liabilities, cash and cash equivalents as well as bank loans and other loans. After initial recognition, such financial instruments are measured at amortised cost using the effective interest method less any impairment losses. Amortised cost is calculated with due consideration being given to a premium or discount upon acquisition as well as fees or transaction costs which are an integral component of the effective interest rate. In the case of the current financial assets and financial liabilities, the carrying amount represents an appropriate approximation of the fair value.

<u>Impairment loss</u>
Impairment losses on financial assets carried at amortised cost are recorded based on expected credit losses (ECL). The ECLs are based on the difference between the cash flows contractually due and all cash flows that the Group expected to obtain, discounted using the approximate value of the original effective interest rate. The expected cash flows comprise cash flows from the sale of collateral held or other credit enhancements, which are an integral component of the loan agreement. A three-stage model is used for the allocation of impairment loss allowances:

<u>Stage 1</u>: Expected credit losses over the next twelve months

Stage 1 includes all contracts which have not experienced a significant increase in credit risk since initial recognition. This typically includes new contracts and those with payments due in less than 31 days. Expected credit losses are recorded for a default within the next twelve months.

<u>Stage 2</u>: Expected credit losses over the lifetime – no credit impairment

If a financial asset experiences a significant increase in credit risk but it is not credit-impaired, it is allocated to stage 2. A simplified approach is used for trade receivables in which these receivables are already allocated to stage 2 upon initial recognition. The assessment to determine whether a financial asset has experienced a significant increase in credit risk is based on an assessment of probability of default conducted at least quarterly. This takes account of external rating information and internal information on the credit quality of the financial asset. Expected credit losses are recorded over the lifetime of the financial assets as an impairment loss.

Stage 3: Expected credit losses over the lifetime – credit impairment

If a financial asset is credit-impaired or in default, it is allocated to stage 3. Expected credit losses are recorded over the lifetime of the financial assets as an impairment loss. Objective evidence that a financial asset is credit-impaired or in default includes a past-due of 91 days or more and further internal and external information which indicates that the Group is not able to collect the outstanding contractual cash flows in the full amount, taking into account any credit enhancements. A financial asset is written off if there is no realistic expectation of recovering contractual cash flows. The effective interest income is determined based on gross carrying amount for stage 1 and 2. As soon as a financial asset is credit-impaired and allocated to stage 3, the effective interest income is calculated based on the net carrying amount (gross carrying amount less expected credit loss allowance). Expected credit losses are calculated based on global probabilities of default. Impairment losses are recorded in profit or loss. Please refer to Note 31 for information on the credit risk of the Group.

Derecognition of financial assets
The Group derecognises financial assets when the contractual rights to the cash flows from the financial asset expire or when the contractual right to the cash flows from the financial asset is transferred and substantially all risks and rewards of ownership of the financial assets are transferred.

4.12 Share capital

Ordinary shares
The costs directly attributable to the issue of ordinary shares are recognised as a reduction in equity. Income taxes on equity transaction costs are recognised in accordance with IAS 12.

Share loan
Own shares held by the Company by means of an uncompensated share loan are not recognised as treasury shares as the Company is not entitled to rights arising from these shares. The return of shares held on loan takes place until the end of 2020, with the Company not receiving/ or incurring any income or expenses or other financial advantages or disadvantages therefrom.

4.13 Provisions

Provisions are determined by discounting the expected future payment obligations at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties
A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

4.14 Leases

A lease is an agreement for the right to use an asset (leased asset) for an agreed period of time against payment.

Until 31 December 2018 the Group defined a lease relationship as an agreement in which the lessor conveys to the lessee the right to use an asset for an agreed period of time. According to IAS 17, the beneficial ownership of a leased asset is allocated to the lessee if the lessee bears substantially the risks and rewards incidental to ownership arising from the leased asset. If beneficial ownership is allocable to the Group as lessee, the asset is recognised at the date of the commencement of use either at the lower of fair value or the present value of minimum lease payments. A lease liability is recognised in the same amount under non-current liabilities. Subsequent measurement occurred at amortised cost using the effective interest method. The depreciation methods and useful lives corresponded to comparable acquired assets.

From 1 January 2019 onward the Group as lessee recognises at present value all leases for right-of-use assets and liabilities for assumed financial obligations in the statement of financial position. The lease liabilities comprise the following lease payments:

> fixed payments less lease incentives to be provided by the lessor,
> variable lease payments that depend on an index or an interest rate,
> expected payments under residual value guarantees,
> the exercise price of a purchase option if the option being exercised was assessed as reasonably certain and
> penalties for the termination of the lease if its term takes account that a termination option is utilised.

Lease payments are discounted using the interest rate implicit in the lease if this can be determined. Otherwise discounting uses the incremental borrowing rate.

Right-of-use assets are measured at cost as follows:

- Lease liability,
- for which lease payments (less lease incentives received) are made at or before the commencement date
- initial direct costs and
- asset retirement obligations.

Subsequent measurement is at amortised cost. Depreciation of right-of-use assets is recorded on a straight-line basis over the term of the lease.

For low-value leased assets and for short-term leases (less than twelve months), use is made of the practical expedients and the payments are recognised as an expense on a straight-line basis. The new regulations are not applied to leases for intangible assets. For agreements that include lease components and non-lease components, use is made of the option to not separate the components.

Leases, especially of real estate, in some cases include extension options and termination options. For the determination of the lease terms, all circumstances and conditions are considered that offer a financial incentive to exercise extension options or to not exercise termination options. Term modifications arising from such options for the lease term being exercised/not being exercised are only considered if they are reasonably certain.

Where the Group is lessor for an operating lease, it recognises the leased item as asset at amortised cost under property, plant and equipment. The lease payments collected in the period are reported in revenue.

4.15 Fair value measurement

Assets and liabilities are measured at **fair value** upon initial recognition and for subsequent measurement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For the measurement of fair value, it is assumed that the transaction in which the sale of the asset or the transfer of the liability takes place either:

- on the principal market for the asset or the liability, or
- the most advantageous market for the asset or liability in the absence of a principal market.

The Group must have access to the principal market or the most advantageous market. The fair value of an asset or liability is measured using the assumptions which would have been taken as the basis for market participants in determining the price for the asset or the liability. In this regard it is assumed that market participants act in line with their best economic interest.

For the measurement of the fair value of a non-financial asset, the ability of the market participant to generate economic benefits is considered by the highest and best use of the asset or by its sale to another market participant who finds the highest and best use for the asset.

The Group uses valuation techniques which are appropriate for the respective circumstances and for which sufficient data is available for the measurement of fair value. This involves maximizing the use of relevant observable inputs and minimizing the use of non-observable inputs.

All assets and liabilities, for which the fair value is determined or presented in the financial statements, are classified according to the fair value hierarchy described below based on the lowest level input that is significant to the entire measurement at fair value:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities.
- Level 2: Valuation methods for which the lowest level input that is significant to the entire measurement at fair value is directly or indirectly observable on the market
- Level 3: Valuation methods for which the lowest level input that is significant for the entire measurement at fair value is not observable on the market

For assets and liabilities that are recorded on a recurring basis in the financial statements, the Group identifies whether reclassification between the hierarchy levels has occurred by examining the classification (based on the lowest level input that is significant to the entire measurement of fair value) at the end of each reporting period.

In order to satisfy the disclosure requirements on fair value, the Group has defined groups of assets and liabilities based on their nature, characteristics and risks as well as the levels of the fair value hierarchy explained above.

4.16 Other financial obligations

Other financial liabilities are not recorded in the statement of financial position. They arise if there is a legal or factual external obligation for the Group on the reporting date. Measurement is at fair value on initial recognition. Existing rental and lease commitments are recognised under IFRS 16. Exceptions represent rental and lease commitments outside of the scope of IFRS 16. The contingent liabilities are measured at the settlement value.

4.17 *Summary of the measurement policies*

Provided no impairment losses exist, the measurement policies of the Group are summarised and presented for practical expediency as follows:

Item in the statement of financial position	Measurement
Assets	
Intangible assets	
with finite useful life	Amortised cost
with indefinite useful lives	Impairment only approach
Property, plant and equipment (including right-of-use assets)	Amortised cost
Trade receivables	Amortised cost
Inventories	Measurement at the lower of cost and net realisable value
Cash and cash equivalents	Amortised cost
Accrued expenses	Amortised cost
Other financial assets	Amortised cost
Other non-financial assets	Amortised cost
Deferred tax assets	They are measured (without discounting) at the tax rates that apply to the period when the asset is realised or the liability is settled.

Item in the statement of financial position	Measurement
Liabilities	
Liabilities to banks	Amortised cost
Deferred tax liabilities	They are measured (without discounting) at the tax rates that apply to the period when the asset is realised or the liability is settled.
Income tax liabilities	Expected payment to tax authorities which is based on tax rates that apply or will shortly apply on the reporting date.
Trade payables	Amortised cost
Deferred income	Amortised cost
Other provisions	Expected discount amount which will result in an outflow of resources
Other financial liabilities (including lease liabilities)	Amortised cost

4.18 New standards and amendments

Impact of new accounting standards
The Group has applied new financial reporting standards for the first time in the reporting period. The following overview includes all standards relevant for the Group.

New and amended standards and interpretations – that must be applied in the EU

Rule	Mandatory application
IFRS 16 Leases	01.01.2019

As part of the new IFRS 16, accounting for leases is newly regulated such that future obligations regarding lease payments must now be presented as liabilities in the statement of financial position. The initial application of IFRS 16 resulted in € 606 k in lease liabilities being recorded as at 1 January 2019. This item is matched by newly capitalised right-of-use assets of € 606 k under property, plant and equipment. Of the lease liabilities, € 316 k were due in the reporting period. The transition was carried out using the modified retrospective approach. The comparative figures of the previous periods were not restated. On the date of initial application, no new assessment was made to determine whether a contract is, or contains, a lease. For lease arrangements previously classified as operating leases, on initial application, the Group recognises the lease liability at the present value of outstanding lease payments in applying the incremental borrowing rate applicable on the date of initial application for discounting. On initial application, the right of use to leased assets are measured at the amount of the lease liability. Initial direct costs were not included in the measurement of the right-of-use asset on the date of initial application. The current state of knowledge at the date of initial application was taken into account when exercising judgment. The Group exercises the option of excluding intangible assets from the scope of application of IFRS 16 and treats individual leases ending in the reporting period in accordance with the exemption rules for short-term leases. This option will also be applied to short-term leases which commence from 1 January 2019.

Based on the operating lease obligations as at 31 December 2018, the reconciliation of the opening statement of financial position figures of lease liabilities as at 1 January 2019 was as follows:

in € k	01.01.2019
Operating lease obligations according to IAS 17 (in the prior year's notes under other financial obligations)	734
Service components	(110)
Gross lease liabilities	**624**
Discounting	(18)
Lease liabilities	**606**
Additional lease liability due to the initial application of IFRS 16	**606**

The lease liabilities were discounted using the incremental borrowing rate as at 1 January 2019. The weighted average interest rate amounted to 3%. The effects as at the date of transition are summarised below.

in € k	01.01.2019
Right-of-use asset for property, plant and equipment	606
Lease liabilities	606

Information on the capitalised right-of-use assets from leases can be found in Note 17and information on lease liabilities in Note 26.

New standards (not yet applied)
A number of new standards is to be applied in the first reporting period for fiscal years starting after 1 January 2019, early application is possible.

The IASB or the IFRS Interpretations Committee has issued the following standards, amendments of standards or interpretations; however, application is not yet mandatory or the IFRS endorsement by the EU is not yet complete. The following IFRS or interpretation that are relevant for the Group have not yet been applied:

Standards and interpretations endorsed by the EU but not yet mandatory

Rule	Mandatory application	Impact on BCM
Amendments to IFRS 9, IAS 39 and IFRS 17: Interest rate benchmark reform (issued 26 September 2019)	01.01.2020	None
Amendments to IAS 1 and IAS 8: Definition of material (issued 31 October 2018)	01.01.2020	None
Amendments to references to the conceptual framework in IFRS Standards (issued 29 March 2018)	01.01.2020	None

5. Use of judgments, estimates and assumptions

Judgments that affect the amounts in the financial statements are in some instances necessary for the application of the accounting methods. In addition, for the preparation of the financial statements, forward-looking assumptions and estimates must be made that may have an impact on the amounts stated for items of the statement of financial position as well as the amount for income and expenses. Actual values may differ from these estimates. The most important forward-looking assumptions and other sources of estimation uncertainty that may require future material adjustments are explained below.

5.1 Judgments

Development costs

Development costs are capitalised in accordance with the presented accounting methods. Initial capitalisation of costs is based on the Group's assessment that technical and economic feasibility has been demonstrated. For instance, technical feasibility is assessed using the development of prototypes or feasibility studies. The economic feasibility is assessed using project planning which includes the necessary material costs and personnel expenses and their financing.

5.2 Estimates and assumptions

The most important forward-looking assumptions and other major sources of estimation uncertainty on the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

Equity-settled share-based payments

The Group has analysed the conditions for its share-based payments in order to determine the respective classification in accordance with IFRS 2. The share options issued are subject to conditions determining the vesting of the share options by the beneficiaries. Based on this analysis, the Group has identified that two settlement scenarios exist. One scenario would be viewed as full cash settlement, the other scenario as full settlement using equity instruments. In light of the Executive Board's intention to settle by issuing new shares, the Group concludes that it does not have a present obligation for cash settlement and thus recognises that the share-based payment is to be settled using equity instruments. This management evaluation is undertaken again at each reporting date. For further information, please refer to Note 36.

Within the Group, the expenses arising from granting company share options to employees are measured at the fair value of these equity instruments at the grant date. In order to estimate the fair value of share-based payments, it is necessary to determine the best suited valuation method. The Group uses Monte Carlo simulation for this purpose. This is dependent on the grant conditions. For this estimation, it is also necessary to determine suitable input parameters to incorporate into this valuation method, in particular the expected volatility derived from comparable listed companies and the expected term of the option, dividend yield and risk-free interest rate. The assumptions and method used to estimate the fair value are presented in Note 36.

Cash-settled share-based payments

For share-based payments which are settled in cash, the Group recognises a provision for the services rendered by employees. The Group measures the fair value of the liability on each reporting date and again on the settlement date. Changes in the entitlement are recorded in personnel expenses in the amount of the share attributable to the grant date fair value over the vesting period. The remaining change in the entitlement is reported in the financial result.

The component attributable to personnel expenses is measured at fair value at the grant date. In order to estimate the fair value of share-based payments, it is necessary to determine the best suited valuation method. The Group uses the Black-Scholes model for this purpose. This is dependent on the grant conditions. For this estimation, it is also necessary to determine suitable input parameters to incorporate into this valuation method, in particular the expected volatility derived from comparable listed companies and the expected term, dividend yield and risk-free interest rate. The assumptions and method used to estimate the fair value are presented in Note 36.

Deferred taxes

Deferred tax assets for unused tax loss carry forwards are currently not recorded in the Group. No deferred taxes were recognised for these matters as future positive taxable earnings at the date of preparing the financial statements were not sufficiently concrete. This assumption is reviewed by management on each reporting date.

Business combinations

Business combinations are recognised using the acquisition method. The initial recognition of goodwill from a business combination is measured at cost which is measured as the excess of the cost of the acquisition over the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Costs incurred within the framework of the business combination are recognised as expense and presented in other operating expenses.

The determination of the respective fair value of the acquired assets and liabilities on the acquisition date is subject to significant estimation uncertainty. For the identification of intangible assets, depending on the type of the intangible asset and the complexity of determining fair value, either opinions of external valuation experts are drawn upon or the fair value is determined in-house using an appropriate valuation method for the respective intangible asset, the basis of which is typically used for the forecast of overall expected future generated cash and cash equivalents. These measurements are closely related to management's assumptions and estimates made regarding the future development of the respective assets and the discount rate to be applied.

In respect of the acquisition of Palas GmbH, the Group entered into a purchase commitment with the existing owners. For the presentation of this obligation, the Group uses the method of anticipated acquisition, which presents the acquisition as if the purchase option had already been exercised. This means that the shares underlying the purchase option are already deemed acquired as at the acquisition date and consequently, no non-controlling interests are presented. In respect of the financial liabilities recorded in this regard, please refer to Note 26.

Provisions

A provision is recognised when the Group has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation (Note 4.13and 28). Such estimates are subject to significant uncertainty.

II. Explanatory notes on the statement of comprehensive income

6. Alternative performance measures

In addition to the information provided as part of these financial statements, management uses additional performance measures to manage the Group. These include the **pro forma consolidated statement of comprehensive income and other alternative performance measures***.

Pro forma consolidated statement of comprehensive income

The income and expenses of IHSE are recorded in the consolidated statement of comprehensive income solely for one month of the reporting period due to the date that control was obtained in December 2019. The same applies for the income and expenses of Palas (acquired in December 2018) for the prior-year period in the short fiscal year 2018 (August to December). As the informative value of the consolidated statement of comprehensive income, particularly its suitability for deriving forecasts, is limited, the Executive Board analyses the earnings figures on a pro forma basis. The figures in the consolidated statement of comprehensive income are presented as if Palas had already been acquired as at 1 August 2018 and IHSE as at 1 January 2019.

in € k	01.01.2019 - 31.12.2019
Revenue	**54,290**
Increase/ (decrease) in finished goods and work in progress	(22)
Other own work capitalised	769
Total output	**55,037**
Cost of materials	(15,167)
Gross profit	**39,870**
Personnel expenses	(15,695)
Other operating expenses	(8,800)
Expected credit loss allowances on trade receivables	(2)
Other operating income	612
EBITDA	**15,985**
Depreciation of property, plant and equipment and amortisation of intangible assets	(1,454)
EBITA	**14,531**
Amortisation of intangible assets identified within the scope of first-time consolidation	(8,633)
Finance costs	(2,444)
Finance income	62
Financial result	(2,381)
Earnings before tax	**3,518**
Income tax	(2,204)
Profit or loss	**1,314**

* *Here and in the following “pro forma” is used according to IFRS 3.B64(q) and not according to the Prospetus Regulation. Asterisk does not belong to the financial statements.*

When calculating these amounts, management assumed that the adjustments to the fair values that were preliminarily determined as at the date of acquisition of IHSE would have also been applicable had the acquisition taken place as at 1 January 2019, the financing structure following acquisition had already existed at the beginning of the year and the costs of acquisition had not been incurred in the reporting period.

<u>Adjusted and other alternative performance measures</u>
The Group provides information on earnings before interest and tax (**adjusted EBIT**) and earnings before interest, tax and depreciation and amortisation (**adjusted EBITDA**). The percentage that these figures amount to in terms of revenue is determined as the respective margin (**adjusted EBITDA margin** and **adjusted EBIT margin**). In addition, information is provided on the **adjusted earnings per share.** Alongside **revenue**, management uses these performance indicators to manage the Company and regards them as significant for the understanding of the Group's financial performance. The alternative performance measures are not defined in the IFRS and the definitions of the Group are potentially not comparable with similarly designated performance indicators of other companies.

Management eliminates expenses from **share-based payment** according to IFRS 2.51 (a) from the performance indicators relevant for management of the Company. The reason for this is that these are not financially incurred by the Company but by its shareholders. The issuance of options and shares does not represent an outflow of resources for the Group. Consequently, management eliminates the relevant expenses from share-based payment for the analysis of the financial performance of the Group. Please refer in this regard to Note 36.

As non-controlling shares are not shown owing to the application of the anticipated acquisition method, financial liabilities and provisions for the remaining 30% of shares of Palas are recorded in the Group's statement of financial position. Their increase is recorded as part of share-based remuneration in part in personnel expenses as well as in the financial result. As a result, the Group subtracts the **financial result from the NCI put** attributable to this item from the adjusted earnings.

The earnings figures for the analysis of the Group's performance are also adjusted for the **costs of completed M&A transactions according to IFRS 3.53.** Such costs are initially incurred only for purchases of companies. Owing to the business model of BCM AG, these costs do have a recurring character but respectively amount to zero when assuming an unchanged consolidated group. Further, in the opinion of group management, such expenses were to be recorded as acquisition costs, which conventionally would need to be capitalised for acquisitions and should thus not represent an expense. Please refer in this regard to Note 33.

Amortisation expenses on intangible assets identified as part of purchase price allocations for acquisitions (**PPA amortisation**) are deducted for the purposes of value-enhancing corporate management and from the basis for figures according to IFRS. These amortisation expenses relate to accounting entries at the capital consolidation level; that is independently of the business figures of the separate group companies. These amortisation expenses are not found in any of the individual annual financial statements of the group companies. Expenses are recorded solely at the level of consolidation. The expense has no impact on liquidity, has no relevance for the Group's capacity to distribute dividends and no such replacement investment spending is incurred for this in the future in cash flows. Considerably lower earnings due to PPA amortisation according to IFRS result solely from the fact that an M&A transaction has taken place. A considerably poorer presentation of the financial performance arises solely due to capital consolidation. As a result it is also possible that a subsidiary develops considerably more favourably than budgeted but it is nevertheless still necessary to recognise substantial amortisation expenses in the consolidated financial statements due to the purchase price allocation. As income from the **reversal of deferred tax liabilities** on the PPA amortisation is accrued in the consolidated statement of comprehensive income, this is consequently also eliminated in the commensurate amount for the determination of the post-tax performance indicators.

Pursuant to IFRS, full consolidation is undertaken, that is the collective presentation of all income and expenses of all majority interests from the date that control is obtained. As a consequence, for acquisitions completed during the fiscal year, only a part of the business volume is presented in the consolidated statement of comprehensive income. In order to provide users of these financial statements with more information content, the performance indicators are presented **pro forma** as supplement. Under the pro forma approach, expenses and income from subsidiaries acquired in the reporting period are consolidated from the date of the period in which the respective acquisition took place. Thus, IHSE was included in the consolidated statement of comprehensive income from 1 January 2019. In some instances, estimates of management are also taken into consideration in this regard. Since the prior-year period was a short fiscal year, a pro form presentation thereof would not be instrumental for comparison and thus its inclusion was waived.

Determination of adjusted EBITDA

	Pro forma	From date of control obtained	
in € k	01.01.2019 - 31.12.2019	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Earnings before tax	**3,518**	**(3,387)**	**(1,577)**
Financial result	2,381	1,124	47
Amortisation, depreciation and impairment losses	10,086	3,534	216
EBITDA	**15,985**	**1,270**	**(1,314)**
Share-based payment	180	180	-
Cost of purchase of subsidiaries	-	1,320	471
Adjusted EBITDA	**16,166**	**2,770**	**(843)**
Adjusted EBITDA margin	*29.8%*	*16.7%*	*(76.8%)*

Determination of adjusted EBIT

	Pro forma	From date of control obtained	
in € k	01.01.2019 - 31.12.2019	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Earnings before tax	**3,518**	**(3,387)**	**(1,577)**
Financial result	2,381	1,124	47
EBIT	**5,899**	**(2,264)**	**(1,529)**
PPA amortisation expenses*	8,633	2,714	188
Share-based payment	180	180	-
Cost of purchase of subsidiaries	-	1,320	471
Adjusted EBIT	**14,713**	**1,950**	**(871)**
Adjusted EBIT margin	*27.1%*	*11.8%*	*(79.3%)*

* Amortisation expenses on intangible assets identified in the purchase price allocation for acquisitions

Determination of adjusted earnings and adjusted earnings per share

	Pro forma	From date of control obtained	
in € k	01.01.2019 - 31.12.2019	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Profit or loss	**1,314**	**(3,823)**	**(1,636)**
Share-based payment	180	180	-
Financial result from NCI Put	354	354	-
Cost of purchase of subsidiaries	-	1,320	471
PPA amortisation expenses*	8,633	2,714	188
Thereon attributable deferred income taxes	(2,375)	(772)	(59)
Adjusted earnings	**8,106**	**(28)**	**(1,035)**
Number of outstanding shares (units)	6,195,579	2,905,836	2,502,510
Adjusted earnings per share (€)	**1.31**	**(0.01)**	**(0.41)**

* Amortisation expenses on intangible assets identified in the purchase price allocation for acquisitions

As part of financing the acquisition of IHSE, a cash contribution capital increase and an in kind capital contribution increase were conducted in December 2019. As a result of the issuance of shares of BCM AG, own shares from the share loan were retransferred. The effects of these transactions on the number of outstanding shares was taken into account in the pro forma perspective.

7. Revenue

Disaggregation of revenue from contracts with customers

The Group generates revenue mostly from the sale of measuring devices and test devices in the Environmental Technologies business segment and from the sale of KVM devices and KVM systems in the Security Technologies business segment. The following table breaks down the Group's revenue from contracts with customers (IFRS 15) according to the significant product and service lines, principal geographical markets and timing of revenue recognition.

Income from the short-term leasing of devices

In addition to revenue from contracts with customers pursuant to IFRS 15, under revenue the Group generates income from the short-term leasing of devices according to IFRS 16 (prior year: IAS 17): This is separately presented in the following overview.

	Environmental Technologies		Security Technologies		Total	
in € k	2019	2018	2019	2018	2019	2018
External customers						
Products sold	17,497	1,332	2,572	-	20,069	1,332
Services rendered	238	21	284	-	522	21
External gross revenue	**17,736**	**1,353**	**2,855**	**-**	**20,591**	**1,353**
Revenue reductions	(3,958)	(282)	(129)	-	(4,087)	(282)
Revenue from contracts with customers	**13,778**	**1,071**	**2,726**	**-**	**16,504**	**1,071**
Short-term leasing of devices	58	26	-	-	58	26
Revenue	**13,836**	**1,098**	**2,726**	**-**	**16,561**	**1,098**
Timing of revenue recognition						
Point in time	13,540	1,050	2,442	-	15,982	1,050
Over time	238	21	284	-	522	21
Revenue from contracts with customers	**13,778**	**1,071**	**2,726**	**-**	**16,504**	**1,071**
Short-term leasing of devices	58	26	-	-	58	26
Revenue	**13,836**	**1,098**	**2,726**	**-**	**16,561**	**1,098**
Principal geographical markets						
Germany	4,117	509	215	-	4,332	509
Rest of Europe	4,658	242	307	-	4,966	242
Rest of world	5,002	321	2,204	-	7,206	321
Revenue from contracts with customers	**13,778**	**1,071**	**2,726**	**-**	**16,504**	**1,071**
Short-term leasing of devices	58	26	-	-	58	26
Revenue	**13,836**	**1,098**	**2,726**	**-**	**16,561**	**1,098**

Contract balances

The following table shows receivables and contract liabilities from contracts with customers:

in € k	31.12.2019	31.12.2018
Trade receivables	5,850	1,196
Contract liabilities	(665)	(266)

Contract liabilities include advance payments received from customers. Advance payments are of short-term nature. Of these, € 259 k is attributable to test devices, € 112 k to other measuring devices and € 294 k to KVM devices.

The amount of € 266 k included in contract liabilities as at 31 December 2018 was recorded in revenue in fiscal year 2019.

Contract liabilities of € 275 k were acquired as part of the acquisition of IHSE. Of this amount, € 14 k was recorded as revenue in the reporting period.

8. Own work capitalised

Of own work capitalised, € 443 k (prior year: € 0 k) is attributable to development costs subject to capitalisation according to IAS 38. These development costs relate in particular to investments in the development of sensory measurement instruments.

9. Cost of materials

Cost of materials break down as follows:

in € k	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Cost of raw materials, supplies and purchased goods	3,741	208
Cost of purchased services	558	12
Cost of materials	**4,299**	**220**

10. Personnel expenses

Personnel expenses break down as follows:

in € k	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Wages and salaries	5,839	690
Social security and post-employment benefits	785	59
Share-based payment	180	-
Personnel expenses	**6,803**	**748**

For share-based payment, please refer to Note 36.

11. Other operating expenses

Other operating expenses break down as follows:

in € k	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Costs from M&A transactions	1,320	471
Advertising and travel expenses	605	65
Due diligence costs	228	441
Preparation and audit of financial statements	430	199
Other legal and consulting fees	458	81
Foreign exchange losses	164	-
Insurance and contributions	143	24
Supervisory Board remuneration	143	83
Incidental transaction costs	128	88
Expenses for leases of low value assets	136	-
IT costs	100	19
Other expenses from leases (incidental costs, service components)	59	-
Expenses for short-term leases	2	-
Occupancy costs (expenses from operating leases)	-	70
Other costs	1,643	106
Other operating expenses	**5,558**	**1,647**

The costs of M&A transactions in the reporting period result mainly from the real estate property tax, legal advice and due diligence for the purchase of IHSE. Please refer in this regard to Note 33. By contrast, the due diligence costs relate to the detailed examination of potential acquisitions which were either terminated in the reporting period or still in progress as at the reporting date.

The year-end closing expenses relate in particular to the preparation and audit of the purchase price allocation and the accounting entry of the acquisition and the introduction of financial reporting pursuant to IFRS for the IHSE companies.

12. Other operating income

Other operating income break down as follows:

in € k	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Income relating to other periods	143	-
Investment grants IAS 20	120	11
Benefits in kind settled for vehicles	65	-
Foreign currency translation gains	30	-
Reimbursement entitlements for due diligence costs	-	247
Miscellaneous other operating income	33	6
Other operating income	**390**	**263**

13. Amortisation, depreciation and impairment losses

This item includes depreciation of property, plant and equipment and amortisation of intangible assets of € 3,534 k. Thereof € 820 k (prior year: € 28 k) relates to depreciation of property, plant and equipment and right-of-use assets from leases as well as amortisation of intangible assets which were not identified in the course of the purchase price allocation for the acquisition of subsidiaries. Depreciation of right-of-use assets from leases amount to € 338 k.

Further, amortisation and impairment of intangible assets identified in the course of acquisition of subsidiaries are included. These amounts are attributable to the capitalised intangible assets as follows:

in € k	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Basis technology	925	58
Order book	900	75
Customer relationships	648	40
Trademarks	241	14
Total	**2,714**	**188**

14. Financial result

Finance costs include interest expenses from financial liabilities measured at amortised cost (€ 807 k), interest expenses from leases(€ 19 k), expense from unwinding the discount on the put liability on 30% of shares in Palas (€ 109 k) and remeasurement expense (€ 245 k) of the provision relating to this.

15. Income taxes

Income taxes recorded in profit or loss for the period break down as follows:

in € k	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Current tax expense		
Current year	1,292	118
Deferred tax income		
Reversal of temporary differences	(856)	(59)
Total	**436**	**59**

Change in deferred tax liabilities/assets

Deferred tax liabilities at the level of individual items of the statement of financial position are shown in the following overview:

in € k	Other intangible assets and order book
01.08.2018	-
Acquired through business combinations	3,473
Included in profit or loss	(59)
31.12.2018 Deferred tax liabilities	**3,415**
Acquired through business combinations	15,838
Included in profit or loss	(697)
31.12.2019 Deferred tax liabilities	**18,556**

Deferred tax assets at the level of individual items of the statement of financial position are shown in the following overview:

in € k	Goodwill
01.08.2018	-
31.12.2018 Deferred tax assets	**-**
Acquired through business combinations	542
Included in profit or loss	0
Recognised in OCI	-
31.12.2019 Deferred tax assets	**542**

As part of the elimination of inter-company profit/ or loss in inventories, the deferred tax assets are as follows:

in € k	Inventories
01.08.2018	-
31.12.2018 Deferred tax assets	**-**
Acquired through business combinations	281
Included in profit or loss	159
Recognised in OCI	-
31.12.2019 Deferred tax assets	**440**

Deferred tax assets thus amount to € 982 k (prior year: € - k)

Reconciliation of effective tax rate

The differences between the expected income tax expense based on the calculated tax rate and the actual income tax expense can be seen in the following table. The applied tax rate is based on the domestic group income tax rate.

The domestic group income tax rate comprises the corporation tax rate of 15% (prior year: 15%) plus the solidarity surcharge of 5.5% (prior year: 5.5%) and a trade tax rate of 15.1% (prior year: 15.1%). The tax rate for trade tax is determined by the average trade tax multiplier of 430% (prior year: 430%).

Deferred taxes for the assets identified at IHSE were recognised based on the tax rates of 17% to 28%. Deferred taxes for the assets identified at Palas were recognised based on the tax rate of 31% (prior year: 31%).

Reconciliation statement for income tax

in € k	01.01.2019 - 31.12.2019		01.08.2018 - 31.12.2018	
Earnings before tax	**(3,387)**		**(1,577)**	
Tax based on domestic tax rate of the entity	**1,046**	**31%**	**487**	**31%**
Tax-exempt income	113	3%	11	1%
Tax rate effects	(22)	(1%)	-	-
Permanent differences	(219)	(6%)	-	-
Non-deductible operating expenses	(320)	(9%)	(26)	(2%)
Losses in the current year for which no deferred tax asset was recognised	(1,034)	(31%)	(531)	(34%)
Income taxes	**(436)**	**(13%)**	**(59)**	**(4%)**

Unrecognised deferred tax assets

Group entities have tax loss carry forwards of € 6,886 k as at the reporting date (prior year: € 3,177 k). Of this, a tax effect of € 2,182 k would arise (prior year: € 1,009 k). No deferred tax assets were recognised for these tax loss carry forwards as future positive taxable earnings are not sufficiently concrete as at the date of preparing the financial statements.

16. Earnings per share

The following table presents the calculation for earnings per share.

	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Profit or loss for the period (€ k)	(3,823)	(1,636)
Number of outstanding shares (units)	2,905,836	2,502,510
Earnings per share (€)	**(1.32)**	**(0.65)**

The adjusted pro forma earnings per share is as follows. For further information in this regard, please refer to Note 6.

	01.01.2019 - 31.12.2019
Pro forma adjusted earnings (€ k)	8,106
Number of outstanding shares (units)	6,195,579
Pro forma adjusted earnings per share (€)	**1.31**

III. Explanatory notes on the statement of financial position

17. Property, plant and equipment

Property, plant and equipment is broken down as follows:

in € k	Land and buildings	Technical equipment and machinery	Operating and office equipment	Total
Cost				
01.08.2018	**-**	**-**	**5**	**5**
Acquisitions through business combinations	-	514	264	778
Additions	-	26	8	35
Disposals	-	-	(0)	(0)
31.12.2018	**-**	**541**	**277**	**818**
Acquisitions through business combinations	8,084	493	718	9,296
Additions	-	719	203	922
Disposals	-	(137)	(0)	(137)
Net exchange differences	-	-	0	0
31.12.2019	**8,084**	**1,616**	**1,199**	**10,899**
Accumulated depreciation and impairment losses				
01.08.2018	**-**	**-**	**1**	**1**
Depreciation and impairment losses	-	13	7	19
Disposals	-	-	-	-
31.12.2018	**-**	**13**	**8**	**20**
Amortisation, depreciation and impairment losses	18	232	117	366
Disposals	-	(50)	-	(50)
Net exchange differences	-	-	0	0
31.12.2019	**18**	**195**	**125**	**337**
Carrying amounts				
01.08.2018	-	-	4	4
31.12.2018	-	528	269	797
31.12.2019	**8,066**	**1,422**	**1,074**	**10,562**

There were no indicators of a need for impairment of property, plant and equipment in the reporting period. For information on collateral pledged for liabilities in respect of fixed assets, please refer to Note 26.

<u>Right-of-use assets from leases</u>
The following shows right-of-use assets from leases which are presented under non-current assets.

in € k	Land and buildings	Technical equipment and machinery	Total
Cost			
01.01.2019	**-**	**-**	**-**
Recognition of right-of-use assets arising from initial application of IFRS 16	503	103	606
Acquisitions through business combinations	106	140	247
Additions	177	69	246
31.12.2019	**786**	**312**	**1,098**
Accumulated depreciation and impairment losses			
01.01.2019	**-**	**-**	**-**
Depreciation and impairment losses	268	70	338
31.12.2019	**268**	**70**	**338**
Carrying amounts			
01.01.2019	-	-	-
31.12.2019	**518**	**242**	**760**

The Group leases land and buildings primarily as office space and as production and storage space. As at the reporting date, three leases existed for real estate with a remaining term of up to three years. Other leases have a remaining term of up to four years. Leases can include extension and termination options. The terms and conditions are negotiated individually and include a number of differing rules. Explanatory notes on the lease liabilities can be found in Note 26.

18. Intangible assets and goodwill

Intangible assets developed as follows in the reporting period:

in € k	Goodwill	Other intangible assets IT licenses, software, website	Development expenses	Advance payments	Trademarks	Basis technology	Customer relationships	Total
Cost								
01.08.2018	**-**	**22**	**-**	**-**	**-**	**-**	**-**	**22**
Acquisition through business combinations	22,001	36	351	-	1,700	3,500	4,800	32,388
Disposals	-	(3)	-	-	-	-	-	(3)
31.12.2018	**22,001**	**55**	**351**	**-**	**1,700**	**3,500**	**4,800**	**32,407**
Acquisition through business combinations	69,357	130	-	77	8,500	21,600	30,100	129,764
Additions	-	16	443	10	-	-	-	469
Disposals	-	(3)	-	-	-	-	-	(3)
31.12.2019	**91,358**	**197**	**794**	**87**	**10,200**	**25,100**	**34,900**	**162,636**
Accumulated amortisation and impairment losses								
01.08.2018	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**3**
Amortisation and impairment losses	-	5	4	-	14	58	40	121
Disposals	-	-	-	-	-	-	-	-
31.12.2018	**-**	**8**	**4**	**-**	**14**	**58**	**40**	**124**
Amortisation and impairment losses	-	35	80	-	241	925	648	1,930
Disposals	-	(3)	-	-	-	-	-	(3)
31.12.2019	**-**	**40**	**84**	**-**	**255**	**983**	**688**	**2,049**
Carrying amounts								
01.08.2018	-	19	-	-	-	-	-	19
31.12.2018	22,001	47	347	-	1,686	3,442	4,760	32,283
31.12.2019	**91,358**	**157**	**710**	**87**	**9,945**	**24,117**	**34,212**	**160,585**

The allocation of the purchase price for the acquisition of IHSE was conducted in the reporting period. For further explanatory notes in this regard, please refer to Note 33. An amount of € 60,200 k resulting from the identification and initial recognition of intangible assets was capitalised in the consolidated statement of financial position. This amount included brand names and domains (€ 8,500 k), basis technologies (€ 21,600 k) and customer relationships (€ 30,100 k). The identified intangible assets are allocated to the "IHSE" cash-generating unit. The assets identified at the date of acquisition were measured at fair value. The fair values of brand names and basis technologies were determined using the income capitalisation approach in applying the relief from royalty method. The fair value of customer relationships was determined using the income capitalisation approach applying the multi-period excess earnings method. The useful life of other amortised intangible assets by category is as follows:

- IT, software, licenses, website: 3 years
- Trademarks: 10 years
- Basis technology: 5-8 years
- Customer relationships: 10-15 years

Capitalised development expenses are amortised on a straight line basis over five years when the development is complete and serial production has started.

For further information on the acquisition of subsidiaries, please refer to Note 33.

The annual impairment test of goodwill was conducted as at 31 December 2019. There were no specific indicators of impairment. The value in use of the cash-generating unit is generally used to test the recoverability of goodwill. The cash-generating unit "Palas" refers to Palas GmbH and the cash-generating unit "IHSE" refers to IHSE.

Long-term corporate planning in each case extends to the end of the detailed planning period of five years after the reporting date. The significant assumptions to which the long-term corporate planning in both cases is sensitive are the development of the new business and the purchase price of materials. These developments were assessed and identified based on past experience, publicly available data and by using the existing sales pipeline and the assessment of management on future sales market conditions. Cash flows are discounted using risk-appropriate (pre-tax) discount rates on the reporting date. The cost of capital rates used for discounting are based on the risk-free rate and on a market risk premium. In addition, the beta factor, borrowing costs and capital structure are taken into account; these were derived individually for the "Palas GmbH" cash-generating unit based on a commensurate peer group. The revenue growth rates for the relevant markets were used as the base for determining cash flows. The assumptions made are subject to a certain sensitivity.

Goodwill acquired in the course of the purchase of Palas GmbH in the comparative period of € 22,001 k was allocated to the cash-generating unit "Palas" for impairment testing.

The assumptions used for the determination of the recoverability of goodwill are shown in the following table:

	31.12.2019
Determination of the recoverable amount	Value in use
Discount rate	8.62%
Discount rate (pre-tax)	9.04%
Sustainable growth rate	1.0%
Forecast EBITDA growth rate (average for the next five years)	15%

The difference between the recoverable amount of the cash-generating unit "Palas" and the carrying amount is positive. For this reason, there was no impairment for the cash-generating unit "Palas" as at the reporting date.

Goodwill acquired in the course of the acquisition of IHSE of € 69,357 k was allocated to the cash-generating unit "IHSE" for impairment testing.

The assumptions used for the determination of the recoverability of goodwill are shown in the following table:

	31.12.2019
Determination of the recoverable amount	Value in use
Discount rate	9.03%
Discount rate (pre-tax)	9.70%
Sustainable growth rate	1.0%
Forecast EBITDA growth rate (average for the next five years)	11%

The difference between the recoverable amount of the cash-generating unit "IHSE" and the carrying amount is positive. For this reason, there was no impairment for the cash-generating unit "IHSE" as at the reporting date.

19. Inventories

Inventories break down as follows:

in € k	31.12.2019	31.12.2018
Raw materials and consumables	5,324	2,100
Work in progress	2,364	604
Finished goods	2,163	752
Order book	825	825
Inventories	**10,676**	**4,281**

For information on collateral pledged for liabilities in respect of inventories, please refer to Note 26.

In the course of the purchase price allocation for the acquisition of shares in IHSE, an existing order book (€ 900 k) was identified as at the acquisition date; this involves binding orders for the next twelve months. As at the prior year's reporting date, the order book included the fair value of the binding orders that were identified in the course of the purchase price allocation for the acquisition of Palas.

No impairment losses or reversals of impairment losses were recognised as an expense in profit or loss in the reporting period.

20. Trade receivables and other assets

Trade and other receivables break down as follows:

in € k	31.12.2019	31.12.2018
Trade receivables	5,848	1,196
Other assets	655	181
Lease receivables	1	-
Trade receivables and other assets	**6,504**	**1,377**

An impairment loss is expected when distinct matters, such as late payment over time or the initiation of compulsory measures are in place. The following table shows the development of the allowance account in respect of trade receivables:

in € k	31.12.2019	31.12.2018
Opening balance	14	-
Loss allowances acquired in business combination	443	-
Write-downs on receivables	2	14
Receivables derecognised	(9)	-
Loss allowances for trade receivables	**450**	**14**

21. Cash and cash equivalents

Cash and cash equivalents consist of the following items:

in € k	31.12.2019	31.12.2018
Cash at bank	17,168	31,577
Cash in hand	3	1
Cash and cash equivalents in the statement of financial position	**17,171**	**31,578**
Overdraft facilities used for cash management	-	-
Cash and cash equivalents shown in the statement of cash flows	**17,171**	**31,578**

Cash at banks bears floating rate interest on short-term call deposits. The carrying amount of this assets corresponds to the fair value.

22. Subscribed capital

The Company's share capital amounts to € 6,642,372 as at the reporting date of 31 December 2019. It is divided into 6,642,372 no-par value registered shares. Distribution to the shareholders as at the reporting date is as follows:

Shareholder group	Number of shares	Equity share (in %)
Founding team	2,071,186	31.2%
Pre-IPO investors	4,142,372	62.4%
Outstanding shares	**6,213,558**	**93.5%**
BCM AG (share loan)	428,814	6.5%
Total	**6,642,372**	**100.0%**

Owing to the share loan, the distribution of voting and profit participation rights is as follows:

Shareholder group	Number of shares	Equity share (in %)
Founding team	2,071,186	33.3%
Pre-IPO investors	4,142,372	66.7%
Outstanding shares	**6,213,558**	**100.0%**

On 15 December 2017, the annual general meeting authorised the Executive Board, with the consent of the Supervisory Board, to increase the share capital up to 14 December 2022, on one or more occasions in exchange for cash contribution and/or contribution in kind up to a total of € 2,076,000, with the option to exclude pre-emptive subscription rights (**Authorised Capital 2017/I**). By resolution of the Executive Board and the consent of the Supervisory Board dated 21 December 2018, the share capital of the Company was increased in exchange for contribution in kind by means of the partial utilisation of Authorised Capital 2017/I of € 100,000 in exchange for the issue of 100,000 new shares to € 4,242,000. The contribution in kind consisted of

shares of Palas Holding GmbH. As the contribution in kind capital increase had not yet been entered into the commercial register as at the prior-year reporting date of 31 December 2018, this was presented as a separate item under "capital increase not yet registered". Please refer in this regard to Note 23. Entry was made in the commercial register on 2 January 2019. As a consequence, share capital increased by € 100 k and the capital reserve by € 2,900 k.

By resolution of the Supervisory Board dated 15 April 2019 and entry into the commercial registered dated 7 June 2019, the Company increased the capital by € 41,667 to € 4,293,667. The new shares were issued by partial utilisation of the Authorised Capital 2017/I at a price of € 30.00 per share, and funds of € 1,250 k flowed to the Company.

At the Company's annual general meeting on 27 June 2019, the shareholders authorised the Executive Board, with the consent of the Supervisory Board, to increase the share capital in exchange for cash or contributions in kind by up to € 212,500, with the option to exclude pre-emptive subscription rights (**Authorised Capital 2019/I**). Further, the share capital was conditionally increased by up to € 425,200 (**Contingent Capital 2019/I**). The contingent capital serves to grant rights to holders of share warrants from the share option program. Please refer in this regard to Note 36.

The extraordinary general meeting of the Company on 2 September 2019 resolved a capital increase by way of subscription rights by up to € 3,138,912 to a maximum of € 7,432,579. By resolution of the Executive Board dated 5 December 2019, the capital increase of € 1,735,431 to € 6,029,098 was carried out. The new shares were issued at a price of € 32.00 per share, and funds of € 55,534 k flowed to the Company.

On 12 December 2019 a contribution in kind capital increase of a further € 631,274 to € 6,642,372 was carried out from Authorised Capital 2017/I, in the course of which new shares at a price of € 32.00 per share were also issued. Shares were issued in exchange for the contribution of shares in IHSE Holding GmbH to BCM AG. The cash equivalent of the contributed shares amounted to € 19,625 k. Please refer in this regard to Note 33.

22.1 Share loan

The founding shareholders transferred a total of 1,674,000 Brockhaus shares by way of an uncompensated share loan (hereinafter "share loan"), with all inherent rights and obligations therewith, with the transfer date of 21 December 2017. In addition, the founding shareholders instructed the KAS Bank N.V., Frankfurt am Main, on the transfer date to transfer the share loan to the custody account of the Company at Deutsche Bank AG, Frankfurt am Main.

The successive retransfer of the share loan to the founding shareholders is carried out in a 1:2 ratio to new shares, which are created in the course of the capital increases. The purpose of this arrangement was to limit to one third the share of voting and profit participation rights of the founding shareholders. The share loan ends in full when a total of 5,000,000 of new shares to investors (excluding the founding shareholders) has been issued and the total share capital of the Company amounts to € 7,500,000.

The loan has a maximum term of three years, calculated from the date of transfer, and ends at the latest with effect from midnight of 20 December 2020. If the share loan is still owned by the Company as at the end of this term, the share loan will be transferred to all shareholders (including the founding shareholders) who are shareholders of the Company at midnight on 20 December 2020 pro rata in proportion to their investment at this date.

Owing to the capital increases described in Note 22, 20,833 shares of the share loan were transferred back to the founding shareholders in the reporting period. A further retransfer of 1,174,353 shares was made in January 2020 as the technical settlement at the custodian bank extended beyond the reporting date.

The Company, itself, is not entitled to rights from own shares. Excluded rights relate, among others, to profit participation rights, voting rights and the subscription right for the issue of new shares in the course of capital increases.

23. Capital increase not yet registered

As at the prior-year reporting date of 31 December 2018, a capital increase of 100,000 shares with a total volume of € 3,000 k was not yet entered in the commercial register and was thus presented as a separate item in the statement of financial position. Entry was made in the commercial register on 2 January 2019, with the share capital being increased by an amount of € 100 k to € 4,252 k. The contractual premium of € 2,900 k increased the capital reserve.

24. Capital reserve

The capital reserve includes the premiums arising from the issue of shares less costs for the capital increases and uncommitted capital reserves.

25. Other reserves

Other reserves include the personnel expenses from equity-settled share-based payments (pursuant to IFRS 2).

26. Financial liabilities

Financial liabilities break down as follows:

in € k	31.12.2019	31.12.2018
Liabilities to banks	51,011	11,713
Lease liabilities	347	-
Liability for the acquisition of the remaining 30% of shares of Palas	1,332	1,223
Other financial liabilities	3,199	3,012
Non-current financial liabilities	**55,889**	**15,948**
Current component of liabilities to banks	5,012	1,030
Lease liabilities	423	-
Current financial liabilities	**5,435**	**1,030**
Total financial liabilities	**61,324**	**16,979**

Liabilities to banks: The liabilities to bank totalling € 56,023 k include senior financing for the acquisition of subsidiaries of € 49,583 k and real estate loans of € 6,440 k.

Liabilities to banks are secured in the full amount by fixed and current assets as well as land charges being assigned as security.

Lease liabilities: Owing to the first-time application of the new rules on leases under IFRS 16 as at 1 January 2019, liabilities arising from leases were recorded for the first time in the statement of financial position. Financial liabilities arising from leases in the amount of € 337 k were repaid and € 19 k was paid as interest expense for leasing in the reporting period. As at the reporting date, future cash outflows amount to € 792 k. Potential future cash outflows of € 1,231 k were not recorded in lease liabilities as it is not reasonably certain that the leases will be extended or terminated. Explanatory notes on the right-of-use assets from leases can be found in Note 17.

Liability for the acquisition of the remaining 30% of shares of Palas Holding GmbH: In the course of implementing the acquisition of Palas in the short fiscal year 2018, the Group has an obligation to the remaining managing directors to acquire their 30% share at a later date and for the presentation of this obligation applies the anticipated acquisition method. According to this method, the acquisition is presented as if the purchase option of the other shareholders had already been exercised. This means that the shares underlying the option are already deemed acquired as at the acquisition date and consequently, no non-controlling interests exist within the Group. A portion of the obligation arising from this option is recorded as a financial liability in the consolidated statement of financial position. The liability is stated at amortised cost and the change in its value is recorded in profit or loss. For further information in this regard, please refer to Note 36.2.

Other financial liabilities include an unsecured vendor loan, which was granted in relation to the acquisition of Palas.

Information on the extent to which the Group is exposed to interest, currency and liquidity risks can be found in Note 31.

Reconciliation of movements of liabilities to cash flows from financing activities

	Liabilities to banks	Other financial liabilities	Lease liabilities	Exit put	Total
01.01.2019	**12,744**	**3,012**	**-**	**1,223**	**16,979**
Raising loans and other borrowed funds	17,193	-	-	-	17,193
Repayment of lease liabilities	-	-	(337)	-	(337)
Repayment of loans and other borrowed funds	(542)	(1,131)	-	-	(1,673)
Interest paid	(222)	-	(10)	-	(232)
Total change in cash flows from financing activities	**16,429**	**(1,131)**	**(347)**	**-**	**14,951**
New leases according to IFRS 16	-	-	849	-	849
Changes due to the acquisition of subsidiaries	26,187	1,131	249	-	27,567
Interest expense	663	187	19	109	978
31.12.2019	**56,023**	**3,199**	**770**	**1,332**	**61,324**

Reconciliation of movements of liabilities to cash flows from financing activities for the comparative period

	Liabilities to banks	Other financial liabilities	Lease liabilities	Exit put	Total
01.08.2018	**-**	**-**	**-**	**-**	**-**
Raising loans and other borrowed funds	12,740	-	-	-	12,740
Interest paid	(31)	-	-	-	(31)
Total change in cash flows from financing activities	**12,709**	**-**	**-**	**-**	**12,709**
Non-cash purchase price loan	-	3,000	-	-	3,000
Non-cash grant of a purchase option	-	-	-	1,223	1,223
Interest expense	35	12	-	-	47
31.12.2018	**12,744**	**3,012**	**-**	**1,223**	**16,979**

27. Trade payables and other current liabilities

Trade and other current liabilities break down as follows:

in € k	31.12.2019	31.12.2018
Trade payables	2,450	885
Other liabilities	4,466	1,934
Trade and other payables	**6,916**	**2,819**

Explanatory notes on the liquidity risks of the Group in respect of trade payables and other liabilities can be found in Note 31.

28. Other provisions

Other provisions developed as follows:

in € k	Warranties	NCI Put Provision	Total
01.01.2019	**84**	**-**	**84**
Adopted as part of a business combination	95	-	95
Provisions utilised	(41)	-	(41)
Provisions recognised	149	327	476
31.12.2019	**287**	**327**	**614**
Thereof non-current	163	327	490
Thereof current	125	-	125

The provision formed for the NCI put is composed of €83 k of personnel expenses arising from share-based remuneration and € 245 k of finance costs arising from remeasurement. Please refer in this regard to Note 36.2.

29. Contingent liabilities

Liabilities to banks are secured by assigning fixed and current assets as well as land charges as security.

IV. Financial instruments

30. Classification and fair values

The Group has financial instruments that are not measured at **fair value** in the statement of financial position. In the case of these instruments, the fair values do not differ significantly from the carrying amounts as the interest receivables and interest payables are either almost equal to the current market rates or the instruments are short term.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy. It does not contain information on the fair value of financial assets and financial liabilities that are not measured at fair value if the carrying amount represents an appropriate approximation of the fair value.

31.12.2019

	Carrying amount			Fair value			
in € k	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Assets not measured at fair value							
Trade receivables	5,848	-	5,848				
Other receivables	655	-	655				
Lease receivables	1	-	1				
Cash and cash equivalents	17,171	-	17,171				
Total	**23,675**	**-**	**23,675**				
Financial liabilities not measured at fair value							
Secured bank loan	-	56,023	56,023	-	56,023	-	56,023
Unsecured loans	-	3,199	3,199	-	3,199	-	3,199
Liability for the acquisition of the remaining 30% of shares of Palas (Note 26).	-	1,332	1,332	-	-	1,332	1,332
Trade payables	-	2,450	2,450				
Other liabilities	-	4,466	4,466				
Total	**-**	**67,469**	**67,469**				

Financial instruments not measured at fair value

Type	Financial liabilities
Measurement method	Discounted cash flows: The valuation model takes account of the present value of the expected payments discounted using the effective interest rate.

31.12.2018

in € k	Carrying amount: Financial assets at amortised cost	Carrying amount: Other financial liabilities	Carrying amount: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Assets not measured at fair value							
Trade receivables	1,196	-	1,196				
Other receivables	181	-	181				
Cash and cash equivalents	31,578	-	31,578				
Total	**32,955**	**-**	**32,955**				
Financial liabilities not measured at fair value							
Secured bank loan	-	12,744	12,744	-	12,744	-	12,744
Unsecured loans	-	3,012	3,012	-	3,012	-	3,012
Liability for the acquisition of the remaining 30% of shares of Palas (Note 26)	-	1,223	1,223	-	-	1,223	1,223
Trade payables	-	885	885				
Other liabilities	-	1,934	1,934				
Total	**-**	**19,798**	**19,798**				

31. Financial risk management

The Company's Executive Board bears the responsibility for the setup and control of risk management.

The managing directors at the level of the subsidiaries are responsible for the risk management. Appropriate processes for payables and receivables management, liquidity planning, monthly reporting, etc., are implemented for Palas and IHSE.

Credit risks

A credit risk is the risk that a contracting party for a transaction involving a financial instrument fails to meet its obligations causing financial losses at the Company. The credit risk essentially arises from trade and other receivables.

The carrying amount of financial assets represents the maximum exposure to credit risk.

The Group held cash and cash equivalents of € 17,171 k as at 31 December 2019 (31 December 2018: € 31,578 k). Thus, this amount represents the maximum exposure to credit risk in terms of these assets. The cash and cash equivalents are deposited at banks or financial institutions that are rated AA- to AA+. The Executive Board continuously monitors the financial situation of the banks in which credit balances are held.

The Group’s exposure to credit risk is influenced mainly by the individual traits of each customer. However, the Executive Board also considers the characteristics of the overall customer base, including the credit risk of the industry and country in which customers operate, as these factors can also have an influence on credit risk. Detailed explanatory notes on the concentration of revenue in certain areas can be found in Note 7.

The general economic conditions in Germany, in the eurozone and in Asia and America are actively observed. The Group limits it credit risk on trade receivables by concluding trade credit insurance or by agreeing advance payments on larger orders.

To determine any necessary loss allowances, the Group has introduced a process that enables an assessment of the losses already expected on trade receivables. Please refer in this regard to Note 20.

The maximum exposure to credit risk for trade receivables on 31 December 2019 is as follows. Trade credit insurance and letters of credit are deducted for trade receivables or taken into account as part of the loss given default.

in € k	31.12.2019	31.12.2018
Trade receivables	5,848	1,195
Cover due to trade credit insurance and letters of credit	(748)	(663)
Maximum default risk	**5,100**	**533**

Liquidity risks

Liquidity risk is the risk that the Company possibly will not be able to meet the obligations associated with its financial liabilities. The Executive Board monitors the liquidity position and current and future expected outflows of funds as part of budget planning and continuous controlling.

The Group has secured bank loans which include covenants. A future breach of the covenants can lead to the loans being subject to early repayment. In line with the agreements, the covenants are systematically monitored by the Group and regularly reported to the Executive Board in order to ensure compliance with the loan agreements.

The contractual remaining terms of financial liabilities at the end of the reporting period including estimated interest payments are presented below. These are undiscounted gross amounts including contractual interest payments, though without the effects of offsetting.

31.12.2019

		Contractual cash flows				
in € k	Carrying amount	Total	up to 12 months	1-2 years	2-5 years	> 5 years
Secured bank loan	56,023	(65,031)	(6,678)	(6,479)	(20,519)	(31,356)
Unsecured loans	3,199	(3,793)	(133)	(1,135)	(2,525)	-
Liability for the acquisition of the remaining 30% of shares of Palas	1,332	(1,875)	-	-	(1,875)	-
Lease liabilities	770	(792)	(439)	(331)	(22)	-
Trade payables and other liabilities	6,916	(6,916)	(6,916)	-	-	-
Non-derivative financial liabilities	**68,240**	**(78,407)**	**(14,165)**	**(7,945)**	**(24,942)**	**(31,356)**

31.12.2018

		Contractual cash flows				
in € k	Carrying amount	Total	up to 12 months	1-2 years	2-5 years	> 5 years
Secured bank loan	12,744	(15,259)	(1,503)	(1,472)	(4,214)	(8,070)
Unsecured loans	3,012	(3,783)	-	-	(3,783)	-
Liability for the acquisition of the remaining 30% of shares of Palas	1,223	(1,875)	-	-	-	(1,875)
Trade and other payables	2,819	(2,819)	(2,819)	-	-	-
Non-derivative financial liabilities	**19,798**	**(23,735)**	**(4,323)**	**(1,472)**	**(7,996)**	**(9,945)**

Market risks
Market risk is the risk that the fair value or future cash flows of a financial instrument change due to fluctuations in market prices. A distinction is made between three categories of risk: currency risk, interest rate risk and other market risk.

Currency risk: Due to its global orientation, the BCM Group is exposed to a series of currency risks. In this regard a distinction is made between transaction and translation risk.

Transaction risk: Transaction risks arise due to exchange-rate related changes in value of primary financial instruments and the conclusion of transactions with international contracting parties, where these result in future cash flows in foreign currency that are not denominated in the functional currency of the respective entity. As part of financial risk management processes within group management, currency risks are continuously monitored and managed using commensurate mitigating measures by the finance departments of the respective entities. The objective of risk management is to limit to an acceptable level the effects of currency risk on future cash flows. The currency risk is partially mitigated insofar as goods and services are procured in the relevant foreign currencies. Group entities are responsible for identifying, assessing and monitoring their transaction-related foreign currency risks.

Translation risk: Some group entities are outside of the eurozone. As the consolidated financial statements are prepared in euro, the Company translates the financial statements of these entities into euro, which can result in exchange rate-related differences. Mitigating these differences is not the primary objective within currency risk management. For each currency representing a significant risk for the business, a sensitivity analysis is conducted based on the following assumptions: All monetary financial instruments of the Group that are not denominated in the functional currency of the respective single entities are considered for the sensitivity analysis. As a result, translation risks are not considered. The hypothetical effects on profit and loss and in equity for each primary individual item incorporated in the sensitivity analysis are determined by comparing the carrying amount (calculated using the closing rate) with the translation amount that results from using a hypothetical exchange rate. If the EUR/USD exchange rate were to be 10% higher, the earnings before tax would be € 48 k lower. If the EUR/USD exchange rate were to be 10% lower, the earnings before tax would be € 58 k higher. The Group holds financial assets and financial liabilities solely in the functional currency.

Interest rate risk: Interest rate risks arise where the fair value of financial instruments fluctuates due to changes in market interest rates. To assess the interest rate risk, financial instruments are divided pursuant to IAS 32 into fixed and variable interest rates. Interest rate risks arise for floating rate liabilities to banks. The loans taken out by the Group are in part subject to interest rates that are linked to the development of EURIBOR. In order to mitigate risks from a future rise in the EURIBOR, the Group entered into interest rate cap contracts. For a reference amount of € 6,229 k, the positive market value of the cap as at the reporting date amounts to € 1 k. The market value of the interest rate hedge is discounted to 31 December 2019 and the calculation is based on the generally recognised Bachelier mathematic model and the market data available at the calculation date. There are currently no significant interest rate risks.

V. Other disclosures

32. Operating segments

The Group currently comprises two strategic divisions, which represent the reportable segments of the Group. The segments offer different products and services and are separately administrated since they operate in different markets and therefore require different technology and marketing strategies. For each segment, the Executive Board of BCM AG reviews internal management reports on a monthly basis.

The operating segment **Environmental Technologies** comprises businesses in the field of development, production and distribution of fine dust and nano measurement devices, aerosol spectrometers and generators as well as filter test rigs.

The operating segment **Security Technologies** comprises businesses in the field of development, production and distribution of high-performance devices for the switching and extension of computer signals Since this segment refers to IHSE, the expenses and income of which are included in the consolidated financial statements only for December 2019, the informative value of the figures is limited.

Since the operating activities of the Group as well as their segment reporting substantially depends on further company acquisitions, substantial adjustments to both the definition of segments as well as the figures reported on a regular basis can occur. Information on the distribution of revenue to the groups of products and services can be found in Note 7. Segment reporting is according to management accounting, which for the most part complies with IFRS. Non-current assets are almost wholly in Germany.

	Reportable segments									
	Environmental Technologies		Security Technologies		Total		Central areas		Total	
in € k	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	13,835	1,098	2,726	-	16,561	1,098	-	-	16,561	1,098
Adjusted EBITDA	4,999	313	767	-	5,766	313	(2,997)	(1,156)	2,770	(843)
Share-based payment									(180)	-
Cost of purchase of subsidiaries									(1,320)	(471)
EBITDA									1,270	(1,314)
Trade working capital*	3,527	4,788	11,010	-	14,538	4,788	(462)	(196)	14,075	4,592
Cash and cash equivalents	3,407	2,129	6,583	-	9,990	2,129	7,181	29,448	17,171	31,578
Non-current debt	15,112	15,948	40,777	-	55,889	15,948	-	-	55,889	15,948
Sales by region										
Germany	4,175	534	215	-	4,390	534	-	-	4,390	534
Rest of Europe	**4,658**	**242**	**307**	**-**	**4,966**	**242**	**-**	**-**	**4,966**	**242**
France	1,323	-	14	-	1,337	-	-	-	1,337	-
United Kingdom	1,220	-	-	-	1,220	-	-	-	1,220	-
Other	2,115	242	294	-	2,409	242	-	-	2,409	242
Rest of world	**5,002**	**321**	**2,204**	**-**	**7,206**	**321**	**-**	**-**	**7,206**	**321**
USA	2,397	-	2,030	-	4,427	-	-	-	4,427	-
China	556	-	70	-	626	-	-	-	626	-
Other	2,049	321	103	-	2,152	321	-	-	2,152	321
Total	**13,835**	**1,098**	**2,726**	**-**	**16,561**	**1,098**	**-**	**-**	**16,561**	**1,098**

* Trade working capital is composed of inventories and trade receivables less trade payables.

Information on important customers
Revenue with one customer in the Environmental Technologies segment accounts for € 2,035 k of the Group's total revenue.

33. Acquisition of subsidiaries

With completion on 16 December 2019, the Group acquired 100% of the shares (corresponding to 100% of equity instruments with voting rights) in IHSE Holding GmbH, with registered office in Oberteuringen and thus obtained control over this entity. The entity, collectively with its direct and indirect subsidiaries, especially IHSE GmbH, forms a group (**IHSE**). The total consideration paid amounted to € 110,170 k.

IHSE develops, produces and sells devices for switching and extension of computer signals. This acquisition has significantly advanced the goal of expanding the Group to a leading technology group. The acquisition was based on the Executive Board's expectation that it will sustainably increase the enterprise value of the Group over the long term. Up to their sale, the ownership interests of IHSE Holding GmbH were held by the Brockhaus Private Equity III fund and members of IHSE management.

The investment of BCM AG in IHSE was made in several related closely-timed linked transaction steps. First, BCM AG acquired 100% of the shares of a shelf company in the legal form of a GmbH (German limited liability company) (acquisition vehicle) and renamed this to IHSE AcquiCo GmbH. After equipping IHSE AcquiCo GmbH with the respective acquisition financing, this entity acquired the shares in IHSE Holding GmbH.

In part, the shares in IHSE Holding GmbH were initially acquired by BCM AG by issuing 613,274 new shares and then contributed to IHSE AcquiCo GmbH. The issuance of new shares in BCM AG was made at an issue price of € 32.00 per share.

Technically, first consolidation occurred as at 1 December 2019. In the period from 1 December to 31 December 2019 IHSE contributed revenue of € 2,726 k and a loss of € 1,542 k to group performance. Had the acquisition taken place on 1 January 2019, Group revenue would have amounted to € 54,290 k, EBITDA to € 15,985 k (adjusted EBITDA: €16,166 k) and profit for the period € 1,314 k. When calculating these amounts, management assumed that the adjustments to the fair values that were preliminarily determined as at the date of acquisition would have also been applicable had the acquisition taken place as at 1 January 2019, the financing structure following acquisition had already existed at the beginning of the year and the costs of acquisition had not been incurred in the reporting period. Please refer in this regard also to Note 6.

Consideration transferred

In addition to cash, the consideration transferred also included 613,274 shares of BCM AG. The fair values of each main group of considerations applicable at the date of acquisition are summarised below:

in € k	
Cash and cash equivalents	90,545
Shares of BCM AG	19,625
Total consideration transferred	**110,170**

The measurement of the fair value of the BCM AG shares newly issued as consideration was made based on the shares issued at € 32.00 each to non-group investors also in December 2019. The cash raised in the course of the capital increase concerned amounted to € 55,534 k and was fully used for the payment of the cash components of the purchase price and the repayment of the existing financial liabilities of IHSE, respectively.

Cost related to the acquisition

The Group incurred acquisition-related costs of € 1,320 k for legal advice, due diligence, notarial records, W&I insurance and real estate transfer tax. These costs are recorded in other operating expenses.

Identifiable assets acquired and liabilities assumed
Based on the proximity of the transaction timing to the reporting date, the measurement of the acquired assets and assumed liabilities is subject to the proviso of being provisional. Adjustments may be made within the 12-month measurement period following the acquisition. The following summarises the recognised amounts of assets acquired and liabilities assumed as at acquisition date.

in € k	
Property, plant and equipment (including right-of-use assets)	9,542
Intangible assets	60,407
Inventories (including order book)	8,131
Trade and other receivables	5,106
Cash and cash equivalents	4,706
Deferred tax assets	823
Current tax liabilities	(508)
Deferred tax liabilities	(15,838)
Provisions for warranties	(95)
Liabilities to banks	(26,187)
Lease liabilities	(249)
Trade and other payables	(5,025)
Identifiable net assets acquired	**40,813**

The acquired trade receivables have a gross amount of € 4,967 k and a fair value of € 4,524 k. Management estimates the contractual cash flows from these receivables that are not expected to be collected at € 443 k.

In the prior-year period, the purchase price allocation arising from the acquisition of Palas took place subject to the proviso of being provisional. Consequently, the Group reserved the right to make adjustments to the purchase price allocation in the 12-month measurement period after the acquisition. Such adjustments were not made, with the result that the purchase price allocation arising from the acquisition of Palas in the prior-year period is the final state.

Goodwill
The goodwill was recognised as follows and results from the leading market position and many years of the successful and profitable growth trend of IHSE.

in € k	
Consideration transferred	110,170
Fair value of identifiable net assets	(40,813)
Goodwill	**69,357**

The total amount of goodwill that is expected to be deductible for tax purposes is zero.

34. List of subsidiaries

In addition to the Parent Company, nine indirect and direct subsidiaries are included in the consolidated financial statements. The following table shows the shareholding and the profit or loss of the consolidated entities.

Entity	Registered office	Equity interest	Equity (IFRS)	Profit or loss (IFRS)
IHSE AcquiCo GmbH	Oberteuringen	100.00%	94,710	(858)
IHSE Holding GmbH	Oberteuringen	100.00%	7,661	(556)
IHSE Beteiligungs GmbH	Oberteuringen	100.00%	22,887	4,109
IHSE GmbH	Oberteuringen	100.00%	11,540	(2)
IHSE Immobilien GmbH	Oberteuringen	100.00%	1,950	47
IHSE USA LLC	Cranbury, NJ, USA	100.00%	4,730	1,125
IHSE GmbH Asia Pacific Pte Ltd	Singapore	100.00%	1,301	436
Palas Holding GmbH	Karlsruhe	100.00%	21,835	2,399
Palas GmbH Partikel- und Lasermeß-technik	Karlsruhe	100.00%	6,043	241

The current legal interest in Palas Holding GmbH amounts to 70%. For information on the remaining equity interest of 30%, please refer to Note 26 regarding the application of the anticipated acquisition method.

35. Research and development expenses

The Group's research and development expenses amounted to € 345 k in the reporting period (prior year: € 52 k); of which € 265 k (prior year: € 48 k) is attributable to research expenses and non-capitalisable development expenses and € 80 k (prior year: € 4 k) is attributable to amortisation of capitalised development expenses.

36. Share-based payment

The total expense for share-based payments recorded in the reporting period amounted to € 180 k (of which € 97 k is settled in equity instruments and € 83 k in cash) (prior year: € - k). Please refer in this regard to Note 10.

36.1 Share option plan

By resolution of the annual general meeting of 27 June 2019, the Group initiated a share option plan for its employees and issued 77,500 options each for the acquisition of one share in the Parent Company in the reporting period. The reason for establishing the share option plan is that corporate management assumes that this represents a suitable performance incentive for the owners of the options for the purposes of raising the value of the Group. In line with the share option conditions, holders of exercisable options have the right to acquire shares in the value of the options on the grant date. The options are subject to a vesting period of four years after issuance and expire if the beneficiary's employment at the Group is terminated. A proportion of 1/48 of the respective allocated options vests monthly. Vesting of options is conditional on the long-term performance target, which requires an increase in the share price (incl. dividends) of a minimum of 15% from the date of the options being issued to their being exercised. Settlement is in the form of new shares in the Parent Company (equity instrument) against payment of the exercise price by the owner of the option. The Group is entitled but not obligated to pay a cash settlement to the owner of the option instead of equity settlement.

The resolution of the annual general meeting authorised the Executive Board, with the consent of the Supervisory Board, to issue at total of 425,000 share option rights within the scope of authorised capital. The development of outstanding options in the reporting period was as follows:

Options	Number	Exercise price* (€)
Options outstanding on 01.01.2019	-	-
In the reporting period...		
... options granted	77,500	30.00
... options forfeited	-	-
... options exercised	-	-
... options expired	-	-
Options outstanding on 31.12.2019	77,500	30.00
Options exercisable on 31.12.2019	-	30.00

* Weighted average exercise prices of share options

All options outstanding on the reporting date have an exercise price of € 30.00. The average remaining term is 3.7 years.

Options are valued at the issue date using a Monte Carlo simulation. The parameters used to value the options are shown in the following presentation:

Valuation parameters	
Weighted average share price	€ 30.00
Weighted-average exercise price	€ 30.00
Term of options	4 years
Expected volatility	19.5%
Expected dividend yield	0.0%
Risk-free rate	0.0%

A percentage rate of zero was set for the dividend yield as the option conditions include an adjustment mechanism. This mechanism provides for a reduction in the exercise price in the amount of the dividends paid per share over the term of the option. Early exercise of options was not taken into account in the valuation as this is not generally anticipated. The expected volatility was determined using the historical volatility of share prices of comparable companies. In this respect the expected volatility is based directly on historical volatility. For the determination of the fair value of options, the performance target of 15% increase in the share price over the term of the options was taken as an additional feature into account by eliminating the option proceeds on simulated prices below the performance target in the Monte Carlo model.

36.2 Cash-settled

A share-based payment agreement with cash settlement was concluded, which allows beneficiaries to participate in cash payments arising from an exit event in respect of their put options on shares from subsidiaries after a period of five years. The agreement requires the completion of a defined service period in future during which the services are to be provided continuously.

20% of the shares of beneficiaries are accrued in annual tranches and subsequently vested over a period of five years. The agreements stipulated an initial cliff vesting requirement of twelve months. In a bad leaver event, the Company is obligated to pay the lower of the cost of the share participation of the respective beneficiary and the current market price of the shares at the time of this event. In the case of a good leaver event, in respect of the vested participation the Company is obligated to pay the current market price of the pro rata participation of the respective beneficiary and, in respect of the non-vested participation, the pro rata entry costs incurred for the non-vested participation. A bad leaver event is typically triggered when the respective employment agreement between the beneficiary and the subsidiary is terminated for good cause or the beneficiary terminates the employment agreement without good cause within the control of the group entity being in place. A good leaver event is typically triggered when the employment agreement is terminated with proper notice by the subsidiary.

In respect of the amount of entry costs, the discounted amount is shown as financial liability (see Note 26).

The remaining entitlement of beneficiaries is recorded as a provision. This includes a component for the work performed, with the change for this being recognised in personnel expenses according to IFRS 2, and a component for the annual remeasurement of the Group's obligation, with the change for this being recorded in the financial result.

The personnel expense component was calculated at the issue date of the put option using the Black-Scholes model. The parameters used are shown in the following presentation:

Valuation parameters	
Fair value at issue	€ 1,875 k
Exercise price	€ 1,875 k
Term	5 years
Expected volatility	25.0%
Expected dividend yield	0.0%
Risk-free rate	0.0%

A percentage rate of zero has been set for the dividend yield as dividends from the entity concerned are largely improbable over the term. Early exercise was not taken into account in the valuation as this is also largely improbable. The expected volatility was determined using the historical volatility of share prices of comparable companies. In this respect the expected volatility is based directly on historical volatility. No further significant inputs were considered in the determination of fair value. Please refer to Notes 10 and 28.

37. Related party transactions

Related parties are understood as entities and individuals who are able to control BCM AG or to exert significant influence on its financial or business policy.

Such entities and individuals include key management within the Group and entities that are controlled by key management personnel or are under their significant influence.

Key management personnel
In respect of the Group, key management personnel include the members of the Executive Board and Supervisory Board of the Parent Company.

Members of the Supervisory Board subscribed to 163,254 shares of the Company in the course of the capital increases during the reporting period. Please refer in this regard to Note 22.

A member of the Executive Board has received from the Company a transfer of 47,804 shares of the Company as part of partial transfers back of the share loan. Owing to the structure of the legal function of the share loan, the volume and the outstanding balance of the transaction are presented with a value of zero. Please refer in this regard to Note 22.1.

Other related parties
Executive Board members hold positions in other entities, in which they have control or a significant influence on the financial and business policy of these entities.

Some of these entities conducted transactions with BCM AG in the reporting period.

Falkenstein Heritage GmbH, with registered office in Wetzlar, holds 26.7% of the voting rights in the Company. This entity is controlled by a member of the Executive Board of BCM AG.

Brockhaus Private Equity GmbH is a minority shareholder in the Company with 3.3% of the voting rights and is controlled by members of the Executive Board of BCM AG. A service relationship existed with Brockhaus Private Equity GmbH in the reporting period. This service relationship arises from the recharging of costs paid in advance by Brockhaus Private Equity GmbH for BCM AG and presented as expenditures of BCM AG. Further, a service relationship arising from a sublease agreement existed in the reporting period.

Falkenstein Heritage GmbH and Brockhaus Private Equity GmbH are parties to a share loan and – as part of this – have received partial retransfers totalling 1,075,668 shares of the Company in the reporting period. Owing to the structure of the legal function of the share loan, the volume and the outstanding balance of the transaction are presented with a value of zero. Please refer in this regard to Note 22.1.

A member of the Executive Board has a significant influence on Brockhaus Private Equity Management (Luxembourg) S.à r.l. in his function as one of the five directors. The shares acquired in IHSE Holding GmbH in the reporting period were partially sold to BCM AG by Brockhaus Private Equity Management (Luxembourg) S.à r.l. in its function as trustee.

The aggregated values of the transactions and the outstanding balances related to entities that are either controlled by or subject to the significant influence of key management personnel are as follows:

	Value of transactions		Outstanding balances	
in € k	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018	31.12.2019	31.12.2018
Acquisition of subsidiaries	97,233	-	-	-
Issue of shares	5,224	-	-	-
Subleases	114	44	-	-
Cost recharges	1	-	-	-

38. Events after the reporting period

On 31 January 2020 it was resolved to increase the share capital of the Company by € 150,686 to € 6,793,058. The capital increase, which resulted in € 4,822 k flowing to the Company, was entered in the commercial register on 20 February 2020.

Current developments in connection with the COVID-19 pandemic in 2020 suggest that global economic growth in the first half of 2020 will be adversely affected by the spread of the disease and the resulting disruption of economic activity. This could have a negative impact on the assets, liabilities, financial position and financial performance of the Group. In light of the current uncertainty, it is not possible to quantify the financial impact of the COVID-19 pandemic.

39. Fees for the audit firm

The total fee expensed for the independent auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, breaks down as follows:

in € k	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Audit of financial statements	241	79
Other assurance services	7	-
Other services	28	-
Total	**276**	**79**

The fee for audit services includes expenses for the audit of the consolidated financial statements and the audit of the annual financial statements.

40. Employees

The following overview shows the average number of employees of the Group:

Average number	01.01.2019 - 31.12.2019	01.08.2018 - 31.12.2018
Full-time	68	11
Part-time	25	5
Other	8	2
Employees total	**101**	**18**

The number of employees as at the reporting date was as follows:

Number	31.12.2019	31.12.2018
Full-time	137	52
Part-time	47	19
Other	17	8
Employees total	**201**	**79**

41. Company bodies

The members of BCM AG's Executive Board are:

> <u>Chairman of the Executive Board (CEO/ CIO):</u> Mr Marco Brockhaus, Königstein im Taunus
> <u>Member of the Executive Board (CAO/ Legal Counsel):</u> Dr Marcel Wilhelm, Kronberg im Taunus

The Supervisory Board of BCM AG consisted of four members in the reporting period and, unless other mandatory legal requirements apply, comprises the following:

> <u>Chairman: Dr Othmar Belker, interim CFO of a holding group, Kleinwallstadt</u>
> <u>Deputy Chairman:</u> Mr Michael Schuster, lawyer, Königstein im Taunus
> <u>Member of the Supervisory Board:</u> Mr Andreas Peiker, entrepreneur, Königstein im Taunus
> <u>Member of the Supervisory Board: Mr Martin Bestmann, managing director of a consulting firm, Neunkirchen am Brand (since 26 February 2020)</u>

42. Total remuneration of Board members

The Chairman of the Supervisory Board receives an annual fixed remuneration of € 60 k. The remaining members of the Supervisory Board each receive an annual fixed remuneration of € 30 k. In addition, the members of the Supervisory Board receive remuneration for their out-of-pocket expenses and remuneration of the respective VAT to be paid on their remuneration. The remuneration of the Supervisory Board amounted to € 143 k (prior year: € 83 k) in the reporting period.

The remuneration of members of the Executive Board amounted to € 880 k (prior year: € 300 k) in the reporting period.

43. Appropriation of profits

The loss carry forward of the prior year of BCM AG, together with the net loss for the reporting year, is carried forward to the following year. As at 31 December 2019 the Parent Company discloses an accumulated deficit pursuant to German GAAP (German Commercial Code) of € 6,848 k.

Frankfurt am Main, 28 April 2020

Marco Brockhaus	Dr Marcel Wilhelm
Chairman of the Executive Board, CEO	Member of the Executive Board, Legal Counsel

The below auditor's report and financial statements referred to are both translations of the respective German-language documents.

Independent Auditor's Report

To Brockhaus Capital Management AG, Frankfurt am Main

Opinion

We have audited the consolidated financial statements of Brockhaus Capital Management AG, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements.

Basis for the Opinion

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

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

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters relating to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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, as well as to issue an auditor's report that includes our opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements 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 these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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 opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frankfurt am Main, 29 April 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Fox Wirtschaftsprüfer [German Public Auditor]	Kast Wirtschaftsprüfer [German Public Auditor]

Audited IFRS Consolidated Financial Statements of
BCM Group
from 1 August 2018 to 31 December 2018

Brockhaus Capital Management AG Consolidated financial statements for the short fiscal year 2018

For the period from1 August 2018 to 31 December 2018

Contents

Consolidated statement of comprehensive income

In € k	Notes	01.08.2018 - 31.12.2018	01.08.2017 - 31.07.2018 **
Revenue	6	1,098	-
Increase / decrease in finished goods and work in progress		(72)	-
Other own work capitalised		26	-
Total output		**1,052**	**-**
Other operating income	7	263	73
Cost of materials	8	(220)	-
Personnel expenses	9	(748)	(75)
Other operating expenses	10	(1,661)	(937)
Impairment on trade receivables	17	(14)	-
Depreciation and amortisation	11	(216)	(4)
Finance costs	10	(47)	-
Finance income		-	1
Financial result		(47)	1
Earnings before tax		**(1,577)**	**(943)**
Income tax	13	(59)	-
Profit or loss / total comprehensive income*		**(1,636)**	**(943)**

*The profit or loss and the total comprehensive income are fully attributable to shareholders of Brockhaus Capital Management AG.

** The previous year comparative figures relate exclusively to Brockhaus Capital Management AG, as there was no Group in the previous year. For this reason, comparability is limited.

Consolidated statement of financial position

In € k	Notes	31.12.2018	31.07.2018
Assets			
Property, plant and equipment	14	797	4
Intangible assets and goodwill	15	32,283	19
Non-current assets		**33,080**	**23**
Inventories	16	4,281	-
Trade receivables and other assets	17	1,377	109
Advance payments		76	-
Cash and cash equivalents	18	31,578	45,920
Current assets		**37,312**	**46,029**
Total assets		**70,392**	**46,052**
Equity and liabilities			
Subscribed capital	19	4,152	4,152
Capital increase not yet registered	20	3,000	-
Capital reserves	21	42,078	42,140
Accumulated losses		(2,636)	(1,000)
Equity		**46,594**	**45,292**
Non-current financial liabilities	22	15,948	-
Other provisions	24	42	-
Deferred tax liabilities	13	3,415	-
Non-current liabilities		**19,405**	**-**
Tax liabilities		235	-
Current financial liabilities	22	1,030	-
Trade payables and other liabilities	23	2,819	760
Contract liabilities	6	266	-
Other provisions	24	42	-
Current liabilities		**4,392**	**760**
Liabilities		**23,798**	**760**
Total assets		**70,392**	**46,052**

Consolidated statement of changes in equity

In € k	Notes	Subscribed capital	Capital increase not yet registered	Capital reserve	Accumulated loss	Equity
01.08.2017		**25**	**2,475**	**58**	**(58)**	**2,500**
Transactions with shareholders						
Registration of the capital increase		2,475	(2,475)	-	-	-
Transfer to free capital reserves		-	-	15	-	15
Proceeds from issuing shares		1,652	-	42,952	-	44,604
Costs of the capital increase		-	-	(885)	-	(885)
Profit or loss		-	-	-	(943)	(943)
31.07.2018		**4,152**	**-**	**42,140**	**(1,000)**	**45,292**
Transactions with shareholders						
Capital increase before registration	20	-	3,000*	-	-	3,000
Costs of the capital increase		-	-	(62)	-	(62)
Profit or loss / total comprehensive income		-	-	-	(1,636)	(1,636)
31.12.2018		**4,152**	**3,000**	**42,078**	**(2,636)**	**46,594**

* After entry of the capital increase in the Commercial Register, € 100,000 of the amount relates to subscribed capital and € 2,900,000 to capital reserves.

Consolidated statement of cash flows

In € k	Notes	01.08.2018 - 31.12.2018	01.08.2017 - 31.07.2018
Profit or loss		(1,636)	(943)
(Income taxes paid / income tax refunds	13	(318)	-
Income tax expense	13	59	-
Depreciation and amortisation	11	216	4
Financial result	12	47	(1)
(Increase) / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		495	(109)
Increase / (decrease) in trade payables and other liabilities not attributable to investing or financing activities		116	740
Increase /(decrease) in other provisions		1	-
Cash flow from operating activities		**(1,019)**	**(307)**
Acquisition of property, plant and equipment		(35)	(5)
Acquisition of intangible assets		-	(22)
Acquisition of subsidiaries, net of cash acquired	26	(25,999)	-
Cash flow from investing activities		**(26,033)**	**(27)**
Loans and other borrowed funds raised	22	12,740	-
Interest paid	22	(31)	-
Transfer to free capital reserves		-	15
Proceeds from the issue of shares		-	44,604
Costs of the capital increase		-	(885)
Cash flow from financing activities		**12,709**	**43,734**
Change in cash and cash equivalents		(14,343)	43,400
Cash and cash equivalents* at the beginning of the period		45,920	2,520
Cash and cash equivalents* at the end of the period	18	31,578	45,920

* (Note 18).

Notes to the consolidated financial statements

General information, methods and principles

1. Company information

Brockhaus Capital Management AG (**BCM AG** or the **Company** or **Parent Company**, together with its subsidiaries the **Group**) has its registered office in Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany and is registered in the Commercial Register of the Frankfurt am Main District Court under HRB 109637. The Company originated as a result of a conversion by means of a change in legal form of Eagle Fonds Verwaltungs- und Treuhand GmbH with its registered office in Frankfurt am Main (Frankfurt am Main District Court, HRB 78705) and registered in the Commercial Register on 19 September 2017.

The Company's purpose is the establishment of companies and the acquisition, the long-term holding, managing and supporting investments in companies, when appropriate the sale of such investments and providing services in connection with the above, such as support in sales, marketing, finance and general organisational and management activities and in acquiring financing. Furthermore, the purpose is exercising the business activity of a management holding of portfolio companies and providing services for the same (group services), granting loans to portfolio companies to the extent this does not require regulatory approval, and the development and implementation of new business concepts for portfolio companies and providing services and consulting for portfolio companies and third parties as well as providing services and consultancy services to companies, in particular the business alignment, business concept, capital resources, financing options and investments (management consultancy), to the extent this does not require regulatory approval. In the context of the business strategy, the Company's purpose is also to invest all liquid assets available to the Company which are not tied in portfolio companies, including in listed securities such as shares, profit participation certificates, other mezzanine instruments, debentures, funds, certificates or derivatives. In relation to its portfolio companies, the Company's purpose is long-term support and value increase.

The Group originated as a result of the acquisition of Palas Holding GmbH on 10 October 2018. The acquisition of Palas GmbH by Palas Holding GmbH took place on 6 December 2018. The period from 1 August 2018 to 31 December 2018 is the short fiscal year of the Parent Company.

2. Accounting policies

The consolidated financial statements are prepared for the first time and on a voluntary basis. The consolidated financial statements as at 31 December 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union, and the supplementary provisions in accordance with Section 315e(3) in connection with (1) of the German Commercial Code (HGB). IFRS includes the International Accounting Standards (IAS) the applicable International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC).

3. Basis of preparation

The financial statements are prepared on the basis of amortised cost. This excludes specific circumstances which are carried at revalued amount or fair value on the reporting date. A note to this effect can be found in the respective accounting policies.

Historical cost is generally based on the fair value of the consideration paid in exchange for the asset. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies irrespective of whether the price is directly observable or is estimated using a measurement method.

The consolidated financial statements comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements. The consolidated financial statements correspond to the classification requirements of IAS 1. In the interests of clarity, the items in the statement of comprehensive income and the statement of financial position are combined and further broken down and explained in the notes.

The accounting policies, as well as the explanations and further disclosures, are applied consistently. This does not include the new accounting methods shown in Note 4.q).

The presentation in the statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current when they are due or are settled within twelve months after the reporting period. The statement of comprehensive income is prepared to calculate the profit or loss and total comprehensive income.

In the statement of changes in equity in accordance with IAS 1.106 et seq. the development of each component in equity is shown within the reporting period and in the previous reporting period.

In the statement of cash flows in accordance with IAS 7 cash flows are recognised to show information on the movement of cash of the Company. Cash flows are broken down into those from operating activities, investing activities and financing activities. The total of the cash flows from the three sub-areas corresponds to the change of cash and cash equivalents.

The statement of cash flows is calculated using the indirect method for presenting cash flows from operating activities and using the direct method for the presentation of cash flows from investing and financing activities.

The fiscal year of the Company was changed so that there is a short fiscal year from 1 August 2018 to 31 December 2018 (reporting period). From 1 January 2019, the fiscal year of the Company corresponds to the calendar year.

The consolidated financial statements are in euro (€), the functional currency of the Company. The amounts are thus stated in euro (€), thousands of euro (€ k) or millions of euro (€ million) rounded in accordance with standard commercial practice. As this rounding method is based on individual figures, adding the individual figures does not always result in exactly the total shown. Negative figures are shown in parentheses.

4. Accounting policies

Accounting was prepared under the going concern assumption. In preparing the financial statements, assets and liabilities as well as income and expenses are not offset unless a regulation requires this or expressly allows it.

a) Consolidation policies

<u>Business combinations</u>
Consolidation of subsidiaries takes place using the acquisition method (IFRS 3). Cost of a business combination is allocated to the identifiable assets acquired and liabilities and contingent liabilities assumed in accordance with fair values at the acquisition date. If it is positive any remaining difference is recognised as goodwill. After a reassessment any negative difference is recognised in profit and loss. Transaction costs are immediately recognised as an expense, provided they are not related to the issue of debentures or equity instruments.

Each obligation for consideration is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity. Otherwise other contingent considerations are measured at fair value as at each acquisition date, with subsequent changes in fair value of the contingent considerations recognised in profit or loss.

<u>Subsidiaries</u>
The consolidated financial statements include Brockhaus Capital Management AG and all its controlled subsidiaries (majority interests). In accordance with IFRS 10, control exists when an investor has decision-making rights, is exposed to variable returns or he has rights relating to the returns and as a result of his decision-making rights has the ability to affect the returns. It is generally assumed that having a majority of the voting rights constitutes control. To support this assumption and if the Group does not have a majority of the voting rights or comparable rights, it takes into account all relevant issues and circumstances when assessing if it has control over this company. This is the case, for example, if there is a present ability to exercise the control on the basis of potential voting rights or other contractual arrangements. The financial statements of the subsidiaries are prepared using uniform accounting policies and for the same reporting period as the financial statements of the Parent Company.

As at 31 December 2018, on the basis of control the following group companies are included in the consolidated financial statements (IFRS 10):

- Palas Holding GmbH, Karlsruhe
- Palas GmbH, Karlsruhe

Subsidiaries are included in consolidation from their acquisition date, i.e. from the date when the Group gains control. Inclusion in the consolidated financial statements ends when the Parent Company no longer has control. When the Group loses control of a subsidiary, it derecognises the assets and liabilities and all related non-controlling interests and equity components. Each occurring gain or loss is recognised at fair value.

Transactions eliminated at consolidation
All intragroup balances, transactions, income, expenses as well as gains and losses from intragroup transactions are eliminated in full.

b) Revenue from contracts with customers

The Group applied IFRS 15 for the first time as at 1 August 2018. Recognition of revenue takes place using a single, principle-based, five-step model that can be applied to all contracts with customers. Under this five-step model, Step 1 involves defining the contract with the customer. In Step 2, the separate performance obligations of the contract are to be identified. Following this (Step 3), the transaction price must be determined. There are explicit provisions in place regarding variable consideration, financing components, payments to customers and exchanges. After determining the transaction price, Step 4 is the allocation of the transaction price to the individual performance obligations. This is based on the standalone selling prices of the individual performance obligations. Finally, Step 5 is the recognition of revenue when (or as) the entity satisfies a performance obligation. This requires that control of the goods or service has passed to the customer.

In accordance with IFRS 15, when entering into a contract, it must be determined whether the revenue arising from the contract is to be recognised over time or at a point in time. On the basis of certain criteria it is first determined whether control of the performance obligation is transferred over time. If this is not the case, revenue is recognised at the point in time when control transfers to the customer. However, if control is transferred over a period of time, revenue may only be recognised over time to the extent that progress can be reliably determined using methods aligned to input or output.

Revenue recognition
Revenue is measured on the basis of the consideration agreed in a contract with a customer. The Group recognises revenue when control of a good or service is transferred to a customer. The table below provides information about the nature and timing of the fulfilment of performance obligations from contracts with customers and the related principles of revenue recognition.

Type of product / service	Nature and timing of the performance obligation, including significant payment terms	Revenue recognition in accordance with IFRS 15
Sale of standard measurement devices	Customers gain control over standard measurement devices when the products leave the company site (ex works) or are accepted by them there (transfer of rewards and risks). At this point, invoices are issued. Invoices are usually payable within 14 -30 days. Generally trade discounts and rebates are granted for standard measurement devices. The contracts do not grant the customer the right to return the acquired product. For customers not covered via the credit insurance, advance payments for part of the total purchase price are agreed. For orders with a total volume exceeding € 100,000 advanced payments totalling 70% are normal.	Revenue is recognised when the products leave the company site or are accepted there by the customer (transfer of control). Revenue is recognised taking account of trade discounts and rebates. Advance payments received are recognised in contract liabilities.
Production and sale of testing benches.	Palas manufactures testing benches for its customers. The testing benches are generally composed of various standard measuring devices. Generally advance payments are agreed. Production time depends on complexity. With standard testing benches the production time does not generally exceed six months. In rare individual cases, production time can be longer.	<u>Standard testing benches:</u> Revenue is recognised after delivery of the testing benches (transfer of control). <u>Customer-specific testing benches:</u> With customer-specific testing benches, revenue is recognised over a period of time in accordance with the cost-to-cost method. When incurred the related costs are recognised in profit or loss. Advance payments received are recognised in contract liabilities.
Repair of measurement devices	Palas provides repair services for measurement devices as required.	Revenue is realised at a point in time after the service is rendered.
Sale of software upgrades for testing benches (for additional evaluations)	Palas sells software for testing benches which enable extended evaluations. This software can either be acquired immediately with the testing bench or subsequently. This is standard software and not a customer-specific construction.	Revenue is realised with the transfer of the software to the customer.

The Group generates revenue with the sale of standard measuring devices and related system solutions (testing benches). Revenue from product sales is realised at the point in time the risks and rewards essentially related with ownership of the sold goods are transferred to the buyer, if is sufficiently probable that the economic benefits associated with the transaction will flow to the Group. The level of the revenue realised is based on the fair values of the consideration received or receivable, taking into account any trade discounts and volume rebates. The Group grants specific wholesalers (also called sales partners or distributors) rebates and trade discounts which are taken account of when realising revenue.

The contracts with customers do not provide for the right to return products within a set period. Goods may be returned on account of defects only within the regular warranty period.

Generally the Group receives short-term advances from its customers. As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfers of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

As required by law the Group generally grants a two-year warranty for the general repair of defects present at the point in time of the sale. These guarantees are accounted for in accordance with IAS 37 Provisions (Note 24).

c) Employee benefits

Short-term employee benefits
Obligations for short-term employee benefits are expensed as soon as the associated work is performed. A liability must be recognised for the amount to be paid if the Group currently has a legal or factual obligation to pay this amount on the basis of work done by an employee and the obligation can be reliably estimated.

Termination benefits
Termination benefits are recognised as an expense at the earlier of the following dates: when the Group no longer can withdraw the offer of such benefits or when the Group recognises costs for restructuring. If it not anticipated that the benefits are wholly settled within twelve months after the reporting period, they are discounted

Share-based payment arrangements
For share-based payment arrangements settled in cash the Group recognises a liability for the services received from the employees. The Group measures the fair value of the liability as at the end of each reporting period and on the settlement date. Changes in fair value are recognised in employee benefits expense. The liability is recognised over the vesting period.

d) Finance income and costs

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. In calculating interest income and interest expenses, the effective interest rate is applied to the gross carrying amount of the financial asset (if this is not credit-impaired) or to the amortised cost of the financial liability. On the other hand, for financial assets which are credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate on the amortised cost of the financial asset. If the asset is no longer credit-impaired, the calculation of interest income is again made on a gross basis.

e) Government grants

Government grants are recognised if there is sufficient certainty that the grants will be provided and that the company satisfies the associated conditions. Grants relating to expenses are recognised as income on a systematic basis over the period necessary to match them with the costs they are intended to compensate. Grants for an assets reduce the carrying amount of the asset. Government grants were granted for research and development projects. The conditions attached to these grants were completely fulfilled. There are no other uncertainties.

f) Current and deferred tax

Tax expense of a period is made up of current and deferred taxes. Taxes are recognised in profit or loss unless they relate to transactions that are recognised in other comprehensive income or recognised directly in equity. In these cases, the taxes are reported accordingly in other comprehensive income or directly in equity.

Current taxes are measured at the amount expected to be refunded by the tax authority/paid to the tax authority. The calculation of this amount is based on the tax rates and tax laws in effect as at the end of the reporting period.

Using the liability method for temporary differences as at the end of the reporting period deferred taxes are recognised between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax liabilities are recognised for all taxable temporary differences with the exception of

- deferred tax liabilities from the initial recognition of goodwill or an asset or liability from a transaction which does not constitute a business combination and, as at the transaction date, influences neither the profit or loss in accordance with IFRS, nor the taxable profit, and the
- deferred tax liabilities for taxable temporary differences in connection with investments in subsidiaries, associates or interests in joint ventures if the timing of the reversal of the temporary difference can be controlled and it is likely that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax loss carry forwards and unused tax credits to the extent that it is likely that future taxable income will be generated against which these deductible temporary differences and the unutilised tax loss and interest carry forwards and unused tax credits can be offset, with the exception of

> - deferred tax assets from deductible temporary differences due to the initial recognition of an asset or liability from a transaction that does not constitute a business combination and, as at the transaction date, influences neither the profit or loss in accordance with IFRS nor the taxable profit.
> - deferred tax assets for all taxable temporary differences in connection with investments in subsidiaries, associated companies and interests in joint ventures if it is probable that the temporary differences will not be reversed in the foreseeable future and that no sufficient taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is assessed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be at least partially utilised. Unrecognised deferred tax assets are assessed at the end of each reporting period and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. This is based on the tax rates (and tax laws) applicable at the end of the reporting period. The combined tax rate is 31%. Deferred tax assets and liabilities are offset if the company has a legally enforceable right to offset current tax assets against current tax liabilities and these relate to the same taxable entity and income taxes levied by the same taxation authority.

g) Property, plant and equipment

Property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment is derecognised either on disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising from the disposal of the asset are recognised in profit or loss.

The residual values, useful lives and methods of depreciation are reviewed at least at the end of every fiscal year and adjusted if necessary. Assets in property, plant and equipment are depreciated on a straight-line basis over their expected useful lives.

The useful lives applied are shown in the following overview.

> - Leasehold improvements: 10 years
> - Office equipment: 10 to 13 years
> - Other equipment, operating and office equipment: 3 to 10 years
> - Technical equipment and machinery: 3 to 10 years

For property, plant and equipment acquired in the context of business combinations the remaining useful life to be applied is determined primarily on the basis of the above useful lives and the useful lives already elapsed as at the acquisition date.

Impairment testing and recognising impairment losses and reversals of impairment losses is done on the basis of the procedure for intangible assets with finite useful lives (refer to h) intangible assets and goodwill).

h) Intangible assets and goodwill

Goodwill originating in the context of business combinations is measured at cost minus cumulative impairment losses.

Expenses for research activities are recognised in profit or loss as they occur.

Development expenses are capitalised only if the development costs can be measured reliably, the product or the process is technically and economically feasible, a future economic benefit is probable and the Group intends and has sufficient resources to conclude the development and to use or sell the asset. Capitalised development expenses are measured at cost less any cumulative amortisation and cumulative impairment losses.

Other intangible assets acquired by the Group and which have a limited useful life are carried at cost less any cumulative amortisation and cumulative impairment losses.

Subsequent expenditure is capitalised only if it increases the future economic benefit of the asset to which it relates. All other expenditure, including expenses for internally generated goodwill and internally created brand names is recognised in profit or loss when it is incurred.

Goodwill is tested for impairment on an annual basis, other intangible assets with limited useful life and property, plant and equipment only if there are concrete indications of impairment. An impairment loss is recognised in the statement of comprehensive income in the "Cumulative depreciation/amortisation and impairment losses" item when the recoverable amount of the asset falls below the carrying amount. Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The recoverable amount is the higher of the net realisable value and its value in use. Net realisable value is the amount that could be obtained from the sale of an asset in an arm's length transaction less the costs of disposal. The value in use is determined on the basis of the estimated future cash flows from its use and the disposal of an asset using the discounted cash flow method. Cash flows are derived from the long-term company planning which takes into account historical developments and macroeconomic trends. The value in use of the relevant cash-generating unit is used to calculate the recoverable amount of the goodwill.

Amortisation

Intangible assets are amortised over their estimated useful life on a straight line basis. Amortisation is recognised in profit and loss. Goodwill is not amortised. The estimated useful lives are:

> Patents and brands: 10 years
> Capitalised development costs: 5 years
> Software: 3 years
> Licenses and other rights: 3 to 10 years
> Customer relationships: 10 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted as necessary.

i) Inventories

The inventories of raw materials, consumables and supplies are recognised at the lower of the average purchase price and realisable values. Raw materials, consumables and supplies held are not written down below cost if the finished products in which they are incorporated are expected to be sold at least cost. Finished goods and work in progress are recognised at the lower of cost and net realisable value on the basis of individual costing, based on current management accounts. Costs include directly attributable material and manufacturing costs as well as appropriate portions of material and manufacturing overheads plus manufacturing-related depreciation and manufacturing-related administrative costs. General and administrative expenses and borrowing costs were not capitalised.

j) Financial instruments

Until 31 December 2017, the company classified the non-derivative financial assets in accordance with IAS 39 into the following categories:

> Financial assets measured at fair value through profit or loss (none at the reporting date)
> Held-to-maturity equity instruments (none at the reporting date)
> Loans and receivables
> Available-for-sale financial assets (none at the reporting date)

In the previous year, all financial instruments in the company were cash and cash equivalents and non-current liabilities.

The company classifies non-derivative financial liabilities as financial liabilities recognised at fair value through profit or loss, or as other financial liabilities.

The company recognised loans and receivables from the point in time they were incurred. All other financial assets and liabilities were initially recognised on the trading day when the company became contractual partner in accordance with the contractual regulations of the instrument.

The company derecognised a financial asset when the contractual rights relating to the cash flow from an asset expire or it transferred the rights to receive the cash flows in a transaction in which all material risks and rewards connected with the ownership of the financial asset were transferred. Derecognition also took place if the company neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset and did not retain control of the financial asset. Each share in such transferred financial assets, which arose or remained in the company, was recognised as a separate asset or liability.

Financial liabilities were derecognised when the contractual obligations were met or cancelled, or when they expired.

Financial assets and financial liabilities were offset and the net amount were reported in the statement of financial position if the company had a currently enforceable legal right to offset the recognised amounts and there was an intention either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Loan and receivables were measured at fair value on initial recognition, plus directly attributable transaction costs. In subsequent periods they were measured at amortised cost using the effective interest method.

A financial asset not classified at fair value though profit and loss was assessed at each reporting date to determine if there was any objective evidence that impairment had occurred.

The company took account of evidence of impairment for financial assets measured at amortised cost at the level of both the individual asset and at collective level. All assets which were individually significant were assessed for specific impairment. Those which specifically proved not to be impaired were subsequently assessed collectively for any impairment which occurred but had not yet been identified. Assets which were not individually significant were assessed for impairment on a collective basis by combining assets with similar risk characteristics in a group.

In the assessment of collective impairment, the company uses historical information on the timing of payments and the level of losses incurred, adjusted by an Executive Board judgement whether the current general economic conditions and the credit conditions are of a nature that the actual losses are larger or lower than the losses which are to be expected on the basis of historical trends.

An impairment is calculated as the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate of the asset. Losses are recognised in profit and loss. If the company had no realistic prospect to recover the assets, the amounts are written off. If an event occurs after the recognition of the impairment which results in a reduction in the level of the impairment, the impairment reduction is recognised in profit or loss.

A financial liability was recognised at fair value through profit or loss, if it is held for trading or classified as such at initial recognition. Directly attributable transaction costs were recognised in profit or loss as they occurred. Financial liabilities measured at fair value through profit or loss were measured at fair value and relevant changes which also impact all interest expects are recognised in profit or loss.

Other non-derivative financial liabilities were initially recognised at fair value less any directly attributable transaction costs. In subsequent periods these liabilities were measured at amortised cost using the effective interest method.

Other current liabilities are to be accounted for in accordance with IAS 39. On initial recognition, they were carried at fair value.

Since the application of IFRS 9 from 1 January 2018, classification takes place at initial recognition and the subsequent measurement of the financial asset depending on the business model of the company to manage its financial instruments and from the contractual cash flow characteristics of the financial instruments.

The Group’s business model to manage its financial instruments reflects how the company manages its financial assets to generate cash flows. Depending on the business model, cash flows arise from collecting contractual cash flows (“Hold” business model), the sale of financial assets (“Sell” business model) or both (“Hold and Sell” business model).

To ensure that a financial asset can be classified and measured as measured at amortised cost or fair value through other comprehensive income, cash flows must consist solely of payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at the level of the individual financial instrument.

<u>Initial recognition and measurement</u>
Financial instruments are contracts that give rise to both a financial asset at one entity and a financial liability or equity instrument at another entity. If the trade date and the settlement date differ for financial assets, the settlement date is decisive for initial recognition. A financial instrument is initially recognised at fair value, including transaction costs.

As at the reporting date, the Group only had primary financial assets and financial liabilities in the “amortised cost” category to be classified to the “Hold” business model. The Group has neither derivative financial instruments nor hedging relationships.

<u>Subsequent measurement</u>
Financial instruments at amortised cost are non-derivative financial instruments, which generate cash

flows solely from payments of principal and interest (cash flow characteristics test) and which are held to collect the contractual cash flows (business model test). The Group's financial instruments at amortised cost relate to trade accounts receivable and payable, other financial assets and financial liabilities, cash and cash equivalents as well as bank and other loans. Subsequent to their initial recognition, such financial instruments are measured at amortised cost using the effective interest method less impairment. Amortised cost is calculated by taking into account any discount or premium at acquisition and fees or transaction costs that are an integral part of the effective interest rate. For current financial assets and financial liabilities, the carrying amount is a reasonable approximation of the fair value.

Impairment loss

Impairment for financial assets measured at amortised cost is recognised on the basis of the expected credit loss. The ECLs are based on the difference between the contractually due cash flows and all cash flows which the Group expects to receive discounted at an approximation of the original effective interest rate. The forecast cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. A three-stage mode is used to allocate credit losses:

Stage 1: Expected credit losses for the next twelve months

Stage 1 includes all contracts with a material significant increase in credit risk since initial recognition. This generally includes new contracts and those whose payment are past due by less than 31 days. The expected credit losses which result from a default within the next twelve months are recognised.

Stage 2: Lifetime expected credit losses – not credit-impaired

A financial asset that has undergone a significant increase in credit risk but that is not credit-impaired is assigned to Stage 2. For trade receivables the simplified approach is used, where these receivables are allocated to Level 2 at initial recognition The estimate if a financial asset has experienced a substantial increase of the credit risk is based on an assessment of the default probabilities which is to be implemented at least once a quarter, which takes account not only of external rating information but also internal information on the credit quality of the financial asset. The expected lifetime credit losses of the financial asset are recognised as an impairment loss.

Stage 3: Lifetime expected credit losses – credit-impaired

If a financial asset is negatively impacted in terms of its rating or has defaulted, it is assigned to Level 3. The expected lifetime credit losses of the financial asset are recognised as an impairment loss. Objective evidence that a financial asset is credit-impaired or in default includes being past due by more than 90 days or other information on material financial difficulties of the debtor which indicate that the Group is not able to receive the outstanding contractual cash flows in full, with account being taken of every credit enhancement. A financial asset is written down when there is no realistic expectation that the contractual cash flows will be collected. In Level 1 and 2 the effective interest income is determined on the basis of the gross carrying amount. As soon as the rating of a financial asset is impaired and assigned to Level 3, the effective interest income is calculated on the basis of the net carrying amount (carrying amount less risk provisioning). Expected credit losses are calculated on the basis of global default probabilities. Impairment losses are recognised in the income statement under other operating expenses. Refer to Note 0 b) for information on the Group's credit risk.

Derecognition of financial assets

The Group derecognises financial assets when the contractual rights to receive the cash flows from the asset expire or when the contractual right to receive the cash flows is transferred and as a result substantially all the risks and rewards of ownership of the financial assets are transferred.

k) Subscribed capital

Ordinary shares

Costs directly attributable to the issue of shares are deducted from equity. Income taxes in respect to transaction costs in an equity transaction are recognised in accordance with IAS 12.

Share loan

Own shares held by the company on the basis on an unremunerated share loan are not accounted for as treasury shares as the company has no rights from these shares. The retransfer for the shares held on loan is to take place by the end of 2020, with the Company obtaining no income / expenses or other economic benefits / disadvantages.

l) Provisions

The level of provisions is determined by discounted expected future cash flows with the interest rate before taxes that reflects current market expectations in respect to the interest effect and the specific risks of the liability. Unwinding is shown as finance cost.

<u>Warranties</u>
A provision for warranties is recognised as soon as the relevant products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes by their associated probabilities.

m) Leases

Determining whether an arrangement is a lease is based on the substance of the arrangement at the time it is concluded and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

In the case of financial leases, in which basically all opportunities and risks associated with ownership of the lease asset are transferred to the Group, the lease asset is capitalised at the beginning of the lease term. The lease asset is recognised at the lower of fair value or the present value of the minimum lease payments. Lease payments are split into financial expenses and the repayment portion of the residual debt so as to produce a constant rate of interest on the remaining balance of the lease debt. Financial expenses are recognised in profit and loss. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the capitalised lease assets are fully depreciated over the shorter of the two periods, expected useful life and the term of the lease agreement.

Lease payments under operating leases (buildings, vehicle leases and other fittings and equipment) are recognised as an expense in the income statement on a straight-line basis over the lease term.

n) Fair value measurement

Assets and liabilities are measured at fair value, either at initial recognition or also on subsequent measurement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In measuring fair value it is assumed that the transaction in which the asset is sold or the liability is transferred takes place either:

> on the principal market for the asset or liability, or

> the most advantageous market if there is no principal market.

The Group must have access to the principal or the most advantageous market. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability. It is assumed that the market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group applies measurement methods that are appropriate in the circumstances and for which there are sufficient data to measure fair value. In doing so, the use of relevant, observable input factors is maximised and that of non-observable input factors is minimised.

All assets and liabilities for which the fair value has been calculated or reported in the financial statements are assigned to the following levels of the fair value hierarchy based on the lowest input factor that is material overall for measurement:

> <u>Level 1:</u> Quoted prices (unadjusted) in active markets for identical assets or liabilities

> <u>Level 2:</u> Valuation technique where the input factors of the lowest level material for the measurement of the fair value is directly or indirectly observable on the market.

> <u>Level 3:</u> Valuation technique where the input factors of the lowest level material for the measurement of the fair value is not observable on the market.

For assets and liabilities which are recognised on a recurring basis in the financial statements, the Group determines whether reclassifications between the hierarchy levels has taken place. This is done at the end of each reporting period by examining the classification (based on the input parameters of the lowest stage material overall for the measurement of the fair value).

In order to meet the requirements stipulated for notes to the financial statements, the Group has determined groups of assets and liabilities on the basis of type, characteristics, risks and levels in the above fair value hierarchy.

o) Other financial obligations

Other financial obligations are not recognised in the statement of financial position. They arise to the extent that the Group has a legal or factual external obligation as at the reporting date. The measurement takes place at fair value on initial recognition. Existing obligations under tenancy and leasing agreements are recognised off the balance sheet as continuing obligations. Contingent liabilities are measured at settlement amount.

p) Summary of measurement principles

The Group's measurement principles – to the extent there is no impairment – are described in summarised and simplified form below:

Statement of financial position item	Measurement
Assets	
Intangible assets	
with definite useful life	Amortised cost
with indefinite useful life	Impairment only approach
Property, plant and equipment	Amortised cost
Trade receivables	Amortised cost
Inventories	Lower of cost and net realisable value
Cash and cash equivalents	Amortised cost
Prepaid expenses	Amortised cost
Other financial assets	Amortised cost
Other non-financial assets	Amortised cost
Deferred tax assets	Non-discounted measurement at the tax rates that apply in the period when the asset is realised or the liability is settled.

Statement of financial position item	Measurement
Liabilities	
Liabilities to banks	Amortised cost
Deferred tax liabilities	Non-discounted measurement at the tax rates that apply in the period when the asset is realised or the liability is settled.
Income tax liabilities	Expected payment to tax authorities based on the tax rates applying on the reporting date or soon to apply
Trade payables	Amortised cost
Deferred income	Amortised cost
Other provisions	Expected discounted amount which will result to the outflow of resources
Other financial liabilities	Amortised cost

q) New and amended standards

<u>Effects of new accounting standards</u>
In the current short fiscal year, the Group applied the following reporting standards for the first time. However, they had no material impact on the earnings, asset and financial position. The overviews below show all standards relevant for the Group:

New or amended standards and interpretations - as applicable in the EU

Standard	Name	Mandatory application
IFRS 9	Financial Instruments	01.01.2018
IFRS 15	Revenue from Contracts with Customers	01.01.2018
IFRS 2	Amendments – Classification and Measurement of Share-based Payment Transactions	01.01.2018
	Annual Improvement to IFRS Standards 2014-2016 Cycle	01.01.2018

As a result of the first-time application of IFRS 9, there are no significant effects on the impairment losses of financial assets and on the change of the carrying amounts of financial assets and financial liabilities.

The first-time adoption of IFRS as at 1 January 2018 has no material impact on the Group.

Accounting standards and interpretations issued but not yet mandatory

The IASB and IFRS Interpretations Committee have issued the following standards, amendments to existing standards and interpretations that are not yet effective or whose IRFS adoption have not yet been endorsed by the European Union. The following IFRS and interpretations relevant for the Group have not yet been applied.

Standards and interpretations adopted from the EU that are not yet mandatory

Standard	Name	Mandatory application	Impact on BCM
IFRS 16	Leases	01.01.2019	See information below
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	No material impact expected
	Annual Improvements to IFRS Standards 2015-2017 Cycle	01.01.2019	No material impact expected

The following deals only with future changes of accounting whose impact on the earnings, asset and financial position of the Group – as far as is foreseeable – could be material.

In January 2016, the IASB published IFRS 16 (Leases), the new standard on accounting for leases, which is to replace IAS 17 (Leases) and the relevant interpretations. The new standard is effective for fiscal years beginning on or after 1 January 2019. It introduce a uniform accounting model for lessees in which assets for rights of use granted and corresponding leasing liabilities are to be recognised. In the future, for lessees there will no longer be any differentiation between operating leases for which assets and liabilities are currently not recognised and finance leases. However, IFRS 16 includes options for utilising exemptions for the recognition of short-term leases and low-value lease assets.

The Group will apply IFRS 16 for the first time for the fiscal year starting 1 January 2019, using the modified retrospective transition method. In this connection for leases in which a group company is a lessee various elections and convenience options can be used at the transition date. At initial application no reassessment is made whether the contract is or contains a lease. For contracts previously classified as operating leases, at the time of initial application the Group recognises the leasing liability at the present value of the outstanding lease payments, discounted using the respective incremental borrowing rate as at the date of initial application. From initial application, the right of use for the lease asset is measured at the amount of the lease liability. Initial direct costs are not included in the measurement of the right of use of the leased asset at the time of initial recognition. In exercising judgements the state of knowledge as at the time of initial application is applied.

The Group elects to exclude intangible assets from scope of IFRS 16 and treats individual leases which end in 2019 in line with the exemption provisions for short-term leases. This regulation is also applied for short-term leases after 31 December 2018.

In the context of the initial application of IFRS 16 as at 1 January 2019, additional leasing liabilities and relevant right-of-use assets at an anticipated level of approximately € 653,000 are recognised. As a result of the material increase in leasing liabilities, there will be a corresponding increase in net finance liabilities. Right-of-use assets in leasing objects (primarily buildings) will increase in line with leasing liabilities – taking account of adjustments from the initial application of IFRS 16. There were no initial application effects on equity.

In respect to the statement of comprehensive income, in the place of expenses for operating expenses previously recognised in other operating expenses in accordance with IFRS 16, depreciation of the rights in use and interest expenses for leasing liabilities are recognised. There is a similar effect in the statement of cash flows, where the application of IFRS 16 tends to result in an improvement of operating cash flow due to lower payments in operations, while the repayment portion of leasing payments and interest expense are recognised as elements of cash flow from financing activities.

5. Significant judgements, estimates and assumptions

In applying the accounting methods, some judgements are made that significantly influence the amounts in the financial statements. In addition, when preparing the financial statements assumptions and estimates about the future are to be made which can impact the carrying amounts of statement of financial position items and the level of income and expenses. The actual amounts may differ from these estimates. The most important assumptions about the future and other sources of estimate uncertainty, as a result of which material adjustments may become necessary, are elucidated below.

a) Judgements

Development costs

Development costs are capitalised in line with the accounting policies presented. The first-time recognition of costs is based on the group assessment that technical feasibility and commercial viability have been demonstrated. For example, an assessment is made on technical feasibility on the basis of prototype development of feasibility studies. Commercial viability is assessed on the basis of project planning which takes account of the necessary material and staff costs and their financing.

b) Estimates and assumptions

Key future assumptions and other key sources of estimation uncertainty as at the end of the reporting period that entail a considerable risk in the form of a need to make a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below.

Deferred taxes

In the Group deferred taxes are currently not recognised on unused tax loss carry forwards. No deferred tax is recognised for these circumstances as future positive taxable income was not sufficiently concrete at the time the financial statements were prepared. This assumption is reviewed by the management at each reporting date.

Accounting for business combinations

Business combinations are accounted for using the acquisition method. Goodwill from a business combination is initially measured at cost, calculated as the surplus of the business combination costs over the fair value of the acquired identified assets, liabilities and contingent liabilities. Costs incurred in the context of the business combination are recognised as an expense and posted in other operating expenses.

Determining the respective fair values of acquired assets and liabilities as at the acquisition date is subject to material estimate uncertainties. In identifying intangible assets depending on the type of intangible asset and the complexity of determining the fair value either assessments of external experts are used or the fair value is determined internally using an appropriate measurement technique whose basis is generally the forecast of the total estimated future cash flows. These assessments are closely related to assumptions and estimates made by the management on the future development of the relevant assets and the discount rate to be applied.

In connection with the acquisition of Palas GmbH, the Group entered into a purchase commitment with the existing owners. To show this commitment, the Group uses the anticipated acquisition method which shows the company acquisition in such a way as if this call option had already been exercised. This means that the shares on which the call option is based are already considered acquired as at the acquisition date with the result that there are no non-controlling shares (Note 26).

Provisions

A provision is recognised if the Group has a legal or factual obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and it is possible to reliably estimate the amount of the obligation (Note4.l) and Note 24). Such estimates are subject to material uncertainty.

Notes on the statement of comprehensive income

The statement of comprehensive income was prepared in accordance with the nature of expense method.

6. Revenue

a) Classification of revenue from contracts with customers

The Group generates revenue primarily from the sale of measuring devices and testing benches in the area of aerosol technology. Further sources of income are revenue from repair work.

The following table shows the breakdown of revenue from contracts with customers (IFRS 15) according to the most important product and services areas, key geographical markets and time of revenue recognition.

In € k	Particulate matter	Aerosols	Testing benches	Total
External customers				
Products sold	455	554	323	1,332
Services provided	13	8	-	13
External gross revenue	**468**	**562**	**323**	**1,353**
Revenue deductions	(101)	(115)	(66)	(282)
Revenue from contracts with customers	**367**	**447**	**257**	**1,071**
Date of revenue recognition				
Products transferred at a point in time	354	439	257	1,050
Products and services transferred over time	13	8	-	47
Revenue from contracts with customers	**367**	**447**	**257**	**1,071**
Key geographical markets				
Germany	86	237	186	509
Rest of Europe	165	78	-	242
Other countries	117	133	71	321
Revenue from contracts with customers	**367**	**447**	**257**	**1,071**

b) Income from short-term leasing of devices

The Group generates income from the short-term leasing of devices in accordance with IAS 17.

In € k	01.08.2018 - 31.12.2018	01.08.2017 - 31.07.2018
Income from short-term leasing of devices	26	-

c) Contract balances

The following table provides information on receivables and contract liabilities from contracts with customers:

In € k	31.12.2018	31.07.2018
Trade receivables	1,196	-
Contract liabilities	(266)	-

Contract liabilities contain advance payments from customers. Advance payments are of a short-term nature. € 213,000 relates to testing benches and € 52,000 to other measuring devices.

In the context of the acquisition of Palas GmbH, contract liabilities of € 163,000 were acquired. Of this amount, € 110,000 was recognised as revenue in the reporting period.

7. Other operating income

Other operating income breaks down as follows:

In € k	01.08.2018 - 31.12.2018	01.08.2017 - 31.07.2018
Reimbursement claims from due diligence costs	247	73
Investment subsidies IAS 20	11	-
Miscellaneous other operating income	6	0
Other operating income	**263**	**73**

8. Cost of materials

Cost of materials breaks down as follows:

In € k	01.08.2018 - 31.12.2018	01.08.2017 - 31.07.2018
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale	208	0
Cost of purchased services	12	0
Cost of materials	**220**	**0**

9. Personnel expenses

Staff costs break down as follows:

In € k	01.08.2018 - 31.12.2018	01.08.2017 - 31.07.2018
Wages and salaries	690	63
Social security and post-employment expenses	59	13
Personnel expenses	**748**	**75**

10. Other operating expenses

Other operating expenses break down as follows:

In € k	01.08.2018 - 31.12.2018	01.08.2017 - 31.07.2018
Costs from the acquisition of subsidiaries	471	-
Due diligence costs	441	191
Legal and consulting expenses	81	121
Preparation and audit of financial statements	199	127
Supervisory Board compensation	83	120
Costs of premises	70	41
Advertising costs and travel expenses	65	156
Insurance and contributions	24	44
IT costs	19	28
Staff recruitment	-	83
Other costs	208	28
Other operating expenses	**1,661**	**937**

Costs from the acquisition of subsidiaries result primarily from legal services and due diligence for the purchase of Palas GmbH. Please see Note 26 for further information. On the other hand, the due diligence costs relate to the detailed examination of potential company acquisitions, which were either discontinued in the reporting period or were still be processed as at the reporting date.

The financial statement costs relate primarily to the creating and audit of the purchase price allocation and the accounting recognition of the company acquisition and the introduction of accounting in accordance with IFRS related to the Palas companies.

11. Depreciation and amortisation

Depreciation and amortisation of € 216,000 relates to property, plant and equipment, amortisation of intangible assets and impairment.

Amortisation also includes amortisation on assets capitalised in the context of business combinations. It breaks down to the capitalised assets as follows:

In € k	
Brands	14
Order backlog	75
Basis technology	58
Customer relationships	40
Total	**188**

12. Financial result

Financial costs include interest expense from financial liabilities measured at amortised cost of € 47,000.

13. Income taxes

Income taxes recognised in the profit or loss broke down as follows:

In € k	01.08.2018 - 31.12.2018	01.08.2017 - 31.07.2018
Current tax expense		
Current year	118	-
Deferred tax income		
Reversal of temporary differences	(59)	-
Total	**59**	**-**

Deferred taxes result entirely from temporary differences.

a) *Change in deferred taxes*

Deferred tax liabilities at the level of individual statement of financial position items are shown in the following overview:

				31.12.2018	
In € k	01.08.2018	Acquired as a result of business combinations	Recognised in profit or loss	Net	Deferred tax liabilities
Other intangible assets	-	3,473	(59)	3,415	3,415

b) *Reconciliation of the effective tax rate*

Differences between the theoretical income tax expense anticipated on the basis of the calculated tax rate and current income tax expense is shown in the table below. The tax rate used on based on the German income tax rate. In the previous year there were no facts relating to income tax, which is why there is no presentation here.

The German tax rate is composed of corporation tax of 15%, plus the solidarity surcharge of 5.5% and a trade tax of approximately 15.1%. The trade tax rate is based on the trade tax assessment rate of 430%.

In € k		01.08.2018 - 31.12.2018
Profit before income taxes		**(1,577)**
Taxes on the basis of the company's German tax rate	**31%**	**487**
Non-deductible operating expenses	(2%)	(26)
Tax-free income	1%	11
Losses of the current year for which no deferred tax assets were recognised	(34%)	(531)
Income taxes	**(4%)**	**(59)**

c) *Unrecognised deferred tax assets*

As at the reporting date, the group companies have tax loss carry forwards of € 3,177,000 which would result in a tax effect of € 1,009,000.

No deferred tax assets were recognised for tax loss carry forwards as future taxable income at the level of the relevant company was not sufficiently specific at the time the financial statements were being prepared.

Notes on the statement of financial position

14. Property, plant and equipment

Property, plant and equipment is composed as follows:

In € k	Technical equipment and machinery	Operating and office equipment	Total
Cost			
01.08.2017	**-**	**-**	**-**
Additions	-	5	5
Disposals	-	-	-
31.07.2018	**-**	**5**	**5**
Acquisitions through business combinations	514	264	778
Additions	26	8	35
Disposals	-	(0)	(0)
31.12.2018	**541**	**277**	**818**
Cumulative depreciation/amortisation and impairment losses			
01.08.2017	**-**	**-**	**-**
Depreciation and amortisation	-	1	1
Disposals	-	-	-
31.07.2018	**-**	**1**	**1**
Depreciation and amortisation	13	7	19
Disposals	-	-	-
31.12.2018	**13**	**8**	**20**
Carrying amounts			
01.08.2017	-	-	-
31.07.2018	-	4	4
31.12.2018	**528**	**269**	**797**

In the short fiscal year 2018, there were no indications for impairment on property, plant and equipment in accordance with IAS 36.

Within the Group there are still no restrictions on disposal and property, plant and equipment pledged as security for liabilities.

15. Intangible assets and goodwill

In the reporting period, intangible assets developed as follows:

		Other intangible assets						
In € k	Goodwill	IT licenses, software	Development expenses	Website	Brands	Basis technology	Customer relationships	Total
Cost								
01.08.2017	**-**	**-**	**-**	**22**	**-**	**-**	**-**	**22**
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
31.07.2018	**-**	**-**	**-**	**22**	**-**	**-**	**-**	**22**
Additions from business combinations	22,001	36	351	-	1,700	3,500	4,800	32,388
Disposals	-	(3)	-	-	-	-	-	(3)
31.12.2018	**22,001**	**33**	**351**	**22**	**1,700**	**3,500**	**4,800**	**32,407**
Depreciation and amortisation								
01.08.2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation and amortisation	-	-	-	3	-	-	-	3
Disposals	-	-	-	-	-	-	-	-
31.07.2018	**-**	**-**	**-**	**3**	**-**	**-**	**-**	**3**
Depreciation and amortisation	-	2	4	3	14	58	40	121
Disposals	-	-	-	-	-	-	-	-
31.12.2018	**-**	**2**	**4**	**6**	**14**	**58**	**40**	**124**
Carrying amounts								
01.08.2017	-	-	-	-	-	-	-	-
31.07.2018	-	-	-	19	-	-	-	19
31.12.2018	**22,001**	**31**	**347**	**16**	**1,686**	**3,442**	**4,760**	**32,283**

In the reporting period, the purchase price allocation for the share acquisition of Palas GmbH was carried out. Please see Note 26 for further information. This resulted in the identification and initial recognition of intangible assets of € 10,000,000 which were capitalised in the Group's statement of financial position. The amount included primarily customer relationships (€ 4,800,000), brand names (€ 1,700,000) and basis technologies (€ 3,500,000). The identified intangible assets are allocated to the "Palas GmbH" cash-generating unit. At acquisition the identified intangible assets are measured at fair value. The fair value of brand names and basis technologies was calculated on the basis of the income approach using the relief-from-royalty method. The fair value of customer relationships was calculated on the basis of the income approach using the multi-period-excess-earning method. The useful lives of other written down intangible assets by class area break down as follows:

- IT, software, licenses, web site: 3 years
- Brands: 10 years
- Basis technology: 5 years
- Customer relationships: 10 years

Development expenses of € 347,000 are amortised over five years on a straight-line basis as soon as the development is concluded and manufacture of production parts starts.

For the impairment test the goodwill acquired in the context of the business combination with Palas GmbH was allocated to the “Palas GmbH” cash-generating unit.

The annual impairment test was performed for the first time as at 31 December 2018. There were no concrete indications of impairment. The value in use of the cash-generating unit is used to calculate the recoverable amount. “Palas GmbH” represents the cash-generating unit. Long-term company planning extends to the end of the detailed planning period in 2023. Key assumptions which have a sensitive reaction on the long-term planning, are not only the development of new business and raw material prices, but also productivity increases. These trends are assessed and determined using experience, based on publicly available data and on the basis of existing project agreements, but also on the basis of internal measures which have been resolved. Cash flows are discounted using an appropriate capitalisation rate (before tax) to the reporting date.

To determine the recoverable amount of the goodwill, the premises used in the table below are used:

In percent	2018
Discount rate	8.9
Long-term growth rate	1.0
Planned EBITDA growth rate (average of the next five years)	20

The total cost of capital used for discounting are based on the risk-free interest rate and a market risk premium. In addition, account is taken of the beta factor, borrowing costs and the capital structure, each of which is derived individually for the “Palas GmbH” cash-generating unit on the basis of a relevant peer group.

Sales growth rates for the relevant markets are used to calculate the cash flows. The assumptions made are subject to a certain sensitivity.

The amount by which the “Palas GmbH” cash-generating unit's recoverable amount exceeds its carrying amount is immaterial / close to zero. As a result of the proximity of the acquisition date to the reporting date, there is thus no impairment for the “Palas GmbH” cash-generating unit as at 31 December 2018.

16. Inventories

Inventories break down as follows:

In € k	31.12.2018	31.07.2018
Raw materials and consumables	2,100	-
Work in progress	604	-
Finished products	752	-
Order backlog	825	-
Inventories	**4,281**	-
Carrying amount of inventories pledged as security for liabilities.	**-**	**-**

In the context of the purchase price for the acquisition of shares in Palas GmbH, as at the acquisition date an order backlog (€ 900,000) was identified, covering binding orders for the next twelve months.

In the reporting period, there were neither write-downs impacting expenses nor reversals in the reporting period.

17. Trade and other receivables

Trade and other receivables are composed as follows:

In € k	31.12.2018	31.07.2018
Customer receivables	1,196	88
Other receivables	181	21
Receivables and other assets	**1,377**	**109**

Impairment is expected if certain circumstances apply, such as such as late payments over a certain period or the initiation of enforcement measures. The following table shows the allowance account with reference to trade receivables:

In € k	31.12.2018	31.07.2018
Opening balance	-	-
Impairment on receivables	14	-
Write-downs on trade receivables	**14**	**-**

18. Cash and cash equivalents

In € k	31.12.2018	31.07.2018
Bank balances	31,577	45,920
Cash on hand	1	0
Cash and cash equivalents in statement of financial position	**31,578**	**45,920**
Overdrafts used for cash management	-	-
Cash and cash equivalents in the statement of cash flows	**31,578**	**45,920**

Bank balances have variable interest rates for on-call deposits. The carrying amount of these assets is their fair value.

19. Subscribed capital

As at the 31 December 2018 reporting date, the Company's share capital was € 4,152,000. It is divided into 4,152,000 no-par bearer shares.

The distribution to the individual shareholders on the reporting date is as follow:

Shareholders group	Number of shares	% share
Brockhaus shareholders	826,000	19.9%
Pre-IPO investors	1,652,000	39.8%
BCM AG (share loan)	1,674,000	40.3%
Total	**4,152,000**	**100.0%**

As a result of the share loan, the distribution of the voting and dividend rights are as follows:

Shareholders group	Number of voting and profit participation rights	% share
Brockhaus shareholders	826,000	33.3%
Pre-IPO investors	1,652,000	66.7%
Total	**2,478,000**	**100.0%**

With the approval of the Supervisory Board, on 15 December 2017 the Annual General Meeting authorised the Executive Board to increase the share capital on one of more occasions by up to € 2,076,000 against cash contributions or contributions in kind by 14 December 2022, with it being possible to exclude the subscription right of shareholders (Authorised Capital 2017/I).

By resolution of the Executive Board and with the approval of the Supervisory Board on 21 December 2018, on the basis of a contribution in kind partially using Authorised Capital 2017/I the share capital of the Company was increased by € 100,000 against the issue of 100,000 new shares to € 4,242,000. The contribution in kind consisted of the shares in Palas Holding GmbH. As the non-cash capital increase has not been entered in the Commercial Register as at the reporting date, it is recognised in a separate item. Please refer to Note 20. The entry in the Commercial Register was made on 2 January 2019.

a) Share loan

On the transfer date of 21 December 2017, Brockhaus Capital Management AG (transfer date) initially transferred to the Company a total of 1,674,000 of its Brockhaus shares on the basis of a free unremunerated share loan (loaned shares) with all the related rights and obligations. Furthermore, on the transfer date the Brockhaus shareholders instructed KAS-Bank N.V., Frankfurt am Main, to transfer the loaned shares to the Company's securities account at Deutsche Bank AG, Frankfurt am Main.

The successive retransfer of the loaned shares to the Brockhaus shareholders took place at a ratio of 1:2 to new shares, created in the context of future capital increases. The purpose of this regulation is to restrict the share of voting and profit participation rights of the Brockhaus shareholders to a third. The share loan ends in full when all 5,000,000 new shares were issued to investors which are not Brockhaus investors and the Company's total share capital then amounts to € 7,500,000.

The loan has a maximum duration of three years, calculated from the transfer date, thus ending no later than the end of 20 December 2020. If there are still loaned shares in the possession of the Company at the end of the term, these loaned shares will be transferred to all the shareholders (including the Brockhaus shareholders) which as at the end of 20 December 2020 are company shareholders on a pro rata basis as a proportion of their stake at this time.

As a result of the non-cash capital increase of Brockhaus Capital Management AG in December 2018 in the course of the Palas transaction and the issue of 100,000 new shares, 50,000 loaned shares were transferred back to the Brockhaus shareholders in January 2019.

The Company has no rights from the treasury shares.

20. Capital increase not yet registered

The contributions made from the non-cash capital increase in December 2018 are not part of subscribed capital / capital reserves of the Company as at the reporting date until entry in the Commercial Register. As a result, a separate item was included in the statement of financial position. The entry in the Commercial Register was made on 2 January 2019.

An amount of € 100,000 increases the Company's share capital to € 4,252,000 and the contractual premium of € 2,900,000 increases the capital reserves to € 44,978,000.

21. Capital reserves

The capital reserves comprises transfers from the contractual premium minus costs for capital increases.

22. Financial liabilities

In € k	31.12.2018	31.07.2018
Secured bank loans	11,713	-
Liability from the acquisition of the remaining 30% stake in Palas Holding GmbH	1,223	-
Other liabilities	3,012	-
Non-current financial liabilities	**15,948**	**-**
Non-current part of secured bank loans	1,030	-
Current financial liabilities	**1,030**	**-**

Liability from the acquisition of the remaining 30% stake in Palas Holding GmbH: Please refer to Note 26.a).

Other liabilities: Other liabilities include an unsecured seller loan granted in connection with the acquisition of Palas GmbH.

For information on the extent to which the Group is exposed to interest rate and liquidity risks, please refer to Note 0.

Reconciliation of liabilities to cash flows from financing activities

	Liabilities	Equity			
In € k	Financial liabilities	Subscribed capital	To implement a capital increase	Capital reserves	Total
01.08.2018	-	4,152	-	42,140	46,292
Loans and other borrowing	12,740	-	-	-	12,740
Interest payments	(31)	-	-	-	(31)
Overall change of cash flow from financing activities	**12,709**	**-**	-	**-**	**12,709**
Interest expense	47	-	-	-	47
Non-cash grant of a call option	1,223	-	-	-	1,223
Non-cash offset against purchase price	3,000	-	-	-	3,000
Non-cash capital increase	-	-	3,000	-	3,000
Costs of the capital increase	-	-	-	(62)	(62)
31.12.2018	**16,979**	**4,152**	**3,000**	**42,078**	**66,209**

23. Trade and other current payables

In € k	31.12.2018	31.07.2018
Trade payables	885	166
Other liabilities from trade payables	904	594
Other liabilities	1,030	-
Trade and other payables	**2,819**	**760**

For information on liquidity risks relating to trade and other payables, please refer to Note 0.

24. Other provisions

In € k	Warranties
01.08.2018	-
Assumed as part of a business combination	83
Provisions made	1
31.12.2018	**84**
Of which non-current	42
Of which current	42

25. Contingent liabilities and other financial commitments

Contingent liabilities

There are no contingent liabilities as at the reporting date.

Liabilities from operating leases – Group as lessee

As at the reporting date, there are other financial commitments of € 734,000. These are due over the next fiscal years as follows:

	Up to 1 year	1 - 5 years	More than 5 years	Total
Operating leases	386	269	79	734
of which: buildings	331	281	79	628
of which: other operating and office equipment (mainly vehicle leases)	56	50	-	106
Other financial obligations	**386**	**269**	**79**	**734**

Liabilities from operating leases – Group as lessor

The Group has concluded operating lease for short term leases of standard measuring devices. The leases have a term of up to three months. The total of lease payments recognised as income in the reporting period is € 26,000 (Note 6).

Financial instruments

a) Classification and fair value

The Group disposed over financial instruments which are not measured at fair value in the statement of financial position. With these instruments most of the fair values are not significantly different from the carrying amounts as the interest receivables/liabilities are either close to the current market rates or the instruments are short term.

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their level in the fair value hierarchy. It does not contain information on the fair value for financial assets and financial liabilities not measured at fair value when the carrying amount is a reasonable approximation of fair value.

	Carrying amount			Fair value			
In € k	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Assets not measured at fair value							
Trade receivables	1,196	-	1,196				
Other receivables	181	-	181				
Cash and cash equivalents	31,578	-	31,578				
Total	**32,955**	**-**	**32,955**				
Financial assets not measured at fair value							
Secured bank loans	-	(12,744)	(12,744)	-	-	(12,744)	(12,744)
Unsecured loans	-	(3,012)	(3,012)	-	-	(3,012)	(3,012)
Liability from the acquisition of the remaining 30% stake in Palas Holding GmbH (Note 26)	-	(1,223)	(1,223)				
Trade payables	-	(1,789)	(1,789)				
Other liabilities		(1,030)	(1,030)				
Total	**-**	**(19,798)**	**(19,798)**				

Financial instruments not measured at fair value

Type	Financial liabilities*
Measurement method	Discounted cash flows: The measurement model considers the present value of the expected payments discounted with the effective interest rate.

* Financial liabilities include secured bank loans and unsecured loans and the obligation from an agreement with the previous owner of a subsidiary.

b) Financial risk management

The Company's Executive Board is responsible for the establishment and control of risk management.

At the level of the subsidiaries, the Managing Directors are responsible for risk management. In the case of Palas GmbH, relevant and appropriate processes for managing accounts payable and receivable, liquidity planning, monthly reporting etc. have been implemented.

Credit risks

A credit risk is the risk that one party to a financial instrument will cause a financial loss for the other company by failing to discharge an obligation. The credit risk results from trade receivables

The carrying amounts of the financial assets correspond to the maximum risk of default.

As at 31 December 2018, the Group holds cash and cash equivalents of € 31,578,000 (31 July 2018: € 45,920,000). The amount thus represents the maximum default risk on these assets. The cash and cash equivalents are deposited at banks and financial institutes which have ratings between AA- and AA+. On an ongoing basis, the Executive Board monitors the financial situation of the banks at which the deposits are held.

The default risk of the Group is impacted primarily by the individual characteristics of the customers. However, the Executive Board also takes into account the entire customer base, including the default risk of the industry and the countries in which its customers operate, as these factors could also impact the default risk. For detailed information on the concentration of revenue in certain areas, please refer to Note 6.

The general economic situation in Germany, the eurozone as well as in Asia and America remains under intensive observation. For trade receivables the Group limits its default risk by concluding trade credit insurance or by agreeing advance payments in the case of larger orders.

To determine any impairment which may be necessary the Group has introduced a process which allows an estimate of expected losses from trade receivables. Please see Note 17 for further information.

As at 31 December 2018, the maximum default risk for trade receivables is as follows: With trade receivables trade credit insurance and letters of credit are deducted or taken account of in the loss given default.

In € k	31.12.2018
Trade receivables	1,195
Protection through trade credit insurance and letters of credit	(663)
Maximum default risk	**533**

Liquidity risks

A liquidity risk is the risk that a company will encounter difficulty in meeting obligations associated with financial liabilities.

In the context of budget planning and ongoing controlling, the Executive Board monitors the liquidity situation as well as current and future outflows of liquid funds.

The Group has secured bank loans with covenants. A future violation against the covenant can result in the loan having to be paid back earlier. In line with the agreement the covenants are systematically monitored by the Group and reported regularly to the Executive Board so as to ensure compliance with the credit agreement.

Market risks

A market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. A differentiation is made between three types of risk: currency risk, interest rate risk and market price risk.

The Group holds financial assets and financial liabilities only in the functional currency. There are no material interest rate risks.

26. Acquisition of subsidiaries

On 6 December 2018, the Company legally acquired 70.0% of the shares and 80.9% of the voting rights in Palas GmbH Partikel- und Lasermesstechnik with its registered office in Karlsruhe ("Palas"), thus obtaining control over the company. As a result of the existing put option for the remaining 30% of the shares, which is recognised according to the anticipated acquisition method, the acquisition is presented as if 100% of the shares had been acquired. The total consideration transferred was € 35,118,000.

Palas develops and manufactures devices to generate and measure particulate matter and nanoparticles in air. The acquisition represents a major contribution to the intended expansion of the Group into a leading technology holding. It is anticipated that the acquisition will increase the Group's enterprise value on a long-term and sustained basis.

Until their sale, all shares in Palas were held by two Managing Partners. While one of the two partners sold all his shares to BCM AG and has withdrawn as Managing Director, the other Managing Partner reacquired an interest as part of the transaction and remains available as Managing Director for Palas.

The participation of BCM AG in Palas took place in several connected transaction steps within a short time frame. Initially BCM AG acquired a 100% stake in a German limited liability shelf company (acquisition company) which it then renamed Palas Holding GmbH. After providing Palas Holding GmbH with the relevant acquisition financing, Palas Holding GmbH acquired the entire stake in Palas of the withdrawing Managing Partner and transferred the previous stake of the second Managing Partner to Palas on the basis of a contribution in kind. As a result Palas Holding GmbH holds a 100% stake in Palas.

As a result of the transfer of the shares in Palas Holding GmbH to BCM AG by the remaining Managing Partner against the grant of 100,000 new shares in BCM AG, BCM AG now holds 70% of the shares in Palas Holding GmbH and the remaining Managing Partner 30% of the shares in Palas Holding GmbH. The 100,000 new BCM AG shares were issued at € 30.00 per share.

In the context of the negotiations and implementing the acquisition of Palas, the group undertook to the remaining Managing Partner to acquire his 30% stake at a subsequent point in time. To show this obligation, the anticipated acquisition method is used. Using this method, the company acquisition is shown as if the Managing Partner had already exercised his put option. This means that the shares on which the option is based are already considered acquired as at the acquisition date with the result that there are no non-controlling shares in the Group. The obligation from the option is recognised as financial liability (Note 22).

In the period from 6 December to 31 December 2018, Palas contributed revenue of € 1,098,000 and profits of € 220,000 to the group result. If the acquisition has taken place on 1 August 2018, according to Executive Board estimates group revenue would have been € 6,290,000 and the group loss for the short fiscal year € 581,000. In calculating these amounts, the Executive Board made the assumption that the provisionally calculated adjustments of the fair values made at the acquisition date would also have applied in the case of an acquisition on 1 August 2018.

a) Consideration transferred

The acquisition date fair values of each major class of consideration are shown below.

In € k	
Cash and cash equivalents	27,145
Seller loan granted	3,000
BCM AG shares	3,000
Other liabilities	750
Liability from the acquisition of the remaining 30% stake in Palas Holding GmbH	1,223
Total consideration transferred	**35,118**

b) Acquisition-related costs

In the Group there were acquisition-related costs of € 471,000 for legal services and due diligence. The costs are recognised in other operating expenses.

c) Identifiable purchased assets and liabilities assumed

Below there is a summary of the recognised amounts of purchased assets and liabilities assumed as at the acquisition date.

In € k	
Property, plant and equipment	778
Intangible assets	10,384
Inventories (including order backlog)	4,477
Trade receivables	1,723
Cash and cash equivalents	1,146
Tax liabilities	(444)
Deferred tax liabilities	(3,473)
Provision for warranties	(83)
Trade payables and other liabilities	(1,391)
Total identifiable acquired net assets	**13,117**

d) Goodwill

As a result of the acquisition, goodwill was recognised as follows.

In € k	
Consideration transferred	35,118
Fair value of identifiable net assets	(13,117)
Goodwill	**22,001**

27. List of subsidiaries

The consolidated financial statements included two indirect and direct companies. The table below shows the stake and the profits of the consolidated companies:

Company	Registered office	Share of capital	Equity (IFRS)	Annual result (IFRS)
Palas GmbH Partikel- und Lasermeßtechnik	Karlsruhe	100.00%	€ 5,801,904.93	€ 2,540,350.72
Palas Holding	Karlsruhe	100.00%	€ 19,435,431.78	€ (564,568.22)

The existing legal stake in Palas Holding GmbH is 70%. In respect to the remaining share of 30% in the capital, please refer to Note 26 on the application of the anticipated acquisition method.

In the period between 6 December 2018 and 31 December 2018, Palas GmbH generated a result of € 220,000.

28. Research and development expenses

In the reporting period, group research and development expenses totalled € 52,000, € 48,000 of which related to research expenses and development expenses which cannot be capitalised and € 4,000 to capitalised development expenses subject to amortisation.

29. Cash-settled share-based payment transaction

A cash-settled share based payment agreement was concluded which allows the beneficiaries to participate in cash payments from an exit event in respect to their put options on shares of subsidiaries after a period of five years. The agreement requires the completion of a specific future period of service, while the services are to be provided on an ongoing basis.

In accordance with the currently applied contractual arrangements, 20% of the share of the beneficiaries are vested in annual tranches. Thus they are fully vested over a period of five years. The agreements have an initial cliff of twelve months. In the case of a bad leaver event, the company undertakes to pay the lower of the initial participation and any preferential participation of the respective beneficiary and the market value of the stake of the respective beneficiary at the point of time of the relevant event. In the case of a good leaver event, for the vested participation the company undertakes to pay the market value of the stake held by the respective beneficiary, but no less than the pro rata initial costs related to the vested participation and in respect to the non-vested participation the pro rata initial costs relating to the non-vested participation. Typically a bad leaver event is triggered when, for example, the respective employee agreement between the beneficiary and the subsidiary is terminated for cause or if the beneficiary commits a crime. Typically a good leaver event is triggered when, for example, the respective employee agreement is ordinarily terminated by the subsidiary.

As at 31 December 2018, liabilities for cash-settled share-based payment transactions have a fair value of zero.

30. Related party transactions

Parties are considered to be related if they have the ability to control BCM AG or exercise significant influence over its financial and operating policy.

Such companies and persons comprise key management personnel within the Group and companies controlled by key management personnel or under their significant influence.

a) Key management personnel

In relation to the Group, key management personnel are members of the Executive Board and the Supervisory Board of BCM AG.

In the context of a share loan, a member of the Executive Board transferred 66,960 shares of the company to the company. As a result of the structure of the legal function of the share loan, the volume and the outstanding balance of the transaction is recognised at zero. Please refer to Note 19.

b) Other related parties

The members of the Executive Board take positions in other companies, as a result of which they have control or significant influence on the financial and operating policy of these companies. A part of this company concluded transactions with BCM AG in the reporting period.

In the context of the acquisition of Palas GmbH, a seller granted an unsecured loan. The outstanding liability is recognised in Note 22.

Falkenstein Heritage GmbH, with its registered office in Wetzlar, disposes over 26.7% of the voting rights in the company. The company is controlled by a member of the BCM AG Executive Board.

Brockhaus Private Equity GmbH, with its 3.3% voting rights is a minority shareholder of the company is controlled by BCM AG Executive Board members. In the reporting period there was a transaction from oncharging costs with Brockhaus Private Equity GmbH which were paid by Brockhaus Private Equity GmbH for BCM AG and represent expenditure for BCM AG. In the reporting period, there was a transaction from a sub-lease.

In addition there is a sub-lease between the company and Brockhaus Private Equity GmbH.

Falkenstein Heritage GmbH and Brockhaus Private Equity GmbH are parties to the share loan and in this context transferred 1,355,940 shares of the company to the company. As a result of the structure of the legal function of the share loan, the volume and the outstanding balance of the transaction is recognised at zero. Please refer to Note 19.

The combined values of the transactions and the outstanding amounts in connection with companies controlled by key management personnel or under their significant influence are shown below:

	Value of the transactions		Outstanding amounts	
In € k	01.08.2018 - 31.12.2018	01.08.2017 - 31.07.2018	31.12.2018	31.07.2018
Sub-lease	44	34	-	-
Oncharging costs	-	180	-	-
Transfer to free capital reserves	-	14	-	-

In September 2017, € 15,000 was paid into the free capital reserves by the company shareholders. € 14,000 of this came from companies controlled by key management personnel.

31. Events after the end of the reporting period

The non-cash capital increase of € 100,000, in connection with the pro rata purchase price payment of the Palas acquisition with new BCM AG shares (Note 26), was entered in the Commercial Register on 2 January 2019. The value of the new shares exceeding the total issue amount of the non-cash premium represents a contractual premium of € 2,900,000.

A profit transfer agreement between Palas GmbH and Palas Holding GmbH was concluded as at 30 January 2019. This was entered in the Commercial Register on 11 February 2019.

In January 2019, a purchase price component of € 750,000 from the acquisition of shares in Palas GmbH was settled.

On 11 September 2019, a resolution to increase the Company's share capital by € 41,667 to €4,293,667 was passed. The capital increase was entered in the Commercial Register on 7 June 2019.

On 2 September 2019, in the context of an Extraordinary General Meeting the shareholders of the company resolved to increase the share capital against cash contributions by issuing up to 3,138,912 new shares. With the approval of the Supervisory Board, the Executive Board was authorised to determine further details of the capital increase. As at the date of these financial statements, this capital increase had not yet been implemented.

On 27 July 2019, the Annual General Meeting of the Company resolved a stock option program in order to grant members of the Company's Executive Board, executives of affiliated companies and selected employees below the Executive Board level and below the management level of affiliated companies up to 425,200 option rights to shares of the company.

32. Fees for the audit company

The total fee of the independent auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, for the consolidated financial statements for the short fiscal year from 1 August 2018 to 31 December 2018, which is recognised in expenses, breaks down as follows:

In € k	01.08.2018 - 31.12.2018	01.08.2017 - 31.07.2018
Audits of financial statements	79	97
Other assurance services	0	11
Total	**79**	**108**

The fees for audit services relate to expenses for the audit of the consolidated financial statements and for the audit of the financial statements.

33. Employees

The following overview shows the average number of group employees in the reporting period:

Average number	01.08.2018 - 31.12.2018	01.08.2017 - 31.07.2018
Full time	11	1
Part time	5	-
Other	2	-
Total employees	**18**	**1**

34. Company bodies

The Executive Board of BCM AG is made up as follows:

> CEO/CIO: Marco Brockhaus, Königstein im Taunus
> CAO/Legal Counsel): Dr. Marcel Wilhelm, Kronberg im Taunus

Subject to overriding legal provisions, in the reporting period the BCM Supervisory Board consists of three members and was constituted as follows:

> Chairman: Dr. Othmar Belker, self-employed consultant, Kleinwallstadt
> Deputy Chairman: Michael Schuster, lawyer, Königstein im Taunus
> Member of the Supervisory Board: Dr. Lars-Gerrit Lüßmann, lawyer Frankfurt am Main (until 5 December 2018)
> Member of the Supervisory Board: Andreas Peiker, businessman, Königstein im Taunus (from 5 December 2018)

35. Total remuneration of the members of company bodies

The Chairman of the Supervisory Board receives annual fixed remuneration of € 60,000; the other members of the Supervisory Board each receive annual fixed remuneration of € 30,000. Members of the Supervisory Board also receive reimbursement of out-of-pocket expenses and any sales tax payable in connection with their remuneration. In the reporting period, Supervisory Board compensation amounted to € 83,000 (prior year: € 120,000).

In the reporting period, the remuneration of members of the Executive Board totalled € 300,000 (prior year: € -).

36. Appropriation of earnings

The loss carried forward of BCM AG from the previous year is carried forward to new account together with the net loss for the year for the reporting period. As at 31 December 2018 the Parent Company posts net accumulated losses in accordance with German GAAP (HGB) of € 3,046,000.

Frankfurt am Main, 26 September 2019

Marco Brockhaus

Dr. Marcel Wilhelm

The below auditor's report and financial statements referred to are both translations of the respective German-language documents.

Independent Auditor’s Report

To the Brockhaus Capital Management AG, Frankfurt am Main

Opinion

We have audited the consolidated financial statements of Brockhaus Capital Management AG, Frankfurt am Main, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the short financial year from 1 August 2018 to 31 December 2018 and notes to the consolidated financial statements, including the recognition and measurement policies presented therein.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the requirements of IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (3) in conjunction with Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the short financial year from 1 August 2018 to 31 December 2018.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements.

Basis for the Opinion

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

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

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (3) in conjunction with Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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, as well as to issue an auditor's report that includes our opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements 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 these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (3) in conjunction with Section 315e (1) HGB.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frankfurt am Main, 27 September 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Bertram Wirtschaftsprüfer [German Public Auditor]	Loginov Wirtschaftsprüfer [German Public Auditor]

Audited IFRS Individual Financial Statements of BCM Group from 1 August 2017 to 31 July 2018

Brockhaus Capital Management AG

(previously: Eagle Fonds Verwaltungs- und Treuhand-GmbH)

Financial statements fiscal year 2017/18

For the period from 1 August 2017 to 31 July 2018

Contents

Statement of comprehensive income

In €	Notes	01.08.2017 - 31.07.2018	01.01.2017 - 31.07.2017
Other operating income	7	72,549	-
Personnel expenses	9	(75,203)	-
Other operating expenses	0	(937,333)	(19,302)
Depreciation and amortisation	0	(4,074)	-
Finance income	10	1,250	-
Profit or loss		**(942,811)**	**(19,302)**
Total comprehensive income		(942,811)	(19,302)

Statement of financial position

In €	Notes	31.07.2018	31.07.2017
Assets			
Property, plant and equipment		4,032	-
Intangible assets		18,799	-
Non-current assets	11	**22,831**	**-**
Other current assets		109,094	-
Cash and cash equivalents		45,920,162	2,520,023
Current assets	12	**46,029,255**	**2,520,023**
Total assets		**46,052,086**	**2,520,023**
Equity and liabilities			
Subscribed capital	0	4,152,000	25,000
Capital increase not yet registered	14	-	2,475,000
Capital reserves	15	42,140,379	58,000
Accumulated losses		(1,000,418)	(57,607)
Equity		**45,291,961**	**2,500,393**
Other current liabilities	23	760,125	19,630
Current liabilities		**760,125**	**19,630**
Liabilities		**760,125**	**19,630**
Total assets		**46,052,086**	**2,520,023**

Statement of changes in equity

In €	Notes	01.08.2017 - 31.07.2018	01.01.2017 - 31.07.2017
Subscribed capital			
As at the start of the reporting period		25,000	25,000
Registration of the capital increase	14	2,475,000	
Payments received from issuing shares	0	1,652,000	-
As at the end of the reporting period		**4,152,000**	**25,000**
Capital increase not yet registered			
As at the start of the reporting period		2,475,000	-
Capital increase before registration	14	-	2,475,000
Registration of the capital increase	14	(2,475,000)	-
As at the end of the reporting period		**-**	**2,475,000**
Capital reserves			
As at the start of the reporting period		58,000	18,000
Transfer to free capital reserves	15	15,000	40,000
Payments received from issuing shares	0	42,952,000	-
Costs of the capital increase	15	(884,621)	-
As at the end of the reporting period		**42,140,379**	**58,000**
Accumulated losses			
As at the start of the reporting period		(57,607)	(38,305)
Profit or loss / total comprehensive income		(942,811)	(19,302)
As at the end of the reporting period		**(1,000,418)**	**(57,607)**
Equity		**45,291,961**	**2,500,393**

Statement of cash flows

In €	Notes	01.08.2017 - 31.07.2018	01.01.2017 - 31.07.2017
Profit or loss		(942,811)	(19,302)
Adjustments:			
Depreciation and impairment of property, plant and equipment	0	1,041	-
Amortisation of intangible assets	0	3,033	-
Change in:			
Other current assets	12	(109,094)	-
Other current liabilities	23	740,495	17,130
Cash flow from operating activities		**(307,335)**	**(2,172)**
Capital expenditure in property, plant and equipment	11	(5,073)	-
Capital expenditure in intangible assets	11	(21,832)	-
Cash flow from investing activities		**(26,905)**	**-**
Transfer to free capital reserves	15	15,000	40,000
Payments received from issuing shares	0	44,604,000	2,475,000
Costs of the capital increase	0	(884,621)	-
Cash flow from financing activities		**43,734,379**	**2,515,000**
Change of cash and cash equivalents		43,400,139	2,512,828
Cash and cash equivalents* at the beginning of the period		2,520,023	7,195
Cash and cash equivalents* at the end of the period		45,920,162	2,520,023

* (Note 12).

Notes

I General information, methods and principles

1. Information on the company

These financial statements were prepared by Brockhaus Capital Management AG (**BCM** or the **company**), with its registered office in Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany and which is entered in the Commercial Register of the Frankfurt am Main District Court under HRB 109637. In the reporting period, the company still operated as its legal predecessor Eagle Fonds Verwaltungs- und Treuhand-GmbH, from which it originated on the basis of a resolution of the shareholder meeting on 1 August 2017 on the basis of a change in legal form.

Eagle Fonds Verwaltungs- und Treuhand-GmbH (**Eagle**) had its registered office in Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany, and was entered in the Commercial Register of the Frankfurt am Main District Court under HRB 78705. Eagle was founded on 7 March 2000.

The object of Eagle was the fiduciary management of limited partner shares and the management of its own assets as well as all related activities. Eagle was authorised to establish branches and subsidiaries in Germany and abroad, to acquire or lease similar or related companies or to participate in other companies in the same or similar industry or with the same object of business.

Since its conversion, the object of the company is the establishment of companies and the acquisition, the long-term holding, managing and supporting of investments in companies, when appropriate, the sale of such investments and providing services in connection with the above, such as support in sales, marketing, finance and general organisational and management activities and in acquiring financing. Furthermore, the object is exercising the business activity of a management holding of portfolio companies and providing services for the same (group services), granting loans to portfolio companies to the extent this does not require regulatory approval, and the development and implementation of new business concepts for portfolio companies and providing services and consulting for portfolio companies and third parties as well as providing services and consultancy services to companies, in particular the business alignment, business concept, capital resources, financing options and investments (management consultancy), to the extent this does not require regulatory approval. In the context of the business strategy, the object of the company is also to invest all liquid assets available to the company which are not tied in portfolio companies, including in listed securities such as shares, profit participation certificates, other mezzanine instruments, debentures, funds, certificates or derivatives. In relation to its portfolio companies, the objective of the company is long-term support and value increase.

2. Accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. IFRS includes the International Accounting Standards (IAS) the applicable International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC).

3. Basis of preparation

The financial statements are prepared on the basis of amortised cost. This excludes specific circumstances which are carried at revalued amount or fair value on the reporting date. A note to this effect can be found in the respective accounting policies.

Historical cost is generally based on the fair value of the consideration paid in exchange for the asset. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies irrespective of whether the price is directly observable or is estimated using a measurement method.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes. The financial statements correspond to the classification requirements of IAS 1. In the interest of clarity, the items in the statement of comprehensive income and the statement of financial position are combined and further broken down and explained in the notes.

The accounting policies, as well as the explanations and further disclosures are applied consistently, unless the IFRS require changes.

The presentation in the statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current when they are due or are settled within twelve months after the reporting period. To calculate the profit or loss and total comprehensive income the statement of comprehensive income is prepared in line with the nature of expense method.

The fiscal year of the company does not correspond to the calendar year. The past fiscal year (reporting period) was from 1 August 2017 to 31 July 2018. In the previous year there was a short fiscal year from 1 January 2017 to 31 July 2017, so that there is restricted comparability with the current fiscal year.

The financial statements are in euro (€), the functional currency of the company. Unless stated otherwise, all figures are rounded up or down to a full euro in accordance with standard commercial practice. Negative figures are shown in parentheses.

Receivables and liabilities in foreign currency are measured in profit or loss at the exchange rate as at the end of the reporting period. In the reporting period, there was no material impact from currency translation.

4. Accounting policies

Accounting was prepared under the going concern assumption. In preparing the financial statements of BCM, company assets and liabilities as well as income and expenses are not offset unless a regulation requires this or expressly allows it.

All statement of financial position items containing financial instruments according to IFRS 7 are carried at amortised cost. Their duration is less than one year.

As the company was not entitled to input sales tax in the reporting period, expenses are recognised on a gross basis.

a) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the company and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised in line with the effective interest method when the interest arises. The effective interest rate is the rate with which the expected future cash payments are discounted over the expected life of the financial instrument to the net carrying amount of the financial asset.

b) Personnel expenses

Obligations from short-term benefits for service from employees which has already been rendered are to be recognised at the level expected to be paid in exchange for that service. The obligation is recognised as a liability after deducting any amount paid and as expenditure.

c) Other comprehensive income

Transactions not impacting the profit or loss are recognised in other comprehensive income. Other comprehensive income is recognised before taxes. In the fiscal year, the company did not record any transaction to be recognised in other comprehensive income.

d) Intangible assets

Intangible assets are measured at amortised cost. All intangible assets are purchased intangible assets.

Amortisation on intangible assets is recognised in profit or loss. If relevant events or changes of the circumstances indicate that the carrying value is no longer recoverable, impairment is recognised at the level of the difference between the carrying value and the recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell.

In subsequent periods, intangible assets are measured at cost, less any cumulative amortisation and impairment. Amortisation is recognised on a straight-line basis over the estimated useful life. For intangible assets, useful life can be determined and amounts to three years. Additions are amortised pro rata temporis from the month of acquisition. Amortisation methods and useful lives are reviewed at each reporting date and adjusted as necessary.

Costs incurred to restore or maintain the future economic benefits that the company had originally expected are recognised as an expense.

e) Property, plant and equipment

Property, plant and equipment are reported at cost less depreciation and cumulative impairment. The cost of property, plant and equipment consists of the purchase price and other non-refundable taxes incurred in connection with the purchase as well as all directly attributable costs incurred to bring the asset to its location and to bring it to working condition for its intended use. Subsequent expenditure such as service and maintenance costs are recognised as expenses in profit and loss in the periods in which they are incurred.

If it is likely that expenditure will lead to additional economic benefits to the company in excess of the originally assessed standard of performance of the existing asset, this expenditure is capitalised as an additional cost.

If parts of property, plant and equipment have different useful lives, they are recognised as separate items (main elements). Gains or losses from the disposal of property, plant and equipment are recognised in profit or loss.

Depreciation of property, plant and equipment is recognised in profit or loss. If relevant events or changes of the circumstances indicate that the carrying value is no longer recoverable, impairment is recognised at the level of the difference between the carrying value and the recoverable amount.

Property, plant and equipment are depreciated over a useful life of three years. Additions are depreciated pro rata temporis from the month of acquisition. Depreciation is recognised on a straight-line basis. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as necessary.

Costs incurred to restore or maintain the future economic benefits that the company had originally expected are recognised as an expense.

f) Impairment of non-financial assets

Non-financial assets of the company are tested for impairment when facts or changes in circumstances indicate that the carrying amount may not be recoverable. If this is the case, the asset's recoverable amount is estimated. Intangible assets with an indefinite useful life are tested for impairment annually.

To test if there is impairment, assets are combined in the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash-generating units (CGU).

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and fair value less costs to sell. In the assessment of the value in use, the estimated future cash flows are discounted to present value. A discount rate before tax is used which reflects current market assessments of the interest effect and the special risks of an asset or cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment is recognised in profit or loss.

An impairment loss is reversed only to the extent that the carrying value of the asset does not exceed the carrying value that would have been determined net of depreciation had no impairment loss been recognised.

g) Financial instruments

Until 31 December 2017, the company classified the non-derivative financial assets in accordance with IAS 39 into the following categories:

- Financial assets measured at fair value through profit or loss (none at the reporting date)
- Held-to-maturity equity instruments (none at the reporting date)
- Loans and receivables
- Available-for-sale financial assets (none at the reporting date)

All financial instruments in the company are cash and cash equivalents and non-current liabilities.

The company classifies non-derivative financial liabilities as financial liabilities recognised at fair value through profit or loss, or as other financial liabilities.

The company recognises loans and receivables from the point in time they were incurred. All other financial assets and liabilities are initially recognised on the trading day when the company becomes contractual partner in accordance with the contractual regulations of the instrument.

The company derecognises a financial asset when the contractual rights relating to the cash flow from an asset expire or it transfers the rights to receive the cash flows in a transaction in which all material risks and rewards connected with the ownership of the financial assets are transferred. Derecognition also takes place if the company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset. Each share in such transferred financial assets, which arise or remain in the company, is recognised as a separate asset or liability.

Financial liabilities are derecognised when the contractual obligations are met or cancelled, or when they expire.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if the company has a currently enforceable legal right to offset the recognised amounts and there is an intention either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Loans and receivables are measured at fair value on initial recognition, plus directly attributable transaction costs. In subsequent periods they are measured at amortised cost using the effective interest method.

A financial asset not classified at fair value though profit and loss is assessed at each reporting date to determine if there is any objective evidence that impairment has occurred.

The company takes account of evidence of impairment for financial assets measured at amortised cost at the level of both the individual asset and at collective level. All assets which are individually significant are assessed for specific impairment. Those which specifically prove not to be impaired are subsequently assessed collectively for any impairment which has occurred but has not yet been identified. Assets which are not individually significant are assessed for impairment on a collective basis by combining assets with similar risk characteristics in a group.

In the assessment of collective impairment the company uses historical information on the timing of payments and the level of the losses incurred, adjusted by Executive Board judgements whether the current economic and credit conditions are such that the actual losses are likely to be larger or less than the losses to be anticipated on the basis of historical trends.

Impairment is calculated as the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate of the asset. Losses are recognised in profit or loss. If the company has no realistic prospect of the collectibility of the asset, the amounts are written off. If an event occurs after the recognition of the impairment which results in lowering the amount of the impairment, the lowered impairment is recognised in profit and loss.

A financial liability is recognised at fair value through profit or loss if it is held for trading purposes or is classified accordingly at initial recognition. Directly attributable transaction costs are recognised in profit or loss as they occur. Financial liabilities recognised at fair value through profit or loss are recognised at fair value. Appropriate changes which cover all interest expenses are also recognised in profit or loss.

Other non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. In subsequent periods these liabilities are measured at amortised cost using the effective interest method.

Other current liabilities are recognised in accordance with IAS 39. At initial recognition they are recognised at fair value.

Since the application of IFRS 9 from 1 January 2018, at initial recognition and subsequent measurement of financial assets and liabilities the classification depends on the business model of the company to manage its financial instruments and the contractual cash flow characteristics of the financial instruments.

The BCM business model to manage its financial instruments reflects how the company manages its financial assets to generate cash flows. Depending on the business model, cash flows arise from collecting contractual cash flows (“Hold” business model), the sale of financial assets (“Sell” business model) or both (“Hold and Sell” business model).

To ensure that a financial asset can be classified and measured as measured at amortised cost or fair value through other comprehensive income, cash flows must consist solely of payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at the level of the individual financial instrument.

Initial recognition and measurement: Financial instruments are agreements that give rise to a financial asset at one entity while at the same time giving rise to a financial liability or equity instrument at another. If the trade date and the settlement date differ for financial assets, the settlement date is decisive for initial recognition. A financial instrument is initially recognised at fair value, including transaction costs.

Subsequent measurement: Financial instruments at amortised cost are non-derivative financial instruments, which generate cash flows solely from payments of principal and interest (cash flow characteristics test) and which are held to collect the contractual cash flows (business model test). Financial instruments at amortised cost relate to other financial assets and financial liabilities as well as cash and cash equivalents. Subsequent to their initial recognition, such financial instruments are measured at amortised cost using the effective interest method less impairment. Amortised cost is calculated by taking into account any discount or premium at acquisition and fees or transaction costs that are an integral part of the effective interest rate. For current financial assets and financial liabilities, the carrying amount is a reasonable approximation of the fair value.

Impairment: Impairment for financial assets measured at amortised cost is recognised on the basis of the expected credit loss. The ECLs are based on the difference between the contractually due cash flows and all cash flows which the company expects to receive, discounted at an approximation of the original effective interest rate. The forecast cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. A three-stage mode is used to allocate credit losses:

Stage 1: Expected credit losses for the next twelve months

Stage 1 includes all contracts with a material significant increase in credit risk since initial recognition. This generally includes new contracts and those whose payment are past due by less than 31 days. The expected credit losses which result from a default within the next twelve months are recognised.

Stage 2: Lifetime expected credit losses – not credit-impaired

A financial asset that has undergone a significant increase in credit risk but that is not credit-impaired is assigned to Stage 2. For trade receivables the simplified approach is used, where these receivables are allocated to Level 2 at initial recognition The assessment if a financial asset has experienced a substantial increase of the credit risk is based on an assessment of the default probabilities which is to be implemented at least once a quarter, taking account not only of external rating information but also internal information on the credit quality of the financial asset. The expected lifetime credit losses of the financial asset are recognised as an impairment loss.

Stage 3: Lifetime expected credit losses – credit-impaired

If a financial asset is negatively impacted in terms of its rating or has defaulted, it is assigned to Level 3. The expected lifetime credit losses of the financial asset are recognised as an impairment loss. Objective evidence that a financial asset is credit-impaired or in default includes being past due by more than 90 days or other information on material financial difficulties of the debtor which indicate that the company is not able to receive the outstanding contractual cash flows in full, with account being taken of every credit enhancement. A financial asset is written down when there is no realistic expectation that the contractual cash flows will be collected. In Level 1 and 2 the effective interest income is determined on the basis of the gross carrying amount. As soon as the rating of a financial asset is impaired and assigned to Level 3, the effective interest income is calculated on the basis of the net carrying amount (carrying amount less risk provisioning). Expected credit losses are calculated on the basis of global default probabilities. Impairment losses are recognised in the income statement under other operating expenses.

Derecognition of financial assets: The company derecognises financial assets when the contractual rights to receive the cash flows from the asset expire or when the contractual right to receive the cash flows expire is transferred and as a result substantially all the risks and rewards of ownership of the financial assets are transferred.

As at the reporting data, the company has current assets primarily in the form of bank balances and cost reimbursement claims.

The liabilities essentially relate to current liabilities.

Financial liabilities are allocated to the “Hold” business model and are measured at fair value on initial recognition. Subsequent measurement is at amortised cost.

The initial application of IFRS 9 did not result in any significant application effects.

h) Equity

Subscribed capital and capital reserves are carried at nominal amount. Costs directly attributable to the issue of shares are deducted from capital reserves. Income taxes in respect to transaction costs in an equity transaction are recognised in accordance with IAS 12. The shares held by the company in the context of the share loan are not to be recognised in accordance with IAS 32, as the company has no rights from the shares.

i) Other financial obligations

When an arrangement is concluded, the company assesses whether an arrangement is, or contains, a lease. In the reporting period, there were only corresponding arrangements in the context of operating leases. These are recognised in profit and loss on a straight-line basis over the duration of the leasing arrangement. There is no recognition in the statement of financial position

j) New and amended standards

In the current fiscal year, the company applied the following reporting standards for the first time. However, they had no material impact on the earnings, asset and financial position. The overviews below show the all the standards relevant for the company.

New and amended standards - effective in the EU

Standard	Name	Mandatory application
IFRS 9	Financial instruments	01.01.2018
	Annual Improvement to IFRS Standards 2014-2016 Cycle	01.01.2017/01.01.2018

The IASB and IFRS Interpretations Committee have issued the following standards, amendments to existing standards and interpretations that are not yet effective or whose IRFS adoption have not yet been endorsed by the European Union. The following IFRS and interpretations relevant for the company have not been applied.

Standards and interpretations adopted from the EU that are not yet mandatory

Standard	Name	Mandatory application	Impact on BCM
IFRS 16	Leases	01.01.2019	See information below
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	No material impact expected
	Annual Improvements to IFRS Standards 2015-2017 Cycle	01.01.2019	No material impact expected

IFRS 16 “Leases” provides new regulations on the accounting recognition and the information in the notes relating to leases. As a result, for the first time the company the company will recognise the value in use of the property used in the context of a sublease contract and the relating leasing liability as an asset / liability. This results in an anticipated expansion of the financial position of approximately € 230,000.

5. Significant judgements, estimates and assumptions

In applying the accounting methods, some judgements are made that significantly influence the amounts in the financial statements. In addition, when preparing the financial statements assumptions and estimates about the future are to be made which can impact the carrying amounts of statement of financial position items and the level of income and expenses. The actual amounts may differ from these estimates. The most important assumptions about the future and other sources of estimate uncertainty, as a result of which material adjustments may become necessary, are elucidated below.

a) Provisions

The recognition and measurement of provisions takes place on the basis of an assessment of the probability of a future outflow of benefits and using values based on experience and circumstances known at the end of the reporting period. The actual future obligation can differ from the amounts recognised as provisions.

b) Deferred taxes

Deferred taxes are recognised for the differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax reporting in the context of calculating taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Such deferred tax assets and deferred tax liabilities are not recognised if they arise from temporary differences from goodwill or from initial recognition (except in the case of business combinations) from other assets and liabilities which result from events which do not affect either the taxable income or the result for the period.

The carrying amount of deferred tax assets is assessed each year on the reporting date and reduced if it is no longer probable that sufficient taxable income will be available against which the deferred tax asset can be fully or partially utilised.

Tax liabilities and tax assets are determined on the basis of tax rates and tax legislation expected to apply when the liability is settled or the asset is realised. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The costs of the capital increase of 15 December 2017 of € 884,621 can result in a future reduction of income taxes of € 265,386. The tax loss carry forwards from 2017 of € 43,115 can be used to reduce future income taxes at an amount of € 13,764. No deferred tax is recognised for these circumstances as future positive taxable income was not sufficiently concrete at the time the financial statements were prepared.

Notes on the statement of comprehensive income

The statement of comprehensive income was prepared in accordance with the nature of expense method.

6. Other operating income

Other operating income of € 72,549 primarily covered reimbursement claims from due diligence costs of € 72,421.

7. Personnel expenses

Personnel expenses break down as follows:

In €	01.08.2017 - 31.07.2018	01.01.2017 - 31.07.2017
Wages and salaries	62,547	-
Social security contributions	12,656	-
Personnel expenses	**75,203**	**-**

8. Other operating expenses

Other operating expenses break down as follows:

In €	01.08.2017 - 31.07.2018	01.01.2017 - 31.07.2017
Due diligence costs	191,133	-
Advertising costs and travel expenses	155,837	-
Preparation and audit of financial statements	126,588	17,000
Legal and consulting expenses	120,982	742
Supervisory Board compensation	120,000	-
Staff recruitment	82,665	-
Insurance and contributions	43,658	-
Costs of premises	40,648	-
IT costs	28,075	-
Other costs	27,747	1,560
Other operating expenses	**937,333**	**19,302**

9. Depreciation and amortisation

Depreciation and amortisation of € 1,041 relates to property, plant and equipment and amortisation to intangible assets and impairment of € 3,033.

10. Finance income

Finance income relates to interest income of € 1,250.

Notes on the statement of financial position

11. Non-current assets

Non-current assets of € 18,799 (previous year: € -) relate to capitalised costs in connection with the creation of the company web site. In property, plant and equipment, IT hardware of € 4,032 (previous year: € -) is recognised.

In the fiscal year, there was only scheduled amortisation and depreciation on tangible assets and property, plant and equipment. Assets are made up as follows:

In €	**Property, plant and equipment** Other equipment, operating and office equipment	**Intangible assets** Web site
Cost		
01.08.2017	-	-
Additions	5,073	21,832
Disposals	-	-
31.07.2018	5,073	21,832
Depreciation and amortisation		
01.08.2017	-	-
Additions	1,041	3,033
Disposals	-	-
31.07.2018	1,041	3,033
Carrying amounts		
01.08.2017	-	-
31.07.2018	**4,032**	**18,799**

As there were no assets in the previous reporting period, there is no relevant detailed overview.

12. Current assets

Current assets break down as follows:

In €	31.07.2018	31.07.2017
Cost reimbursement receivables	88,088	-
Advance payments	17,922	-
Current tax assets	3,084	-
Cash on hand	225	-
Bank balances	45,919,937	2,520,023
Current assets	**46,029,255**	**2,520,023**

13. Subscribed capital

Subscribed capital was provided in full by the change in legal form of the previous legal entity, Eagle Fonds Verwaltungs- und Treuhand-GmbH, with its registered office in Frankfurt am Main, entered in the Commercial Register of the Frankfurt am Main District Court under HRB 78705.

After the entry in the Commercial Register on 2 August 2017, subscribed capital amounted to € 2,500,000 and was divided into 2,500,000 no-par value registered shares (shares) with a notional interest in the share capital of € 1.00 per share, held entirely by the founder team, the “Brockhaus shareholders” (Brockhaus shares).

In the future, BCM intends primarily to take majority interests in companies with business models driven by innovation and technology in the context of a strategy based on a long-term investment strategy. The necessary initial funds were obtained by issuing new no-par value bearer shares.

On 22 September 2017, the Annual General Meeting resolved a capital increase of between € 5,000,000 to € 7,500,000. With the approval of the Supervisory Board, by resolution on 15 December 2017, the Executive Board determined the scope of the capital increase to € 1,652,000 by the issue of 1,652,000 new shares.

With the approval of the Supervisory Board, on 15 December 2017 the Annual General Meeting authorised the Executive Board to increase the share capital on one of more occasions by up to € 2,076,000 against cash or non-cash contributions by 14 December 2022, with it being possible to exclude the subscription right of shareholders (Authorised Capital 2017/I).

a) Share loan

On 21 December 2017 (transfer date), the Brockhaus shareholders initially transferred the company a total of 1,674,000 of their Brockhaus shares on the basis of a free unremunerated share loan (loaned shares) with all the related rights and obligations. Furthermore, on the transfer date the Brockhaus shareholders instructed KAS-Bank N.V., Frankfurt am Main, to transfer the loaned shares to the company’s securities account at Deutsche Bank AG, Frankfurt am Main.

The successive retransfer of the loaned shares to the Brockhaus shareholders took place at a ratio of 1:2 to new shares, created in the context of future capital increases. The purpose of this regulation is to restrict the share of voting and profit participation rights of the Brockhaus shareholders to a third. The share loan ends in full when all 5,000,000 new shares were issued to investors which are not Brockhaus investors and the company’s total share capital then amounts to € 7,500,000.

The loan has a maximum duration of three years, calculated from the transfer date, thus ending no later than the end of 20 December 2020. If there are still loaned shares in the possession of the company at the end of the term, these loaned shares will be transferred to all the shareholders (including the Brockhaus shareholders) which as at the end of 20 December 2020 are company shareholders on a pro rata basis as a proportion of their stake at this time.

For the impact of the share loan at the point in time of the capital increase on 15 December 2017, please refer to the following diagram.

In €	Before capital increase	Effect of capital increase	After capital increase
Shareholders			
Pre-IPO investors	-	1,652,000	1,652,000
Team (Brockhaus shareholders)	2,500,000	(1,674,000)	826,000
Treasury shares (share loan)	-	1,674,000	1,674,000
Subscribed capital	**2,500,000**	**1,652,000**	**4,152,000**

As at the reporting date of 31 July 2018, the company share capital amounts to € 4,152,000. It is divided into 4,152,000 no-par bearer shares.

They are distributed to the individual shareholders as at the reporting date as follows:

> Brockhaus shareholders: 826,000 shares (19.9%) of the company,
> BCM (share loan): 1,674,000 shares (40.3%) of the company,
> Pre-IPO investors: 1,652,000 shares (39.8%) of the company.

As a result of the share loan, the distribution of the voting and dividend rights are as follows:

> Brockhaus shareholders: 826,000 shares (33.3%) of the company,
> Pre-IPO investors: 1,652,000 shares (66.7%) of the company.

14. Capital increase not yet registered

At the end of the previous year, in July 2017, there was a capital increase at the company. As this had not yet been entered in the Commercial Register by the reporting date of the previous year, and thus was not an element in subscribed capital, a separate item was created in the statement of financial position. With the entry in the Commercial Register on 2 August 2017, the capital increase which had not yet been entered became subscribed capital.

15. Capital reserves

In September 2017, € 15,000 was paid into the free capital reserves. In addition, as a result of the subscription amount in the course of the capital increase on 15 December 2017, € 42,952,000 was transferred to capital reserves. As a result, as at 31 July capital reserves amounted to € 42,140,379.

a) Costs for the issue of equity instruments

The costs of € 884,621 (previous year: € 0) for the capital increase of 15 December 2017 are to be deducted from equity as they are directly attributable costs. Of this amount, € 265,386 relates to taxes which cannot yet be realised. Equity costs are not reduced by deferred taxes as future taxable income was not sufficiently specific at the time the financial statements were being prepared.

16. Other current liabilities

Other current liabilities of € 760,125 (previous year: € 19,630) relate to outstanding invoices, Supervisory Board remuneration and other liabilities.

All other liabilities have a remaining term of less than twelve months.

17. Other financial obligations

The company has concluded a sub-lease for business premises with Brockhaus Private Equity GmbH. This arrangement is to be classified as an operating lease as substantially all the risks and rewards of the land and property are with the lessor. In the reporting period the expense amounts to € 33,634. The leasing agreement runs to September 2021. The payments are determined by contract.

As at the reporting date, future payments from the sub-lease are to be made as follows:

In €	31.07.2018	31.07.2017
Up to one year	105,681	-
Longer than one year and up to five years	229,441	-
More than five years	-	-
Other financial obligations	**335,122**	**-**

Notes on the statement of changes in equity

In the statement of changes in equity in accordance with IAS 1.106 et seq. the development of each component in equity is shown within the reporting period and in the previous reporting period.

Notes on the statement of cash flows

In the statement of cash flows in accordance with IAS 7 cash flows are recognised to show information on the movement of cash of the company. Cash flows are broken down into those from operating activities, investing activities and financing activities. The total of the cash flows from the three sub-areas corresponds to the change of cash and cash equivalents.

The statement of cash flows is calculated using the indirect method for presenting cash flows from operating activities and using the direct method for the presentation of cash flows from investing and financing activities.

Cash and cash equivalents at the beginning and the end of the reporting period consisted of cash in hand and bank balances.

Financial instruments

The company's Executive Board is responsible for the establishment and control of risk management.

a) Credit risks

A credit risk is the risk that one party to a financial instrument will cause a financial loss for the other company by failing to discharge an obligation.

The credit risk results from non-current assets. The carrying amounts correspond to the maximum default risk. The company's financial assets comprise exclusively cash and cash equivalents. As at the reporting date, there were no financial assets to be measured at fair value. The material receivables of the company are to banks which have AA- to AA+ ratings. Nonetheless these bank balances are subject to credit risk which are monitored by the Executive Board on an ongoing basis.

b) Liquidity risks

A liquidity risk is the risk that a company will encounter difficulty in meeting obligations associated with financial liabilities.

In the context of budget planning and ongoing controlling, the Executive Board monitors the liquidity situation as well as current and future outflows of liquid funds.

c) Market risks

A market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. A differentiation is made between three types of risk: currency risk, interest rate risk and other price risk.

The company holds its cash and cash equivalents exclusively in its functional currency. There is no material exposure to changing interest rates or other prices.

Other disclosures

18. Related parties

Parties are considered to be related if they have the ability to control BCM or exercise significant influence over its financial and operating decisions.

Such companies and persons comprise key management personnel of BCM and companies controlled by key management personnel or under their significant influence.

a) *Transactions with key management personnel*

In relation to the company, key management personnel are members of the Executive Board and the Supervisory Board. There was no remuneration of the Executive Board in the reporting period. The members of the Executive Board were at the same time Managing Directors of Brockhaus Private Equity GmbH. Supervisory Board compensation amounted to € 120,000. Please refer to Note 35.

For business travel in the context of Executive Board activity for the company, the members of the Executive Board were reimbursed for travel costs.

As a result of his position as shareholder, a member of the Executive Board participated in the transfer to free capital reserves. Please refer to Note 14.

In the context of a share loan, a member of the Executive Board transferred 66,960 shares of the company to the company. Please refer to Note 15.

The combined values of the transactions and the outstanding amounts in connection with members of the management in key positions are shown below:

	Value of the transactions		Outstanding amounts	
In €	01.08.2017 - 31.07.2018	01.01.2017 - 31.07.2017	31.07.2018	31.07.2017
Supervisory Board compensation	120,000	-	120,000	-
Reimbursement of travel expenses	24,694	-	-	-
Transfer to free capital reserves	600	-	-	-

b) *Other related parties*

The members of the Executive Board take positions in other companies, as a result of which they have control or significant influence on the financial and operating policy of these companies. Some of these companies transacted business with BCM in the reporting period. Most of these relate to oncharging costs.

Falkenstein Heritage GmbH, with its registered office in Wetzlar, held 26.7% of the voting rights in the company as at 31 July 2018. Until the capital increase in December 2017, Falkenstein Heritage GmbH exercised a controlling influence on BCM AG. The company is controlled by a member of the BCM Executive Board.

Brockhaus Private Equity GmbH is a minority shareholder of the company with 3.3% of the voting rights and is controlled by the members of the BCM Executive Board. In the reporting period there was a transaction from oncharging costs with Brockhaus Private Equity GmbH which were paid by Brockhaus Private Equity GmbH for BCM and represents expenditure for BCM.

In addition there is a sub-lease between the company and Brockhaus Private Equity GmbH. In this connection, please refer to Note 25.

As a result of their position as shareholders, Falkenstein Heritage GmbH and Brockhaus Private Equity GmbH participated in the transfer to free capital reserves.

Falkenstein Heritage GmbH and Brockhaus Private Equity GmbH are parties to the share loan and in this context transferred 1,355,940 shares of the company to the company.

The combined values of the transactions and the outstanding amounts in connection with companies controlled by key management personnel or under their significant influence are shown below:

	Value of the transactions		Outstanding amounts	
In €	01.08.2017 - 31.07.2018	01.01.2017 - 31.07.2017	31.07.2018	31.07.2017
Oncharging costs	180,235	-	-	-
Sub-lease	33,634	-	-	-
Transfer to free capital reserves	13,500	40,000	-	-

19. Events after the reporting period

On 6 December, the company legally acquired the 70% stake and the voting rights in Palas GmbH Partikel- und Lasermesstechnik, Karlsruhe, thus obtaining control over the company. As a result of the existing put option, which is recognised according to the anticipated acquisition method, the acquisition is presented as if 100% of the shares had been acquired. The total consideration transferred amounted to € 35,118,000. In the context of the transaction, the company's share capital was increased by € 100,000 to € 4,252,000 by issuing new shares.

On 11 September 2019, a resolution to increase the company's share capital by € 41,667 to €4,293,667 was passed. The capital increase was entered in the Commercial Register on 7 June 2019.

20. Fees for the audit company

The Frankfurt branch of KPMG Wirtschaftsprüfungsgesellschaft, with its registered office in Berlin, was appointed as auditor for the fiscal year ending 31 July 2018. The fee for the fiscal year is € 162,882 (previous year: € 14,500) and is made up of audits of financial statements of € 80,000 (previous year: € 14,500), other assurance services of € 71,458 and other services of € 11,424. The expenditure recognised in the reporting period also relates to the audit of the two previous fiscal years including the company's initial application of IFRS.

21. Employees

In the reporting period the company averaged one employee.

22. Company bodies

The BCM Executive Board is made up as follows:

> CEO/CIO: Marco Brockhaus, Königstein im Taunus
> CAO/Legal Counsel): Dr. Marcel Wilhelm, Kronberg im Taunus

Subject to overriding legal provisions, in the reporting period the BCM Supervisory Board consists of three members and was constituted as follows:

> Chairman: Dr. Othmar Belker, self-employed consultant, Kleinwallstadt
> Deputy Chairman: Michael Schuster, lawyer, Königstein im Taunus
> Member of the Supervisory Board: Dr. Lars-Gerrit Lüßmann, lawyer Frankfurt am Main

23. Total remuneration of the members of company bodies

The Chairman of the Supervisory Board receives annual fixed remuneration of € 60,000; the other members of the Supervisory Board each receive annual fixed remuneration of € 30,000. Members of the Supervisory Board also receive reimbursement of out-of-pocket expenses and any sales tax payable in connection with their remuneration.

No remuneration of the members of the Executive Board were incurred in the reporting period, as in the reporting period the members of the Executive Board still received their remuneration as Managing Directors of BPE GmbH.

24. Appropriation of earnings

The loss carried forward of the company from the previous year is carried forward to new account together with the net loss for the year for the reporting period. As at 31 July 2018, the company posted accumulated losses in accordance with German GAAP (HGB) of € 1,885,038.80.

Frankfurt am Main, 9 August 2019

Marco Brockhaus

Dr. Marcel Wilhelm

The below auditor's report and financial statements referred to are both translations of the respective German-language documents.

Independent Auditor’s Report

To the Brockhaus Capital Management AG, Frankfurt am Main

Opinion

We have audited the annual financial statements of Brockhaus Capital Management AG (until 18 September 2017: Eagle Fonds Verwaltungs- und Treuhand-GmbH), Frankfurt am Main, which comprise the statement of financial position as at 31 July 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year from 1 August 2017 to 31 July 2018 and notes to the financial statements, including the recognition and measurement policies presented therein.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of IFRSs as adopted by the EU, and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 July 2018 and of its financial performance for the financial year from 1 August 2017 to 31 July 2018.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the Opinion

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements” section of our auditor’s report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of IFRSs as adopted by the EU, and that the annual financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements 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 these systems of the Company.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with IFRSs as adopted by the EU.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frankfurt am Main, 12 August 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Bertram Wirtschaftsprüfer [German Public Auditor]	Loginov Wirtschaftsprüfer [German Public Auditor]

Audited IFRS Individual Financial Statements of

BCM Group

from 1 January 2017 to 31 July 2017

Brockhaus Capital Management AG

(previously: Eagle Fonds Verwaltungs- und Treuhand-GmbH)

Financial statements short fiscal year 2017

For the period from 1 January 2017 to 31 July 2017

Contents

Statement of comprehensive income

In €	Notes	01.01.2017 - 31.07.2017	01.01.2016 - 31.12.2016
Other operating expenses	0	(19,302)	(3,253)
Profit or loss		**(19,302)**	**(3,253)**
Total comprehensive income		(19,302)	(3,253)

Statement of financial position

In €	Notes	31.07.2017	31.12.2016
Assets			
Cash and cash equivalents		2,520,023	7,195
Current assets	12	**2,520,023**	**7,195**
Total assets		**2,520,023**	**7,195**
Equity and liabilities			
Subscribed capital	0	25,000	25,000
Capital increase not yet registered	9	2,475,000	-
Capital reserves	21	58,000	18,000
Accumulated losses		(57,607)	(38,305)
Equity		**2,500,393**	**4,695**
Other current liabilities	23	19,630	2,500
Current liabilities		**19,630**	**2,500**
Liabilities		**19,630**	**2,500**
Total assets		**2,520,023**	**7,195**

Statement of changes in equity

In €	Notes	01.01.2017 - 31.07.2017	01.01.2016 - 31.12.2016
Subscribed capital			
As at the start of the reporting period		25,000	25,000
As at the end of the reporting period		**25,000**	**25,000**
Capital increase not yet registered			
As at the start of the reporting period		-	-
Capital increase before registration	9	2,475,000	-
As at the end of the reporting period		**2,475,000**	**-**
Capital reserves			
As at the start of the reporting period		18,000	18,000
Transfer to free capital reserves	21	40,000	-
As at the end of the reporting period		**58,000**	**18,000**
Accumulated losses			
As at the start of the reporting period		(38,305)	(35,051)
Profit or loss / total comprehensive income		(19,302)	(3,253)
As at the end of the reporting period		**(57,607)**	**(38,305)**
Equity		**2,500,393**	**4,695**

Statement of cash flows

In €	Notes	01.01.2017 - 31.07.2017	01.01.2016 - 31.12.2016
Profit or loss		(19,302)	(3,253)
Change in:			
Other current liabilities	23	17,130	2,500
Cash flow from operating activities		**(2,172)**	**(753)**
Cash flow from investing activities		**-**	**-**
Transfer to free capital reserves	21	40,000	-
Payments received from issuing shares	0	2,475,000	-
Cash flow from financing activities		**2,515,000**	**-**
Change of cash and cash equivalents		2,512,828	(753)
Cash and cash equivalents* at the beginning of the period		7,195	7,949
Cash and cash equivalents* at the end of the period		2,520,023	7,195

* (Note 0).

Notes

I General information, methods and principles

1. Information on the company

These financial statements were prepared by Brockhaus Capital Management AG (**BCM** or the **company**), with its registered office in Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany and which is entered in the Commercial Register of the Frankfurt am Main District Court under HRB 109637. In the reporting period, the company still operated as its legal predecessor Eagle Fonds Verwaltungs- und Treuhand-GmbH, from which it originated on the basis of a resolution of the shareholder meeting on 1 August 2017 on the basis of a change in legal form.

Eagle Fonds Verwaltungs- und Treuhand-GmbH (**Eagle**) had its registered office in Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany, and was entered in the Commercial Register of the Frankfurt am Main District Court under HRB 78705. Eagle was founded on 7 March 2000.

The object of Eagle was the fiduciary management of limited partner shares and the management of its own assets as well as all related activities. Eagle was authorised to establish branches and subsidiaries in Germany and abroad, to acquire or lease similar or related companies or to participate in other companies in the same or similar industry or with the same object of business.

Since its conversion, the object of the company is the establishment of companies and the acquisition, the long-term holding, managing and supporting of investments in companies, when appropriate, the sale of such investments and providing services in connection with the above, such as support in sales, marketing, finance and general organisational and management activities and in acquiring financing. Furthermore, the object is exercising the business activity of a management holding of portfolio companies and providing services for the same (group services), granting loans to portfolio companies to the extent this does not require regulatory approval, and the development and implementation of new business concepts for portfolio companies and providing services and consulting for portfolio companies and third parties as well as providing services and consultancy services to companies, in particular the business alignment, business concept, capital resources, financing options and investments (management consultancy), to the extent this does not require regulatory approval. In the context of the business strategy, the object of the company is also to invest all liquid assets available to the company which are not tied in portfolio companies, including in listed securities such as shares, profit participation certificates, other mezzanine instruments, debentures, funds, certificates or derivatives. In relation to its portfolio companies, the objective of the company is long-term support and value increase.

2. Accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. IFRS includes the International Accounting Standards (IAS) the applicable International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC).

3. Basis of preparation

The financial statements are prepared on the basis of amortised cost. This excludes specific circumstances which are carried at revalued amount or fair value on the reporting date. A note to this effect can be found in the respective accounting policies.

Historical cost is generally based on the fair value of the consideration paid in exchange for the asset. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies irrespective of whether the price is directly observable or is estimated using a measurement method.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes. The financial statements correspond to the classification requirements of IAS 1. In the interests of clarity, the items in the statement of comprehensive income and the statement of financial position are combined and further broken down and explained in the notes.

The accounting policies, as well as the explanations and further disclosures are applied consistently, unless the IFRS require changes.

The presentation in the statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current when they are due or are settled within twelve months after the reporting period. To calculate the profit or loss and total comprehensive income the statement of comprehensive income is prepared in line with the nature of expense method.

The fiscal year of the company does not correspond to the calendar year. As a result of the short fiscal year from 1 January 2017 to 31 July 2017 (reporting period), there is a fiscal year which differs from the calendar year. In the future the fiscal year is from 1 August to 31 July.

The financial statements are in euro (€), the functional currency of the company. Unless stated otherwise, all figures are rounded up or down to a full euro in line with standard commercial practice. Negative figures are shown in parentheses.

Receivables and liabilities in foreign currency are measured in profit or loss at the exchange rate as at the end of the reporting period. In the reporting period, there was no material impact from currency translation.

The financial statements were prepared by the legal successor of the company, Brockhaus Capital Management AG (BCM), with its registered office in Frankfurt am Main.

4. Accounting policies

Accounting was prepared under the going concern assumption. In preparing the financial statements of the company, assets and liabilities as well as income and expenses are not offset unless a regulation requires this or expressly allows it.

All statement of financial position items containing financial instruments according to IFRS 7 are carried at amortised cost. Their duration is less than one year.

As the company was not entitled to input sales tax in the reporting period, expenses are recognised on a gross basis.

a) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the company and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

b) Other comprehensive income

Transactions not impacting the profit or loss are recognised in other comprehensive income. Other comprehensive income is recognised before taxes. In the fiscal year, the company did not record any transaction to be recognised in other comprehensive income.

c) Impairment of non-financial assets

Non-financial assets of the company are tested for impairment when facts or changes in circumstances indicate that the carrying amount may not be recoverable. If this is the case, the asset's recoverable amount is estimated. Intangible assets with an indefinite useful life are tested for impairment annually.

To test if there is impairment, assets are combined in the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash-generating units (CGU).

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and fair value less costs to sell. In the assessment of the value in use, the estimated future cash flows are discounted to present value. A discount rate before tax is used which reflects current market assessments of the interest effect and the special risks of an asset or cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment is recognised in profit or loss.

An impairment loss is reversed only to the extent that the carrying value of the asset does not exceed the carrying value that would have been determined net of depreciation had no impairment loss been recognised.

d) Financial instruments

The company classifies non-derivative financial assets to the following categories:

- Financial assets measured at fair value through profit or loss (none at the reporting date)
- Held-to-maturity equity instruments (none at the reporting date)
- Loans and receivables
- Available-for-sale financial assets (none at the reporting date)

All financial instruments in the company are cash and cash equivalents and non-current liabilities.

The company classifies non-derivative financial liabilities as financial liabilities recognised at fair value through profit or loss, or as other financial liabilities.

The company recognises loans and receivables from the point in time they were incurred. All other financial assets and liabilities are initially recognised on the trading day when the company becomes contractual partner in accordance with the contractual regulations of the instrument.

The company derecognises a financial asset when the contractual rights relating to the cash flow from an asset expire or it transfers the rights to receive the cash flows in a transaction in which all material risks and rewards connected with the ownership of the financial assets are transferred. Derecognition also takes place if the company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset. Each share in such transferred financial assets, which arise or remain in the company, is recognised as a separate asset or liability.

Financial liabilities are derecognised when the contractual obligations are met or cancelled, or when they expire.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if the company has a currently enforceable legal right to offset the recognised amounts and there is an intention either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Loans and receivables are measured at fair value on initial recognition, plus directly attributable transaction costs. In subsequent periods they are measured at amortised cost using the effective interest method.

A financial asset not classified at fair value though profit and loss is assessed at each reporting date to determine if there is any objective evidence that impairment has occurred.

The company takes account of evidence of impairment for financial assets measured at amortised cost at the level of both the individual asset and at collective level. All assets which are individually significant are assessed for specific impairment. Those which specifically prove not to be impaired are subsequently assessed collectively for any impairment which has occurred but has not yet been identified. Assets which are not individually significant are assessed for impairment on a collective basis by combining assets with similar risk characteristics in a group.

In the assessment of collective impairment the company uses historical information on the timing of payments and the level of the losses incurred, adjusted by Executive Board judgements whether the current economic and credit conditions are such that the actual losses are likely to be larger or less than the losses to be anticipated on the basis of historical trends.

Impairment is calculated as the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate of the asset. Losses are recognised in profit or loss. If the company has no realistic prospect of the collectibility of the asset, the amounts are written off. If an event occurs after the recognition of the impairment which results in lowering the amount of the impairment, the lowered impairment is recognised in profit and loss.

A financial liability is recognised at fair value through profit or loss if it is held for trading purposes or is classified accordingly at initial recognition. Directly attributable transaction costs are recognised in profit or loss as they occur. Financial liabilities recognised at fair value through profit or loss are recognised at fair value. Appropriate changes which cover all interest expenses are also recognised in profit or loss.

Other non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. In subsequent periods these liabilities are measured at amortised cost using the effective interest method.

e) Equity

Subscribed capital and capital reserves are carried at nominal amount. Costs directly attributable to the issue of shares are deducted from capital reserves. Income taxes in respect to transaction costs in an equity transaction are recognised in accordance with IAS 12.

f) Other current liabilities

Other current liabilities are recognised in accordance with IAS 39. At initial recognition they are recognised at fair value.

g) New and amended standards

In the current short fiscal year, the company applied the following reporting standards for the first time. However, they had no material impact on the earnings, asset and financial position. The overviews below show the all the standards relevant for the company.

New and amended standards - effective in the EU

Standard	Name	Mandatory application
IFRS 9	Financial instruments	01.01.2018
	Annual Improvement to IFRS Standards 2014-2016 Cycle	01.01.2017/01.01.2018

The IASB and IFRS Interpretations Committee have issued the following standards, amendments to existing standards and interpretations that are not yet effective or whose IRFS adoption have not yet been endorsed by the European Union. The following IFRS and interpretations relevant for the company have not been applied.

Standards and interpretations adopted from the EU that are not yet mandatory

Standard	Name	Mandatory application	Impact on BCM
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	No material impact expected
	Annual Improvements to IFRS Standards 2015-2017 Cycle	01.01.2019	No material impact expected

5. Significant judgements, estimates and assumptions

In applying the accounting methods, some judgements are made that significantly influence the amounts in the financial statements. In addition, when preparing the financial statements assumptions and estimates about the future are to be made which can impact the carrying amounts of statement of financial position items and the level of income and expenses. The actual amounts may differ from these estimates. The most important assumptions about the future and other sources of estimate uncertainty, as a result of which material adjustments may become necessary, are elucidated below.

a) Provisions

The recognition and measurement of provisions takes place on the basis of an assessment of the probability of a future outflow of benefits and using values based on experience and circumstances known at the end of the reporting period. The actual future obligation can differ from the amounts recognised as provisions.

b) Deferred taxes

Deferred taxes are recognised for the differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax reporting in the context of calculating taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Such deferred tax assets and deferred tax liabilities are not recognised if they arise from temporary differences from goodwill or from initial recognition (except in the case of business combinations) from other assets and liabilities which result from events which do not affect either the taxable income or the result for the period.

The carrying amount of deferred tax assets is assessed each year on the reporting date and reduced if it is no longer probable that sufficient taxable income will be available against which the deferred tax asset can be fully or partially utilised.

Tax liabilities and tax assets are determined on the basis of tax rates and tax legislation expected to apply when the liability is settled or the asset is realised. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The tax loss carry forwards from 2016 of € 38,312 can be used to reduce future income taxes at an amount of € 12,260. No deferred tax is recognised for these circumstances as future positive taxable income was not sufficiently concrete at the time the financial statements were prepared.

Notes on the statement of comprehensive income

The statement of comprehensive income was prepared in accordance with the nature of expense method.

6. Other operating expenses

Other operating expenses break down as follows:

In €	01.01.2017 - 31.07.2017	01.01.2016 - 31.12.2016
Preparation and audit of financial statements	17,000	2,500
Legal and consulting expenses	742	-
Other costs	1,560	753
Other operating expenses	**19,302**	**3,253**

Notes on the statement of financial position

7. Current assets

Current assets break down as follows:

In €	31.07.2017	31.12.2016
Bank balances	2,502,023	7,195
Current assets	**2,502,023**	**7,195**

8. Subscribed capital

On 19 July 2017, what previously had been the sole shareholder of the company resolved a capital increase from € 25,000 by € 2,475,000 to € 2,500,000. As at the reporting date, the payment had been fully made in cash. As at the reporting date, the capital increase had not yet been entered in the Commercial Register. The entry in the Commercial Register was made on 2 August 2017. As at the closing date, subscribed capital was divided into 25,000 no-par bearer shares each of €1. All shares were held by Falkenstein Heritage GmbH. The capital increase was subscribed to by both the existing shareholder and by new shareholders. Please refer to Note 9.

After the capital increase, subscribed capital totalled € 2,500,000.

9. Capital increase not yet registered

The contributions made from the capital increase in July 2017 are not part of the subscribed capital of the company as at the reporting date until registration in the Commercial Register. As a result, a separate item was included in the statement of financial position. The entry in the Commercial Register was made on 2 August 2017.

The amount of € 2,475,000 increases the company's share capital to € 2,500,000.

10. Capital reserves

On 19 July 2017, € 40,000 was paid into the free capital reserves.

11. Other current liabilities

Other non-current liabilities amounted to € 19,630 as at the end of the reporting period (previous year: € 2,500).

12. Other financial obligations

As at the reporting date, the company had no other financial obligations.

Notes on the statement of changes in equity

In the statement of changes in equity in accordance with IAS 1.106 ff. the development of each component in equity is shown within the reporting period and in the previous reporting period.

Notes on the statement of cash flows

In the statement of cash flows in accordance with IAS 7 cash flows are recognised to show information on the movement of cash of the company. Cash flows are broken down into those from operating activities, investing activities and financing activities. The total of the cash flows from the three sub-areas corresponds to the change of cash and cash equivalents.

The statement of cash flows is calculated using the indirect method for presenting cash flows from operating activities and using the direct method for the presentation of cash flows from investing and financing activities.

Cash and cash equivalents at the beginning and the end of the reporting period consisted of cash in hand and bank balances.

Financial instruments

The management of the company is responsible for the establishment and control of risk management.

a) Credit risks

A credit risk is the risk that one party to a financial instrument will cause a financial loss for the other company by failing to discharge an obligation.

The company's financial assets comprise exclusively cash and cash equivalents. Please refer to Note 12. As at the reporting date, there were no financial assets measured at fair value. As the material receivables of the company are to banks, credit risks are considered to be moderate.

b) Liquidity risks

A liquidity risk is the risk that a company will encounter difficulty in meeting obligations associated with financial liabilities.

Due to the fact that the company's operating activities were largely suspended in the reporting period, there were no material financial risks.

c) Market risks

A market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. A differentiation is made between three types of risk: currency risk, interest rate risk and other price risk.

The company holds its cash and cash equivalents exclusively in its functional currency. There is no material exposure to changing interest rates or other prices.

Other disclosures

13. Related parties

Parties are considered to be related if they have the ability to control the company or exercise significant influence over its financial and operating decisions.

Such companies and persons comprise key management personnel of the company and companies controlled by key management personnel or under their significant influence.

a) Transactions with key management personnel

In relation to the company, key management personnel are the Managing Directors. There was no remuneration for these persons in the reporting period.

In the context of the capital increase in July 2017, a Managing Director acquired 100,000 new shares of the company. Please refer to Note 0.

The combined values of the transactions and the outstanding amounts in connection with members of the management in key positions are shown below:

	Value of the transactions		Outstanding amounts	
In €	01.01.2017 - 31.07.2017	01.01.2016 - 31.12.2016	31.07.2017	31.12.2016
After capital increase	100,000	-	-	-

b) Other related parties

The Managing Directors take positions in other companies as a result of which they have the ability to control or have significant influence on the financial and operating policies of these companies. Some of these companies transacted business with BCM in the reporting period. The terms and conditions of these transactions were on standard market terms.

Until the capital increase in July 2017, Falkenstein Heritage GmbH, with its registered office in Wetzlar, held 100% of the company's shares. After the capital increase, it retained control over BCM with 80% of the shares.

The transfer to the free capital reserves was made entirely by Falkenstein Heritage GmbH. Please refer to Note 21.

In the context of the capital increase, Brockhaus Private Equity GmbH, with its registered office in Frankfurt am Main, was an investor in the company and subsequently held a 10% stake in BCM.

Both Falkenstein Heritage GmbH and Brockhaus Private Equity GmbH are controlled by a Managing Director of the company. In the context of the capital increase, the two companies acquired new BCM shares. Please refer to Note 0.

The combined values of the transactions and the outstanding amounts in connection with companies controlled by key management personnel or under their significant influence are shown below:

	Value of the transactions		Outstanding amounts	
In €	01.01.2017 - 31.07.2017	01.01.2016 - 31.12.2016	31.07.2017	01.01.2016 - 31.12.2016
After capital increase	2,225,000	-	-	-
Transfer to free capital reserves	40,000	-	-	-

14. Events after the reporting period

As a result of the capital increase resolution of 19 July 2017, the share capital of the company of € 25,000 was increased by € 2,475,000 to € 2,500,000 and fully paid in cash as at 3 July 2017. The capital increase was entered in the Commercial Register on 2 August 2017.

By resolution of the shareholder meeting on 1 August 2017, on the basis of a change in legal form the company was converted to Brockhaus Capital Management AG. The conversion was entered in the Commercial Register on 16 September 20171. Brockhaus Capital Management AG which continues to have its registered office in Frankfurt am Main is entered in the Commercial Register of the Frankfurt am Main District Court under HRB 109637.

On 22 September 2017, the Annual General Meeting resolved a capital increase of between € 5,000,000 and € 7,500,000. With the approval of the Supervisory Board, by resolution on 15 December 2017, the Executive Board determined the scope of the capital increase as € 1,652,000 by the issue of 1,652,000 new shares. After the capital increase, capital reserves totalled € 43,025,000.

On 21 December 2017 (transfer date), the owners of the 2,500,000 shares of the capital increase described above (Brockhaus shareholders) initially transferred the company a total of 1,674,000 of their shares on the basis of a free unremunerated share loan (loaned shares) with all the related rights and obligations. The successive retransfer of the loaned shares to the Brockhaus shareholders took place at a ratio of 1:2 to new shares, created in the context of future capital increases. The purpose of this regulation is to restrict the share of voting and profit participation rights of the Brockhaus shareholders to a third. The share loan ends in full when all 5,000,000 new shares were issued to investors which are not Brockhaus investors and the company's total share capital then amounts to € 7,500,000. The loan has a maximum duration of three years, calculated from the transfer date, thus ending no later than the end of 20 December 2020. If there are still loaned shares in the possession of the company at the end of the term, these loaned shares will be transferred to all the shareholders (including the Brockhaus shareholders) which as at the end of 20 December 2020 are company shareholders on a pro rata basis as a proportion of their stake at this time.

On 6 December, the company legally acquired the 70% stake and the voting rights in Palas GmbH Partikel- und Lasermesstechnik, Karlsruhe, thus obtaining control over the company. As a result of the existing put option, which is recognised according to the anticipated acquisition method, the acquisition is presented as if 100% of the shares had been acquired. The total consideration transferred amounted to € 35,118,000. In the context of the transaction, the company's share capital was increased by € 100,000 to € 4,252,000 by issuing new shares.

On 11 September 2019, a resolution to increase the company's share capital by € 41,667 to €4,293,667 was passed. The capital increase was entered in the Commercial Register on 7 June 2019.

15. Fees for the audit company

The Frankfurt branch of KPMG Wirtschaftsprüfungsgesellschaft, with its registered office in Berlin, was appointed as auditor for the short fiscal year ending 31 July 2017. The fee amounted to EUR 14,500 (previous year: EUR -).

16. Employees

In the reporting period the company had no employees.

17. Company bodies

The management of the company is made up as follows:

- Marco Brockhaus, Königstein im Taunus (from 19 July 2017)
- Dr. Marcel Wilhelm, Kronberg im Taunus

The Managing Directors each have sole powers of representation and are exempt from the restrictions of Section 181 BGB.

18. Total remuneration of the members of company bodies

There was no remuneration of the Managing Directors in the reporting period.

19. Appropriation of earnings

The loss carried forward of the company from the previous year is carried forward to new account together with the net loss for the year for the reporting period. As at 31 July 2017, the company posted accumulated losses of € 57,606.98.

Frankfurt am Main, 27 June 2019

Marco Brockhaus	Dr. Marcel Wilhelm

The below auditor's report and financial statements referred to are both translations of the respective German-language documents.

Independent Auditor’s Report

To the Brockhaus Capital Management AG (previously: Eagle Fonds Verwaltungs- und Treuhand-GmbH), Frankfurt am Main

Opinion

We have audited the annual financial statements of Brockhaus Capital Management AG, Frankfurt am Main, which comprise the statement of financial position as at 31 July 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the short financial year from 1 January 2017 to 31 July 2017 and notes to the financial statements, including the recognition and measurement policies presented therein.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of IFRSs as adopted by the EU, and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 July 2017 and of its financial performance for the short financial year from 1 January 2017 to 31 July 2017.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the Opinion

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements” section of our auditor’s report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of IFRSs as adopted by the EU, and that the annual financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements 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 these systems of the Company.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with IFRSs as adopted by the EU.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frankfurt am Main, 28 June 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Bertram Wirtschaftsprüfer [German Public Auditor]	Loginov Wirtschaftsprüfer [German Public Auditor]

Audited German GAAP Individual Financial Statements of
BCM AG
from 1 January 2019 to 31 December 2019

Brockhaus Capital Management AG
Balance sheet as at 31 December 2019

ASSETS

	31 December 2019 EUR	31 December 2018 EUR
A. Fixed assets		
I. Intangible assets	8,489.92	15,766.92
II. Property, plant and equipment	9,677.49	10,655.49
III. Financial assets	113,965,892.10	18,190,483.77
	113,984,059.51	18,216,906.18
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	127,882.28	0.00
2. Other assets	1,519.42	8,987.90
	129,401.70	8,987.90
II. Cash and cash equivalents	7,180,840.86	29,448,299.40
	7,310,242.56	29,457,287.30
C. Prepaid expenses	50,074.19	50,074.19
	121,344,376.26	47,724,267.67

EQUITY AND LIABILITIES

	31 December 2019 EUR	31 December 2018 EUR
A. Equity		
I. Subscribed capital	6,642,372.00	4,152,000.00
II. Capital reserve	119,943,198.00	43,025,000.00
thereof allocated in the financial year: EUR 76,918,198; PY: EUR 0.00		
III. Accumulated losses	-6,847,806.61	-3,046,097.22
	119,737,763.39	44,130,902.78
B. Contributions made to implement the resolved capital increase	0.00	3,000,000.00
C. Provisions		
I. Tax provisions	410,000.00	0.00
II. Other provisions	604,396.90	350,819.00
	1,014,396.90	350,819.00
D. Liabilities		
I. Trade payables	462,302.21	204,946.38
II. Other liabilities	129,913.76	37,599.51
	592,215.97	242,545.89
	121,344,376.26	47,724,267.67

Brockhaus Capital Management AG

Income statement

from 1 January 2019 to 31 December 2019

		1 Jan. 2019 - 31 Dec. 2019 EUR	1 Aug. 2018 - 31 Dec. 2018 EUR
1.	Other operating income	88,449.53	246,871.79
2.	Personnel expenses		
	a) Wages and salaries	-1,515,944.11	-406,762.90
	b) Social security, pension and other benefits	-67,350.07	-17,911.05
3.	Amortisation of intangible assets and depreciation of property, plant and equipment	-11,857.59	-4,841.51
4.	Other operating expenses	-1,855,203.24	-978,414.75
5.	Interest and similar expenses	-29,803.91	0.00
6.	Earnings after taxes	-3,391,709.39	-1,161,058.42
7.	Other taxes	-410,000.00	0.00
8.	Net loss for the year	-3,801,709.39	-1,161,058.42
9.	Accumulated losses brought forward	-3,046,097.22	-1,885,038.80
10.	Accumulated losses	-6,847,806.61	-3,046,097.22

Brockhaus Capital Management AG

Notes to the financial statements for the fiscal year from 1 January 2019 to 31 December 2019

1. General information

Brockhaus Capital Management AG (the Company or BCM AG) has its registered office in Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany, and is registered with the commercial register at the Frankfurt am Main District Court under commercial register file number HRB 109637. As of the reporting date, the Company meets the criteria of a small corporation within the meaning of Section 267a (3) no. 3 in conjunction with Section 267 (1) HGB.

As the parent company, Brockhaus Capital Management AG voluntarily prepares consolidated financial statements pursuant to Section 315e HGB for the smallest group of companies in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The annual financial statements for the fiscal year from 1 January 2019 to 31 December 2019, were prepared using the accounting policies prescribed by the German Commercial Code (HGB) as well as the supplementary provisions of the German Stock Corporation Act (AktG). The Company has exercised the exemption under Section 264 (1) sentence 4 and refrained from preparing a management report. In addition, the Company made partial use of the disclosure relief based on size pursuant to Section 288 (1) no. 1 HGB.

The Company's purpose is to establish companies and acquire, hold, manage and foster investments in companies over the long term, and, as the case may be, sell such investments as well as provide services relating to the aforementioned, such as support for sales, marketing, finance and general organizational and management matters and for the acquisition of funding. The Company's purpose also includes business activities involving a managing holding entity of subsidiaries and providing services for these (group services), extending loans and borrowings to subsidiaries, to the extent that this does not require official approval, and developing and implementing new business concepts for subsidiaries and third parties as well as providing services and advice to companies, especially regarding business alignment, business concept, capital resources, funding options and capital investment (management consulting), to the extent this this does not require official approval. The Company's purpose within the scope of the business strategy also includes investing free cash available to the Company, which is not yet committed to investments. This includes investing in listed securities, such as shares, participation certificates, other mezzanine instruments, debt securities, funds, certificates or derivatives.

The Company's objective for its investments is long-term fostering and growth in value. The Company is entitled to carry out all business activities and measures not requiring authorization that are deemed directly or indirectly necessary and appropriate to achieve the Company's purpose.

Brockhaus Capital Management AG intends to continue to pursue its strategy over a long-term investment horizon by primarily acquiring majority interests in companies with innovation- and technology-driven business models.

The Company's fiscal year corresponds to the calendar year. Due to the short fiscal year in the prior year, the figures are comparable with the prior year only to a limited extent.

The financial statements are presented in euro.

The income statement is presented in accordance with the nature of expense method (Section 275 (2) HGB).

2. Accounting policies

Recognition and measurement of amounts were carried out under the assumption of the Company's ability to continue as a going concern (Section 252 (1) no. 2 HGB).

Intangible assets and property, plant and equipment were measured at amortized cost.

Intangible assets relate exclusively to intangible assets acquired for a consideration.

Intangible assets and property, plant and equipment were amortized/depreciated on a straight-line basis over a useful life of three years. Additions are amortized on a pro-rata basis from the month of acquisition.

Financial assets are stated at the acquisition cost of the acquired shares.

Trade receivables are recognized at their nominal value.

Other assets are stated at their nominal value.

Cash and cash equivalents are recognized at their nominal value.

Prepaid expenses comprised payments made before balance sheet date, which related to expenses for a time period after that date.

Subscribed capital and the capital reserve are stated at nominal value.

The measurement of provisions included all discernible risks and contingent liabilities at the settlement amount deemed necessary according to prudent commercial judgment.

Liabilities are recognized at their settlement amounts.

3. Explanatory notes on the balance sheet

Intangible assets and property, plant and equipment

Intangible assets of € 8,489.92 (prior year: € 15,766.92) concern capitalized costs associated with the creation of the company website. ICT hardware in the amount of € 9,677.49 (prior year: € 10,655.49) is recognized under property, plant and equipment.

Amortisation, depreciation and write-downs of intangibles assets and property, plant and equipment pertained exclusively to amortisation and depreciation during the fiscal year.

Financial assets

Brockhaus Capital Management AG completed the acquisition of IHSE Holding GmbH, with registered office in Oberteuringen, on 16 December 2019. The purchase price of the shares in IHSE Holding GmbH including a shareholder loan amounted to € 110,169,833.33. The shares were acquired through IHSE AcquiCo GmbH, which was acquired and provided with equity in the reporting year. Acquisition costs of EUR 75,946,115.33 were capitalized for this purpose. The shares in IHSE Holding GmbH were acquired by way of a cash payment as well as a reinvestment in Brockhaus Capital Management AG in the form of a contribution in kind.

The capital increase by way of a contribution in kind involved the contribution of 5,006 shares by IHSE Holding GmbH, of which 1,649 shares of IHSE Holding GmbH were contributed by EL-Invest GmbH, Immenstaad am Bodensee, and 3,357 were contributed by Brockhaus Private Equity Management Luxemburg S.a.r.l., Luxembourg. In consideration of the transfer of shares, Brockhaus Capital Management AG grants EL-Invest GmbH and Brockhaus Private Equity Management Luxemburg S.a.r.l. 202,015 and 411,259 non-par value shares in the Company, respectively, with a notional share in the share capital of € 1.00 each. For this purpose, the Company's share capital was increased by € 613,274.00.

The capital increase by way of a contribution in kind of Brockhaus Capital Management AG was entered into the commercial register on 23 December 2019. The value of the contribution in kind exceeding the total issue amount of the new shares constitutes a contractual premium under the law of obligations totaling € 19,011,494.00.

Furthermore, the Company acquired 10.1% of the shares in IHSE Immobilien GmbH with registered office in Oberteuringen on 9 December 2019. The purchase price of the shares in IHSE Immobilien GmbH amounted to € 204,525.00.

Shares in affiliated companies thus totaled € 113,965,892.10 as of the balance sheet date (prior year: € 18,190,483.77).

Movements in the Company's fixed assets are presented as a separate appendix to these notes.

Receivables from affiliated companies

Receivables from affiliated companies of € 127,882.28 include receivables from consulting fees to be reimbursed by IHSE AcquiCo GmbH.

Other assets

Other assets of € 1,519.42 (prior year: € 8,987.90) largely include transitory items.

Prepaid expenses

Prepaid expenses of € 50,074.19 (prior year: € 50,074.19) mainly relate to prepaid insurance premiums which were paid for a year in advance in December 2019.

Equity

<u>Share capital/number of shares</u>

The Company's share capital amounts to € 6,642,372.00 as of the balance sheet date of 31 December 2019. The share capital is divided into 6,642,372 no-par value registered shares.

Taking into account a share loan, the distribution of voting and profit participation rights is as follows:

- Pre-IPO investors 4,142,372 shares (66.7%) of the Company.
- Brockhaus shareholders 2,071,186 shares (33.3%) of the Company,

The distribution of the total share capital among the shareholders was as follows as of the balance sheet date:

- Pre-IPO investors 4,142,372 shares (62.4%) of the Company.
- Brockhaus shareholders 2,071,186 shares (31.2%) of the Company,
- BCM AG (share loan): 428,814 shares (6.4%) of the Company.

If share capital is increased, the profit share of new shares may be determined in deviation from the provisions of Section 60 of the German Stock Corporation Act (AktG).

The increase in share capital by way of a contribution in kind in December 2018 was entered in the commercial register on 2 January 2019, resulting in an increase in share capital of EUR 100,000.00 and capital reserve of EUR 2,900,000.00. In the prior year, the amount of EUR 3,000,000.00 was presented under item "B. Contributions to implement the resolved capital increase".

By resolution of the Supervisory Board dated 15 April 2019, and entry into the commercial register dated 7 June 2019, the Company increased the share capital by € 41,667.00 to € 4,293,667.00. The new shares were issued by partial utilization of the Authorized Capital 2017/I at a price of € 30.00 per share, and funds of € 1,250,010.00 flowed to the Company.

At the Company's annual general meeting on 27 June 2019, the shareholders authorized the Executive Board, with the consent of the Supervisory Board, to increase the share capital in exchange for cash or contributions in kind by up to € 212,500.00, with the option to exclude pre-emptive subscription rights (Authorized Capital 2019/I). Further, the share capital was conditionally increased by up to € 425,200.00 (Contingent Capital 2019/I). The contingent capital serves to grant rights to holders of share warrants from the share option program.

The extraordinary general meeting of the Company on 2 September 2019, resolved a capital increase by way of subscription rights by up to € 3,138,912.00 to a maximum of € 7,432,579.00. By resolution of the Executive Board dated 5 December 2019, the capital increase of € 1,735,431.00 to € 6,029,098.00

was carried out. The new shares were issued at a price of € 32.00 per share, and funds of € 55,533,792.00 flowed to the Company.

On 12 December 2019, a capital increase by way of a contribution in kind of a further € 613,274.00 to € 6,642,372.00 was carried out from Authorized Capital 2017/I, in the course of which new shares at a price of € 32.00 per share were also issued. Shares were issued in exchange for the contribution of shares in Brockhaus Capital Management AG. The cash equivalent of the contributed shares amounted to € 19,624,768.00.

Share loan

The Brockhaus shareholders initially transferred a total of 1,674,000 Brockhaus shares to Brockhaus Capital Management AG by way of an uncompensated share loan (hereinafter "share loan"), with all inherent rights and obligations therewith, with the transfer date of 21 December 2017. In addition, the Brockhaus shareholders instructed the KAS Bank N.V., Frankfurt am Main, on the transfer date to transfer the share loan to the custody account of the Company at Deutsche Bank AG, Frankfurt am Main.

As of the reporting date, 428,814 shares were still in the possession of the Company in connection with this share loan.

The successive retransfer of the share loan to the Brockhaus shareholders is carried out in a 1:2 ratio to new shares, which are created in the course of capital increases. The purpose of this arrangement was to limit to one third the share of voting and profit participation rights of the Brockhaus shareholders. The share loan ends in full when a total of 5,000,000 new shares to investors (excluding the Brockhaus shareholders) have been issued and the total share capital of the Company amounts to € 7,500,000.00.

The loan has a maximum term of three years, calculated from the date of transfer, and ends at the latest with effect from midnight of 20 December 2020. If the share loan is still owned by the Company as of the end of this term, the share loan will be transferred to all shareholders (including the Brockhaus shareholders) who are shareholders of the Company at midnight on 20 December 2020, pro rata in proportion to their investment at this date.

Capital reserve

The capital reserve as of 31 December 2019 amounts to € 119,943,198.00, of which € 73,000.00 represents a free capital reserve (Section 272 (2) no. 4 HGB) and € 119,870,198.00 a capital reserve from the issue of shares (Section 272 (2) no. 1 HGB).

Provisions

Tax provisions include provisions for a real estate transfer tax liability from the acquisition of IHS Immobilien GmbH totaling € 410,000.00 (prior year: € 0.00).

In addition, there are provisions for personnel expenses of € 183,000.00 (prior year: € 0.00), outstanding invoices of € 151,682.90 (prior year: € 122,180.00), expenses for the audit of financial statements of € 111,860.00 (prior year: € 121,400.00), remuneration of members of the Supervisory Board of € 110,254.00 (prior year: € 47,779.00) and costs for the preparation of financial statements according to HGB and IFRS of € 47,600.00 (prior year: € 52,460.00).

Liabilities

Liabilities of € 592,215.97 (prior year: € 242,545.89) include trade payables of € 462,302.21 (prior year: € 204,946.38) and liabilities for payroll and church tax of € 129,913.76 (prior year: € 36,928.01).

As in the prior year, all liabilities are due within one year.

4. Explanatory notes on the income statement

Other operating income

Other operating income of € 88,449.53 (prior year: € 246,871.79) consists mainly of prior-period income from the release of provisions in the amount of € 88,099.53.

Personnel expenses

Personnel expenses during the fiscal year include salaries of € 1,515,944.11 (prior year: € 406,762.90) and statutory social security contributions of € 67,350.07 (prior year: € 17,911.05).

Other operating expenses

Of other operating expenses totaling € 1,855,203.24, € 266,498.14 relate to non-capitalizable costs of a capital increase in connection with the acquisition of IHSE Holding GmbH. Material items of the other € 1,588,705.10 in other operating expenses include financial statement closing and audit fees of € 242,173.95 (prior year: € 126,936.36), due diligence costs of € 227,641.19 (prior year: € 441,283.75), legal and consulting fees of € 172,919.90 (prior year: € 42,793.43) as well as remuneration of members of the Supervisory Board of € 142,942.80 (prior year: € 82,574.20).

Other taxes

Other taxes include the anticipated real estate transfer tax from the acquisition of IHSE Immobilien GmbH totaling € 410,000.00 (prior year: € 0.00).

5. Other disclosures

Other financial obligations

Other financial obligations consist of the sublease between Brockhaus Capital Management AG and Brockhaus Private Equity GmbH for the offices in Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, amounting to € 184,941.54 (€ 105,680.88 per annum) for the period from January 2020 to September 2021.

Contingent liabilities

As of 31 December 2019, the subsidiary Palas Holding GmbH, Karlsruhe, reported liabilities to banks of EUR 11,916,666, which are secured by pledging shares in the subsidiary. Furthermore, as of 31 December 2019, the subsidiary IHSE AcquiCo GmbH, Oberteuringen, reported liabilities to banks of EUR 38,000, which are secured by pledging shares in subsidiaries.

There are no other contingent liabilities pursuant to Section 268 (7) HGB in conjunction with Section 251 HGB as of the reporting date.

Company bodies

The members of Brockhaus Capital Management AG's Executive Board are:

Chairman of the Executive Board (CEO/CIO):	Mr. Marco Brockhaus Königstein im Taunus
Member of the Executive Board (CAO/Legal Counsel):	Dr. Marcel Wilhelm Kronberg im Taunus

The Supervisory Board of Brockhaus Capital Management AG consists of four members in the reporting period and, unless other mandatory legal requirements apply, comprise the following:

Chairman:	Dr. Othmar Belker, interim CFO of a holding group, Kleinwallstadt
Deputy Chairman:	Mr. Michael Schuster, lawyer, Königstein im Taunus
Member of the Supervisory Board:	Mr. Andreas Peiker, entrepreneur, Königstein im Taunus
Member of the Supervisory Board:	Mr. Martin Bestmann, managing director of a consulting firm, Neunkirchen am Brand (since 26 February 2020)

The Company exercises the exemption option under Section 288 (1) no. 1 HGB and refrains from disclosing the total remuneration of the Executive Board and Supervisory Board (Section 285 no. 9a HGB). Similarly, the Company waives the disclosure of the auditor's fee (Section 285 no. 17 HGB).

Average number of employees

The Company employed an average of eight employees in the fiscal year from 1 January 2019 to 31 December 2019.

Appropriation of earnings

The accumulated losses brought forward from the prior year (€ 3,046,097.22), together with the net loss for the fiscal year, is carried forward to the following year.

Significant events after the balance sheet date

On 31 January 2020, it was resolved to increase the share capital of the Company by € 150,686.00 to € 6,793,058.00. The capital increase, which resulted in € 4,821,952.00 flowing to the Company, was entered in the commercial register on 20 February 2020.

The developments in connection with the 2020 COVID-19 pandemic to date suggest that global economic growth will be significantly adversely affected by the global spread of the pandemic and the resulting severe disruption of economic activity. Depending on the developments at the Company's subsidiaries, this could have a negative impact on the valuation of investments and by extension on the net income of Brockhaus Capital Management AG. In light of the current uncertainty, it is not possible to quantify the potential financial impact of the COVID-19 pandemic.

Frankfurt am Main, 28 April 2020

Executive Board

Marco Brockhaus

Dr. Marcel Wilhelm

Brockhaus Capital Management AG

Frankfurt am Main

Movements in fixed assets during the financial year from 1 January 2019 to 31 December 2019

Brockhaus Capital Management AG
Frankfurt am Main
Movements in fixed assets during the financial year from 1 January 2019 to 31 December 2019

	COST					ACCUMULATED AMORTISATION, DEPRECIATION AND WRITE-DOWNS				BOOK VALUE
	01 January 2019	Additions	Disposals	31 December 2019	01 January 2019	Additions	Reversals	31 December 2019	31 December 2019	31 December 2018
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Intangible assets										
Website	21,832.23	0.00	0.00	21,832.23	6,065.31	7,277.00	0.00	13,342.31	8,489.92	15,766.92
Property, plant and equipment										
Other equipment, operating and office equipment	13,505.92	3,602.59	0.00	17,108.51	2,850.43	4,580.59	0.00	7,431.02	9,677.49	10,655.49
Financial assets										
Shares in affiliated companies	18,190,483.77	95,775,408.33	0.00	113,965,892.10	0.00	0.00	0.00	0.00	113,965,892.10	18,190,483.77
	18,225,821.92	95,779,010.92	0.00	114,004,832.84	8,915.74	11,857.59	0.00	20,773.33	113,984,059.51	18,216,906.18

The below auditor's report and financial statements referred to are both translations of the respective German-language documents.

Independent Auditor’s Report

To Brockhaus Capital Management AG, Frankfurt am Main

Opinion

We have audited the annual financial statements of Brockhaus Capital Management AG, Frankfurt am Main, which comprise the balance sheet as of 31 December 2019, and the income statement for the financial year from 1 January to 31 December 2019, and notes to the financial statements, including the recognition and measurement policies presented therein.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019, in accordance with German Legally Required Accounting Principles.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for Opinion

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements 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 these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frankfurt am Main, 29 April 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Fox Wirtschaftsprüfer [German Public Auditor]	Kast Wirtschaftsprüfer [German Public Auditor]

Audited German GAAP Individual Financial Statements of Palas GmbH from 1 January 2018 to 31 December 2018

Palas GmbH

Balance sheet as at 31 December 2018

	ASSETS	31 Dec. 2018 EUR	31 Dec. 2017 EUR
A.	**FIXED ASSETS**		
I.	**Intangible assets**		
	Software acquired for a consideration	28,215.00	21,721.00
II.	**Property, plant and equipment**		
1.	Technical equipment and machinery	528,199.61	106,121.00
2.	Other equipment, operating and office equipment	258,629.00	189,235.00
		786,828.61	295,356.00
	Total fixed assets	815,043.61	317,077.00
B.	**CURRENT ASSETS**		
I.	**Inventories**		
1.	Raw materials and supplies	2,099,830.09	1,435,282.66
2.	Work in process	604,314.44	286,416.34
3.	Finished goods and merchandise	752,238.61	713,967.56
4.	Advance payments	4,978.13	0.00
		3,461,361.27	2,435,666.56
II.	**Receivable and other assets**		
1.	Trade receivables	1,195,467.32	566,031.11
2.	Receivables from shareholders	-.--	40,000.00
3.	Other assets	72,631.86	51,207.44
		1,268,099.18	657,238.55
III.	**Cash and cash equivalents**	1,625,689.82	2,290,520.87
	Total current assets	6,355,150.27	5,383,425.98
C.	**PREPAID EXPENSES**	26,312.01	45,024.26
		7,196,505.89	5,745,527.24

	EQUITY AND LIABILITIES	31 Dec 2018 EUR	31 Dec 2017 EUR
A.	**EQUITY**		
I.	**Subscribed capital**	80,000.00	80,000.00
II.	**Accumulated profit**	5,481,903.48	4,456,877.86
	Total equity	5,561,903.48	4,536,877.86
B.	**PROVISIONS**		
1.	Provisions for pensions and similar obligations	-.--	2,852.84
2.	Tax provisions	235,179.37	168,222.18
3.	Other provisions	568,495.36	381,227.00
	Total provisions	803,674.73	552,302.02
C.	**LIABILITIES**		
1.	Payments received on account of orders	265,718.16	398,527.20
2.	Trade payables	288,536.04	156,422.37
3.	Liabilities to affiliated companies	35,888.68	0.00
4.	Other liabilities	240,784.80	101.397.79
	- thereof for taxes: EUR 232,254.55; PY: 89,692.56		
	- thereof for social security: EUR 0.00; PY: EUR 1,017.58		
	Total liabilities	830,927.68	656,347.36
		7,196,505.89	5,745,527.24

Palas GmbH
Income Statement for financial year 2018

		2018	2017
		EUR	EUR
1.	Revenue	11,707,579.03	9,271,052.16
2.	Increase or decrease in finished goods and work in process	679,331.44	-18,066.03
3.	Other own work capitalised	278,427.96	0.00
4.	Other operating income - thereof from currency translation: EUR 1,051.80; PY: EUR 145.04	269,444.39	182,734.05
5.	Cost of materials		
	a) Cost of raw materials, supplies and purchased goods	-3,427,620.35	-2,449,123.54
	b) Cost of purchased services	-175,211.20	-76,039.64
6.	Personnel expenses		
	a) Wages and salaries	-3,090,680.48	-2,571,964.93
	b) Social security, pension and other benefits	-562,390.24	-453,790.84
	- thereof for pensions: EUR -49.120,04; PY: EUR -32.069,50		
7.	Amortisation, depreciation and write-downs of intangible assets and of property, plant and equipment	-307,028.25	-90,554.04
8.	Other operating expenses	-1,950,817.88	-1,318,675.61
9.	Other interest and similar income	2,202.78	2,187.25
10.	Interest and similar expenses - thereof from unwinding the discount on provisions: EUR 0.00; PY: EUR 32,133.00	0.00	-32,133.00
11.	Income taxes	-996,453.53	-761,274.05
12.	Earnings after taxes	2,426,783.67	1,684,351.78
13.	Other taxes	-1,758.05	-2,704.00
14.	Net income for the year	2,425,025.62	1,681,647.78
15.	Retained earnings brought forward	3,056,877.86	2,775,230.08
16.	Accumulated profit	5,481,903.48	4,456,877.86

Notes to the financial statements

1. General information on the annual financial statements

Basic information

The annual financial statements of Palas GmbH Partikel- und Lasermeßtechnik, were prepared in accordance with the accounting standards of the German Commercial Code (HGB) and the supplementary requirements of the (German) Limited Liability Companies Act.

Aside from "thereof" items, all disclosures which could be made either in the balance sheet, income statement or the notes to the financial statements are provided in the notes.

The Company meets the criteria of a small corporation as defined by Section 267 HGB.

The annual financial statements have been prepared assuming the Company's ability to continue as a going concern (Section 252 (1) sentence 2 HGB).

The income statement was prepared using the nature of expense method.

Information for the identification of the Company

Company name in court of registration: Palas GmbH Partikel- und Lasermeßtechnik

Registered office according to the court of registration: Karlsruhe

Extract from the register: Commercial register

Court of registration: Mannheim District Court

Register no.: HRB 103813

2. Disclosures on the accounting policies

Accounting policies

The accounting policies applied to the prior year's annual financial statements have been applied consistently, with the following exceptions:

- In contrast to the prior year, demonstration and reference devices are recognised under fixed assets and not current assets. If the presentation had not been changed, "Finished goods and merchandise" would have been KEUR 425 higher, while "Technical equipment and machinery" would have been commensurately lower. In the income statement, the item "Increase in inventories of finished goods" would have been KEUR 128 higher, the depreciation of property, plant and equipment would have been KEUR 150 lower. Other own work capitalised would not be applicable.

- In contrast to the prior year's annual financial statements, materials are not recognised under "finished goods and merchandise" but under "raw materials and supplies". The prior year's figure was adjusted. The reclassification relates to KEUR 2,007 in the reporting year and KEUR 1,408 in the prior year.

- The prior year's figures in the income statement were amended: the "Cost of raw materials, supplies and purchased goods" was KEUR 330 lower, the "Increase in finished goods and work in process" was reduced by a similar amount.

These annual financial statements present all assets, liabilities, prepaid expenses and deferred income, expenses and income, unless otherwise provided by law.

Only gains realised as at the balance sheet date were recognised. Expenses and income are recognised in the annual financial statements regardless of the date of the corresponding payments.

Intangible assets acquired for a consideration were stated at cost less amortisation.

Property, plant and equipment were stated at cost less depreciation.

Low-value assets are expensed as incurred in the year of acquisition.

Amortisation and depreciation take place on a straight-line basis over the estimated useful lives of the assets; the expected useful life amounts to three years for intangible assets and three to ten years for tangible assets.

Inventories were stated at cost. Finished goods and work in process are valued at production costs pursuant to Section 255 (2) HGB. Cost comprises direct costs, an appropriate share of material overhead costs and depreciation of fixed assets, provided these are related to production. Appropriate adjustments are made to account for inventory risks.

Receivables were recognised by taking into account all discernible risks. A general allowance has been set up to cover the general credit risk.

Cash and cash equivalents are stated at their nominal amounts.

Tax provisions include taxes yet to be assessed for the financial year.

Other provisions were recognised for all other contingent liabilities. All discernible risks were taken into account.

Liabilities were recognised at their settlement amount.

3. Explanatory notes on the balance sheet

Explanatory notes on fixed assets

Movements in fixed assets are shown in the statement of movements in fixed assets on the following page.

Residual terms of receivables and other assets

Of receivables and other assets, EUR 26,543.31 (PY: EUR 58,844.50) fall due after more than one year.

Remaining terms of liabilities and security interests

As in the prior year, all liabilities have a remaining term of less than one year. Trade payables are subject to retention of title customary for the industry.

4. Other disclosures

Other financial obligations

Other financial obligations consist of leases totalling KEUR 337 (thereof KEUR 225 allocated to the subsequent year) and vehicle leasing agreements in the amount of KEUR 73 (thereof KEUR 49 allocated to the subsequent year).

Average number of staff employed during the financial year

The average number of employees at the Company during the financial year was 66.

Group affiliation

The consolidated financial statements for the smallest group of companies in which the Company is included are prepared by Palas Holding GmbH. The latter prepares voluntary consolidated financial statements.

Managing Directors:

The Company was managed by the following persons during the financial year under review:

- Mr Leander Mölter, Dipl.-Ingenieur (graduate engineer), Wörth (until 6 Dec. 2018)
- Dr Maximilian Weiß, Dipl.-Ingenieur (graduate engineer), Weingarten

The managing directors are exempt from the restrictions of Section 181 of the German Civil Code (BGB).

Karlsruhe, 14 February 2019

Dr Maximilian Weiß

Palas GmbH
Movements in fixed assets during the financial year from 1 January 2018 to 31 December 2018

	Cost					Amortisation, depreciation and write-downs					Book value	
	1 Jan. 2018	Additions	Disposals	Reclassifications	31 Dec. 2018	1 Jan. 2018	Additions	Disposals	Reclassifications	31 Dec. 2018	31 Dec. 2018	31 Dec. 2017
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets												
Software acquired for a consideration	111,310.18	30,680.37	18,752.80	-.--	123,237.75	89,589.18	21,273.37	15,839.80	-.--	95,022.75	28,215.00	21,721.00
	111,310.18	30,680.37	18,752.80	-.--	123,237.75	89,589.18	21,273.37	15,839.80	-.--	95,022.75	28,215.00	21,721.00
II. Property, plant and equipment												
1. Technical equipment and machinery	268,981.18	303,106.84	58,066.93	830,291.82	1,344,312.91	162,860.18	177,787.31	31,663.72	507,129.53	816,113.30	528,199.61	106,121.00
2. Other equipment, operating and office equipment	603,390.56	177,390.57	29,582.30	-.--	751,198.83	414,155.56	107,967.57	29,553.30	-.--	492,569.83	258,629.00	189,235.00
	872,371.74	480,497.41	87,649.23	830,291.82	2,095,511.74	577,015.74	285,754.88	61,217.02	507,129.53	1,308,683.13	786,828.61	295,356.00
TOTAL	983,681.92	511,177.78	106,402.03	830,291.82	2,218,749.49	666,604.92	307,028.25	77,056.82	507,129.53	1,403,705.88	815,043.61	317,077.00

Independent Auditor’s Report

To Palas GmbH, Karlsruhe

Opinion

We have audited the annual financial statements of Palas GmbH Partikel- und Lasermeßtechnik, Karlsruhe, which comprise the balance sheet as of 31 December 2018 and the income statement for the fiscal year from 1 January 2018 to 31 December 2018, and the notes to the financial statements, including the presentation of the accounting and valuation methods.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2018 and of its financial perfomance for the financial year from 1 January 2018 to 31 December 2018, in accordance with German principles of proper accounting.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for opinion

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our auditor‘s report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements.

Responsibilities of management for the annual financial statements

Management is responsible for preparation of the annual financial statements that comply in all material respects with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in accordance with German principles of proper accounting.

In addition, management is responsible for such internal controls as they, in accordance with German generally accepted accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters relating to the Company's ability to continue as a going concern. In addition, they are responsible for preparing the annual financial statements in accordance with the going concern principle, except where this is precluded by matters of fact or law.

Auditor's responsibilities for audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on them which includes our audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements 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 these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German principles of proper accounting.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hamburg, 14 March 2019

AC CHRISTES & PARTNER GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
[Original German version signed by:]

Christes	Hebebrand
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Audited German GAAP Consolidated Financial Statements of IHSE Holding GmbH from 1 January 2019 to 31 December 2019

IHSE Holding GmbH
Consolidated balance sheet as at 31 December 2019

	Assets	31 Dec. 2019 EUR	31 Dec. 2018 KEUR
A.	**Fixed assets**		
I.	**Intangible assets**		
1.	Concessions, industrial property rights and similar rights and assets	128,275.54	120,009.54
2.	Goodwill	29,088,659.86	33,720,038,73
3.	Advance payments	87,193.50	0.00
		29,304,127.90	33,840,048.27
II.	**Property, plant and equipment**		
1.	Land, leasehold rights and buildings, including buildings on third-party land	8,065,825.30	1,486,979.90
2.	Technical equipment and machinery	906,849.00	458,344.00
3.	Other equipment, operating and office equipment	851,133.43	498,253.32
4.	Advance payments and construction in progress	0.00	6,959,374.99
		9,823,807.73	9,402,952.21
	Total fixed assets	39,127,935.63	43,243,000.48
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials and supplies	3,357,717.58	3,13,820.70
2.	Work in process	1,819,705.35	1,573,043.77
3.	Finished goods and merchandise	1,417,919.48	979,603.97
		6,595,342.41	5,766,469.44
II.	**Trade receivable and other assets**		
1.	Trade receivables	4,489,602.62	4,619,206.96
2.	Other assets	502,801.77	1,108,981.58
		4,992,404.39	5,728,188.54
III.	**Cash on hand, cash at bank**	5,624,257.27	2,472,077.67
C.	**Prepaid expenses**	250,669.92	1,041,467.83
D.	**Deferred tax assets**	456,101.68	158,454.34
Total assets		**57,046,711.30**	**58,409.657.30**

	Equity and liabilities	31 Dec 2019 EUR	31 Dec 2018 KEUR
A.	**Equity**		
I.	**Subscribed capital**	25,000.00	25,000.00
II.	**Capital reserve**	8,025,000.00	8,025,000.00
III.	**Foreign currency translation difference**	-105,870.72	-179,167.94
IV.	**Retained earnings**	4,285,763.09	764,824.23
	Equity attributable to shareholders of the parent company	12,229,892.37	8,635,656.29
	Non-controlling interests	196,924.92	0.00
	Total equity	12,426,817.29	8,635,656.29
B.	**Provisions**		
1.	Tax provisions	711,916.58	141,169.14
2.	Other provisions	2,143,920.94	1,056,802.59
		2,855,837.52	1,197,971.73
C.	**Liabilities**		
1.	Liabilities to banks	6,440,000.00	29,203,157.56
2.	Payments received on account of orders	14,495.81	31,327.18
3.	Trade payables	1,335,080.42	1,469,346.45
4.	Liabilities to affiliated companies	33,296,536.49	11,658,336.65
5.	Other liabilities - thereof for taxes: EUR 237,673.35 (PY: KEUR 116) - thereof for social security: EUR 20,039.08 (PY: EUR 25)	385,534.61	6,037,175.86
		41,471,647.33	48,399,343.70
D.	**Deferred income**	283,507.23	176,685.58
E.	**Deferred tax liabilities**	8,901.93	0.00
Total equity and liabilities		**57,046,711.30**	**58,409,657.30**

Consolidated income statement

		1 Jan. 2019 to 31 Dec. 2019 EUR	1 Jan. 2018 to 31 Dec. 2018 EUR
1.	Revenue	40,347,382.88	29,120,185.16
2.	Increase or decrease in finished goods and work in process	683,877.53	459,251.58
3.	Other own work capitalised	38,950.98	186,670.50
4.	**Total operating revenue**	**41,070,211.39**	**29,766,107.24**
5.	Other operating income thereof from currency translation: EUR 114,554.89 (PY: KEUR 36)	297,381.90	363,738.20
6.	**Cost of materials**		
	Cost of raw materials, supplies and purchased goods	-10,292,029.86	-8,861,072.81
	Cost of purchased services	-1,798,942.75	-13,932.15
7.	**Personnel expenses**		
	Wages and salaries	-8,814,132.99	-7,036,511.14
	Social security, pension and other benefits	-1,114,390.78	-988,888.67
	thereof for pensions: EUR 7,227.06 (PY: KEUR 13)		
8.	Amortisation, depreciation and write-downs		
	Amortisation of intangible assets and depreciation of property, plant and equipment (not including goodwill and trademarks, patents and technologies acquired as part of initial consolidation)	-581,006.78	-389,757.90
	Amortisation of goodwill	-4,631,378.87	-4,631,378.87
9.	Other operating expenses thereof from currency translation: EUR 163,829.42 (PY: KEUR 51)	-5,221,742.52	-4,057,797.76
10.	**EARNINGS BEFORE INTEREST AND TAX (EBIT)**	**8,913,968.74**	**4,150,506.14**
11.	Other interest and similar income	7,250.31	964.70
12.	Interest and similar expenses thereof to affiliated companies: EUR 647,104.81 (PY: KEUR 608)	-2,347,894.54	-1,973,306.50
	Finance income/costs	**-2,340,644.23**	**-1,972,341.80**
13.	**EARNINGS BEFORE TAXES (EBT)**	**6,573,324.51**	**2,178,164.34**
14.	Income taxes thereof from changes in recognised deferred taxes: EUR -288,745.41 (PY: KEUR -34)	-3,047,330.58	-1,885,727.26
15.	Other taxes	-268.90	-689.14
16.	**Consolidated net income**	**3,525,725.03**	**291,747.94**
	Attributable to:		
	Shareholders of the parent company	3,520,938.86	291,747.94
	Non-controlling interests	4,786.17	0.00
17.	**Profit brought forward from the prior year**	**764,824.23**	**473,076.29**
18.	Consolidated retained earnings	4,285,763.09	764,824.23

Consolidated statement of changes in equity

	Parent company					Non-controlling interests	Total consolidated equity
	Subscribed capital	Capital reserve	Foreign currency translation differences	Retained earnings	Equity attributable to shareholders of the parent company		
	EUR	EUR	EUR	EUR		EUR	EUR
Balance at 1 January 2018	**25,000.00**	**8,025,000.00**	**-327,310.75**	**473,076.29**	**8,195,765.54**	**0.00**	**8,195,765.54**
Currency differences			148,142.81		148,142.81	0.00	148,142.81
Consolidated net income				291,747.94	291,747.94	0.00	291,747.94
Total comprehensive income			**148,142.81**	**291,747.94**	**439,890.75**	**0.00**	**439,890.75**
Balance at 31 December 2018	**25,000.00**	**8,025,000.00**	**-179,167.94**	**764,824.23**	**8,635,656.29**	**0.00**	**8,635,656.29**
Balance at 1 January 2019	**25,000.00**	**8,025,000.00**	**-179,167.94**	**764,824.23**	**8,635,656.29**	**0.00**	**8,635,656.29**
Currency differences			73,297.22		73,297.22	0.00	73,297.22
Consolidated net income				3,520,938.86	3,520,938.86	4,786.17	3,525,725.03
Total comprehensive income			**73,297.22**	**3,520,938.86**	**3,594,236.08**	**4,786.17**	**3,599,022.25**
Sale to non-controlling interests		0.00			0.00	192,138.75	192,138.75
Balance at 31 December 2019	**25,000.00**	**8,025,000.00**	**-105,870.72**	**4,285,763.09**	**12,229,892.37**	**196,924.92**	**12,426,817.29**

Consolidated statement of cash flows

		2019 EUR	2018 KEUR
	Consolidated net income for the period	3.525.725,03	292
-/(+)	Income taxes paid (-)/income tax refund (+)	-2.734.213,69	-4.505
+	Income tax expense	3.047.330,58	1.886
+	Depreciation/amortisation/impairment losses on fixed assets	5.212.385,65	5.021
+/(-)	Gain/(loss) on disposal of property, plant and equipment	17.217,65	4
+/-	Interest expenses	2.347.894,54	1.974
+/-	Interest income	-7.250,31	-1
+/(-)	Other non-cash expenses/income	79.122,02	117
+/(-)	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	653.739,20	-203
+/(-)	Increase/(decrease) in trade payables and other liabilities not attributable to investing or financing activities	-860.984,23	300
+/(-)	Increase (+)/(decrease) (-) in other provisions	1.087.118,35	-164
=	**Cash flows from operating activities**	12.368.084,79	4.721
-	Acquisition of intangible assets	-331.345,58	-104
-	Acquisition of property, plant and equipment	-1.012.893,85	-6.083
+	Proceeds from sale of property, plant and equipment	46.282,00	12
-	Proceeds from sale of shares in subsidiary to non-controlling interests	204.759,37	0
+	Proceeds from investment grants	200.000,00	0
+	Interest received	7.223,34	1
=	**Cash flows from investing activities**	-885.974,72	-6.174
+	Loans and other borrowings	0,00	4.500
-	Repayment of loans and other borrowings	-7.702.880,58	-3.500
-	Interest paid	-617.973,40	-901
-	Payments to former shareholders	0,00	-59
=	**Cash flows from financing activities**	-8.320.853,98	40
	Net change in cash and cash equivalents	3.161.256,09	-1.413
+	Change in cash and cash equivalents adjusted for currency fluctuations	-5.918,93	61
+	Cash and cash equivalents at the beginning of the period	2.468.920,11	3.821
	Cash and cash equivalents at the end of the period	**5.624.257,27**	**2.469**
	Composition of cash and cash equivalents		
	Cash on hand, cash at bank	5.624.257,27	2.472
	Current liabilities to banks	0,00	-3
		5.624.257,27	**2.469**

Notes to the consolidated financial statements

A. General information on the consolidated financial statements

The parent company, IHSE Holding GmbH (hereinafter also referred to as 'parent company' or 'holding'), has its registered office in Oberteuringen and is listed in the commercial register of the Freiburg i. Br. District Court under file number HRB 717560.

The consolidated financial statements of IHSE Holding GmbH, Oberteuringen for financial year 2019 were prepared in accordance with Sections 290 et seqq. of the German Commercial Code (HGB). IHSE Holding GmbH voluntarily prepares consolidated financial statements.

The consolidated balance sheet was structured in accordance with Section 298 (1) in conjunction with Section 266 HGB. The consolidated income statement, prepared with partial appropriation of profits, is structured according to the nature of expense approach (Section 275 (2) HGB). The balance sheet structure includes some added and renamed items to appropriately account for the presentation of business activities.

The functional currency is the euro.

The consolidated financial statements have been prepared on a going-concern basis.

Figures presented as KEUR may include rounding differences.

B. Consolidation

Consolidated group

Apart from the parent company, the following subsidiaries majority-owned by the parent company are fully consolidated (IHSE Group) in the consolidated financial statements as at 31 December 2019.

List of subsidiaries (aside from the parent company) included as fully consolidated:

	Ownership interest in %
IHSE Beteiligungs GmbH, Oberteuringen	100.00
IHSE GmbH, Oberteueringen	100.00
IHSE USA, LLC, Cranbury, USA	100.00
IHSE GmbH Asia Pacific Pte. Ltd., Singapore	100.00
IHSE Immobilien GmbH, Oberteuringen	89.90

On 9 December 2019, 10.1% of the shares in IHSE Immobilien GmbH were sold to affiliated companies.

Consolidation policies

Capital consolidation is performed pursuant to the revaluation method at the date of initial consolidation. Any resulting asset surplus is recognised as goodwill and generally amortised over ten years.

Receivables and liabilities, revenue, expenses and income and interim profits were eliminated within the scope of consolidation.

C. Accounting policies

The annual financial statements of the subsidiaries included in the consolidated financial statements are uniformly prepared in the consolidated financial statements in accordance with legal requirements and pursuant to the following accounting policies.

Fixed assets

Intangible assets acquired for a consideration and property, plant and equipment are stated at cost less straight-line amortisation and depreciation, where amortisable/depreciable.

The amortisation/depreciation periods correspond to the typical useful lives of the assets as observed in the industry. The useful lives for software, licences and similar rights are between three and five years, and for external facilities and installations for the factory buildings between eight and nineteen years.

We depreciate technical equipment and machinery generally over three to ten years and other equipment, operating and office equipment over three to thirteen years.

A collective item for tax purposes was determined for low-value assets costing between EUR 150.00 and EUR 1,000.00 that were acquired before 1 January 2018. This collective item was applied under commercial law due to its minor significance. The collective item is written down on a straight-line basis over five years.

Low-value assets costing less than EUR 800.00 that were acquired after 31 December 2017 were fully written off. This write-down was applied under commercial law due to its minor significance.

Current assets

Inventories are valued at cost or written down to the fair value as of the balance sheet date.

Finished goods include demo and leased devices of a value of EUR 0.

Items were written down as required for reasons of obsolescence.

Raw materials and supplies are recognised at the lower of average acquisition cost and market value as of the balance sheet date.

Work in process and finished goods are valued at production cost based on unit costing. This includes directly attributable material, labour and specific direct manufacturing costs, production and material-related overheads, and amortisation/depreciation related to production.

Merchandise is recognised at the lower of cost and market value.

Receivables and other assets were stated at nominal value. Risks related to trade receivables are accounted for through appropriate specific allowances. In addition, a general allowance of 1% is recognised for overall credit risk for trade receivables for which no specific allowances have been determined.

Cash on hand and cash at bank is recognised at nominal value and corresponds to cash and cash equivalents in the statement of cash flows.

Prepaid expenses and deferred income

Prepaid expenses and deferred income constitute payments made or received before the balance sheet date that represent expenses or income for a certain period after this date.

Deferred taxes

To determine deferred taxes due to temporary or quasi-permanent differences between HGB valuations for assets, liabilities, prepaid/deferred items and their tax bases or due to tax loss carryforwards, the amounts of the resulting tax liability and relief are valued at the company-specific tax rates at the time of the reversal of the differences and are not discounted. This also takes into account differences attributable to consolidation measures pursuant to Sections 300 to 307 HGB. Deferred tax assets and liabilities were offset. The relevant option was exercised to not recognise a surplus of deferred tax assets resulting from differences in the annual financial statements of the consolidated entities.

Deferred tax assets and liabilities are presented as gross amounts.

Liabilities/provisions

Tax provisions and other provisions take into account all identifiable risks and contingent liabilities and are recognised at the amount deemed necessary according to prudent commercial judgement (i.e. including future cost and price increases).

Provisions with a remaining term of more than one year have been discounted.

Liabilities are stated at their settlement amounts.

Foreign currency translation

Assets and liabilities denominated in foreign currency were generally translated at the average spot exchange rate at the balance sheet date. The realisation principle and the historical cost principle are observed where the remaining term is more than one year. Except for equity (subscribed capital, reserves, profit/loss brought forward at historical rates), assets and liabilities in the annual financial statements prepared in foreign currency were translated into EUR at the average spot rate on the balance sheet date. Income statement items have been translated into EUR at the average exchange rate. The resulting translation difference is recognised in group equity under 'Foreign currency translation differences'.

Translating these items at the closing rates resulted in translation differences affecting fixed asset values, which are presented separately in the statement of movements in fixed assets.

The 'thereof' comments on currency translation shown in the income statement include both realised and unrealised exchange differences.

The value of the US dollar, the most important currency for the Group, has changed as follows (in relation to EUR 1):

	2019	**2018**
Closing rate	1.12	1.15
Average rate	1.12	1.18

D. Explanatory notes on the consolidated balance sheet

Fixed assets

Changes to individual fixed asset items are presented in the separate statement 'Consolidated movements in fixed assets 2019'.

Movements in goodwill:

Goodwill results from the consolidation of IHSE GmbH at 1 April 2016 and of IHSE USA, LLC at 1 January 2017, and has developed as follows:

		IHSE GmbH KEUR	IHSE USA LLC KEUR
Book value	1 Apr. 2016	44,413	0
Amortisation	016	-3,331	0
Book value	31 Dec. 2016/1 Jan. 2017	41,082	1,901
Amortisation	2018	-4,441	-190
Book value	31 Dec. 2018	32,200	1,520
Amortisation	2019	-4,441	-190
Book value	31 Dec. 2019	27,759	1,330

Since the estimated useful life of the goodwill cannot be reliably estimated, it is amortised over a period of ten years pursuant to Section 309 (1) HGB in conjunction with Section 253 (3) sentences 2 and 3 HGB.

Receivables and other assets

All trade receivables and other assets have a remaining term of up to one year.

Deferred tax assets

Deferred tax assets result from the elimination of intercompany profit recognised in the income statement. The calculation is based on a tax rate of 28%.

Equity

Subscribed capital corresponds to the balance sheet item presented by the parent company and thus amounts to EUR 25,000.00 as of the reporting date. It is fully paid in.

The capital reserve corresponds to the balance sheet item presented by the parent company and thus amounts to EUR 8,025,000.00 as of the reporting date.

Equity also includes foreign currency translation differences.

Retained earnings result from the profit brought forward of EUR 764,824.23 plus the consolidated net income for the year of EUR 3,520,938.86.

Other provisions

Other provisions mainly include provisions for warranties, profit sharing and employee bonuses, untaken leave, contributions to the employer's liability insurance association, bonuses and financial statement closing and audit fees.

Liabilities

	Term of			
Type of liability	less than 1 year KEUR	1 to 5 years KEUR	more than 5 years KEUR	Total KEUR
Liabilities to banks	60	2,116	4,264	6,440
Prior year	*3,063*	*21,322*	*4,818*	*29,203*
Payments received on account of orders	14	0	0	14
Prior year	*31*	*0*	*0*	*31*
Trade payables	1,335	0	0	1,335
Prior year	*1,469*	*0*	*0*	*1,469*
Liabilities to affiliated companies	0	21,027	12,270	33,297
Prior year	*0*	*0*	*11,658*	*11,658*
Other liabilities	386	0	0	386
Prior year	*347*	*5,691*	*0*	*6,038*
Total	**1,795**	**23,143**	**16,534**	**41,472**
Prior year	4,910	27,013	16,476	48,399

Liabilities to banks include an amount of EUR 6,700,000.00 secured by land charges.

Liabilities to affiliated companies are owed to shareholders and concern loans plus interest.

E. Explanatory notes on the consolidated income statement

Revenue

	2019 KEUR	%	2018 KEUR	%
Revenue				
by product group				
Digital KVM extenders	28,732	71%	20,243	70%
KVM matrix switch	10,219	25%	7,074	24%
VGA & USB extenders	777	2%	153	1%
Converters & accessories	305	1%	1,315	5%
Installation accessories & power supply units	265	1%	213	1%
Miscellaneous	49	0%	122	0%
	40,347	100%	29,120	100%
by region				
Germany	3,940	10%	4,334	15%
Europe	11,609	29%	9,456	32%
Asia	10,275	25%	5,262	18%
North America	14,481	36%	8,171	28%
Others	42	0%	1,897	7%
	40,347	100%	29,120	100%

Other operating income

Other operating income includes foreign currency translation gains, settlements of non-cash benefits and income from the reversal of provisions.

Income relating to other periods

Other operating income includes prior-period income in the amount of KEUR 56 (PY: KEUR 172) that concerns the release of provisions.

Other operating expenses

Other operating expenses include occupancy costs, insurance, fees and charges, repairs and maintenance, vehicle expenses, advertising and travel expenses, distribution costs, various operating costs, losses on the disposal of fixed assets, losses from allowances on receivables and foreign currency translation losses.

Exceptional expenses

The year under review included expenses of exceptional incidence in the amount of KEUR 502 in the consolidated financial statements related to the restructuring of financing. The release of the structuring fee due to early loan repayments is included in interest and similar expenses.

F. Explanatory notes on the consolidated statement of cash flows

The consolidated statement of cash flows shows how the Group's cash and cash equivalents have changed through inflows and outflows in the course of the financial year. In accordance with GAS 21 (German accounting standard), a distinction is made between cash flows from operating activities, investing activities and financing activities.

Cash and cash equivalents presented in the statement of cash flows include all liquid assets, i.e. cash on hand and cash at bank (KEUR 5,624; PY: KEUR 2,472) less current liabilities to banks (KEUR 0; PY: KEUR 3).

The determination of cash flows from investing activities and financing activities is cash-based. In contrast, cash flows from operating activities are derived indirectly from the consolidated net income for the year.

G. Other required disclosures

Number of employees

The Group employed 114 people on average during the year (PY: 98).

This comprised 71 full-time employees, 34 part-time employees, 9 other staff (such as placement students or temporary staff) and 1 trainee.

Other financial obligations

Other financial obligations comprise rent and lease agreements and amount to KEUR 404 (PY: KEUR 391). KEUR 161 of this amount is due in the subsequent year.

Proposal for the appropriation of profits

The parent company's management proposes that the parent company's retained earnings of KEUR 4,286 be carried forward to the following year.

Total remuneration paid to the managing directors

The Company's business was managed by the following persons during the financial year under review:

1. Dr Enno Littmann: CEO, graduate of physics (Dipl. Physiker), Immenstaad
2. Michael Spatny, Chief Sales Officer, engineer of electronics and communications technology, Perchtoldsdorf, Austria

In accordance with the indirect protective effect under Section 286 (4) HGB, the managing directors' compensation is not disclosed.

Total auditor's fee

The auditor's fee amounted to KEUR 95 in 2019 (PY: KEUR 61). This includes KEUR 92 (PY: KEUR 52) for audit services and KEUR 3 (PY: KEUR 9) for other assurance services.

The audit services item includes the fees for the audit of the separate and consolidated financial statements of IHSE Holding GmbH and the audit of the annual financial statements of IHSE Beteiligungs GmbH, IHSE GmbH and IHSE Immobilien GmbH.

Group affiliation

The smallest and largest group of consolidated entities in which IHSE Holding GmbH is included is the voluntarily prepared consolidated financial statements of Brockhaus Capital Management AG, Frankfurt am Main.

Proposal for the appropriation of profits

Management will propose at the shareholders' meeting that the net income be carried forward to the following year.

Subsequent events

In the period between the close of the financial year and the preparation of the consolidated financial statements, there were no events of specific importance materially affecting the Company's assets, liabilities, financial position and financial performance.

Due to the current uncertainty surrounding the supply chains and order and work situation impacted by the COVID-19 pandemic, an effect on customer demand can be expected which, despite our market analysis and evaluation of products, product developments and initiated sales activities, cannot be robustly assessed.

Oberteuringen, 19 February 2020

IHSE Holding GmbH

Movements in fixed assets during the financial year from 1 January 2019 to 31 December 2019

		Cost						Amortisation, depreciation and write-downs					Book value	
		As at 1 Jan 2019	Curreny differ-ences	Additions	Disposals	Reclassification	As at 31 Dec. 2019	As at 1 Jan. 2019	Additions Currency dif-ferences	Additions	Disposals	As at 31 Dec. 2019	As at 31 Dec. 2019	As at 31. Dec. 2018
		EUR	EUR	EUR	EUR	EUR		EUR	EUR	EUR	EUR	EUR	EUR	EUR
I.	**Intangible assets**													
1.	Concessions, industrial property rights and as-sets	431,556.08	0.00	44,152.08	0.00	0.00	475,708.16	311,546.54	0.00	35,887.08	0.00	347,433.62	128,274.54	120,009.54
2.	Goodwill	46,313,788.49	0.00	0.00	0.00		46,313,788.49	12,593,749.76	0.00	4,631,378.87	0.00	17,225,128.63	29,088,659.86	33,720,038.73
3.	Advance payments	0.00		87,193.50			87,193.50	0.00					87,193.50	0.00
		46,745,344.57	0.00	131,345.58	0.00	0.00	46,876,690.15	12,905,296.30	0.00	4,667,265.95	0,00	17,572,562.25	29,304,127.90	33,840,048.27
II.	**Property, plant and equipment**													
1.	Land, leasehold rights and buildings, Including buildings on third-party land	1,512,305.71	0,00	-108,284.80	33,601.29	6,923,318.42	8,293,738.04	25,325.81	0.00	213,031.43	10,444.50	227,912.74	8,065,825.30	1,486,979.90
2.	Technical equipment and machinery	1,366,893.23	0.00	537,593.00	19,183.94	0,00	1,885,302.29	908,549.23	0,00	89,085.00	19,180.94	978,453.29	906,849.00	458,344.00
3.	Other equipment, operat-ing and office equipment	1,213,289.34	1,316.56	440,588.37	249,068.27	194,631.03	1,600,757.02	715,036.02	312.36	243,003.27	208,728.06	749,623.59	851,133.43	498,253.32
4.	Advance payments and construction in progress	6,959,374.99	0.00	158,574.46	0,00	-7,117,949.45	0,00	0,00	0,00	0,00	0,00	0,00	0,00	6,959,374.99
		11,051,863.27	1,316.56	1,028,471.03	301,853.50	0,00	11,779,797.35	1,648,911.06	312.36	545,119.70	238,353.50	1,955,989.62	9,823,807.73	9,402,952.21
		57,797,207.84	1,316.56	1,159,816.61	301,853.50	0,00	58,656,487.50	14,554,207.36	312.36	5,212,385.65	238,353.50	19,528,551.87	39,127,935.63	43,243,000.48

The following independent auditor's report, prepared in accordance with § 322 HGB ["Handelsgesetzbuch": "German Commercial Code"], refers to the complete consolidated financial statements, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with the group management report of the IHSE Holding GmbH, Oberteuringen, for the financial year from 1 January to 31 December 2019. The group management report is not included in this prospectus. The above-mentioned independent auditor's report and consolidated financial statements are both translations of the respective German-language documents.

Independent Auditor's Report

To IHSE Holding GmbH

Opinions

We have audited the consolidated financial statements of IHSE Holding GmbH, *Oberteuringen*, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including the accounting policies presented therein. In addition, we have audited the group management report of IHSE Holding GmbH for the financial year from 1 January to 31 December 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019, in accordance with German legally required accounting principles, and

– the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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 whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Karlsruhe, 7 April 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Schwebler	Nagel
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Audited German GAAP Consolidated Financial Statements of IHSE Holding GmbH from 1 January 2018 to 31 December 2018

IHSE Holding GmbH
Consolidated balance sheet as at 31 December 2018

	Assets				31 Dec. 2017
			EUR	EUR	KEUR
A.	**Fixed assets**				
I.	**Intangible assets**				
1.	Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets acquired for a consideration	120,009.54			111
2.	Goodwill	33,720,038,73			38,351
			33,840,048.27		38,462
II.	**Property, plant and equipment**				
1.	Land, leasehold rights and buildings, including buildings on third-party land	1,486,979.90			1,470
2.	Technical equipment and machinery	458,344.00			140
3.	Other equipment, operating and office equipment	498,253.32			434
4.	Advance payments and construction in progress	6,959,374.99			1,585
			9,402,952.21		3,629
				43,243,000.48	42,091
B.	**Current assets**				
I.	**Inventories**				
1.	Raw materials and supplies	3,213,820.70			3,156
2.	Work in process	1,573,043.77			1,085
3.	Finished goods and merchandise	979,603.97			1,106
			5,766,468.44		5,347
II.	**Receivable and other assets**				
1.	Trade receivables	4,619,206.96			4,617
2.	Other assets	1,108,981.58			1,091
			5,728,188.54		5,708
III.	**Cash on hand, cash in banks**		2,472,077.67		4,784
				13,966,734.65	15,839
C.	**Prepaid expenses**			1,041,467.83	1,117
D.	**Deferred tax assets**			158,454.34	124
				58,409,657.30	59,171

	Equity and liabilities			31 Dec 2017
		EUR	EUR	KEUR
A.	**Equity**			
I.	**Subscribed capital**	25,000.00		25
II.	**Capital reserve**	8,025,000.00		8,025
III.	**Foreign currency translation difference**	-179,167.94		-327
IV.	**Consolidated retained earnings**	764,824.23		473
			8,635,656.29	8,196
B.	**Provisions**			
1.	Tax provisions	141,169.14		1,918
2.	Other provisions	1,056,802.59		1,221
			1,197,971.13	3,139
C.	**Liabilities**			
1.	Liabilities to banks	29,203,157.56		29,163
2.	Payments received on account of orders	31,327.18		0
3.	Trade payables	1,469,346.45		820
4.	Liabilities to affiliated companies	11,658,336.65		11,050
5.	Other liabilities thereof taxes: EUR 115,707.45 (PY: KEUR 540) thereof for social security: EUR 24,987.49 (PY: KEUR 10)	6,037,175.86		6,496
			48,399,343.70	47,529
D.	**Deferred income**		176,685.58	307
			58,409,657.30	59,171

Consolidated income statement

		EUR	EUR	EUR	2017 KEUR
1.	Revenue		29,120,185.16		33,644
2.	Increase (PY: decrease) in finished goods and work in process		459,251.58		-528
3.	Other own work capitalised		186,670.50		0
4.	Other operating income thereof from currency translation: EUR 36,113.84 (PY: KEUR 54)		363,738.20		415
				30,129,845.44	33,531
5.	Cost of materials				
	a) Cost of raw materials, supplies and purchased goods	8,861,072.81			12,249
	b) Cost of purchased services	13,932.15			0
			8,875,004.96		12,249
6.	Personnel expenses				
	a) Wages and salaries	7,036,511.14			6,933
	b) Social security	988,888.67			864
			8,025,399.81		7,797
7.	Amortisation, depreciation and write-downs				
	Amortisation of intangible assets and depreciation of property, plant and equipment		5,021,136.77		4,946
8.	Other operating expenses thereof from currency translation: EUR 50,541.73 (PY: KEUR 96)		4,057,797.76		4,442
				25,979,339.30	29,434
				4,150,506.14	4,097
9.	Other interest and similar income		964.70		1
10.	Interest and similar expenses thereof from affiliated companies: EUR 608,334.55 (PY: KEUR 608)		1,973,306.50		2,140
				-1,972,341.80	-2,139
				2,178,164.34	1,958
11.	Income taxes thereof income from changes in recognised deferred taxes: EUR -34,341.94 (PY: KEUR -518)			1,885,727.26	1,606
12.	Earnings after taxes			292,437.08	352
13.	Other taxes			689.14	132
14.	Consolidated net income for the year			291,747.94	220
15.	Profit brought forward from the prior year			473,076.29	253
16.	Consolidated retained earnings			764,824.23	473

Consolidated statement of changes in equity

	Parent company					Consolidated equity
	Subscribed capital	Capital reserve (Section 272 (4) HGB)	Foreign currency translation differences	Consolidated retained earnings	Equity	
	EUR	EUR	EUR	EUR	EUR	EUR
1 Jan. 2017	25,000.00	8,025,000.00	23,241.81	253,097.83	8,326,339.64	8,326,339.64
Currency translation	0.00	0.00	-350,552.56	0.00	-350,552.56	-350,552.56
Consolidated net income for the year	0.00	0.00	0.00	219,978.46	219,978.46	219,978.46
31 Dec. 2017	25,000.00	8,025,000.00	-327,310.75	473,076.29	8,195,765.54	8,195,765.54
1 Jan. 2018	25,000.00	8,025,000.00	-327,310.75	473,076.29	8,195,765.54	8,195,765.54
Currency translation	0.00	0.00	148,142.81	0.00	148,142.81	148,142.81
Consolidated net income for the year	0.00	0.00	0.00	291,747.94	291,747.94	291,747.94
31 Dec. 2018	25,000.00	8,025,000.00	-179,167.94	764,824.23	8,635,656.29	8,635,656.29

Consolidated statement of cash flows

			2018 KEUR	2017 KEUR
Cash flows from operating activities				
1.		Profit/loss for the period (consolidated net income for the year)	292	220
2.	+/-	Depreciation/amortisation/(reversal of) impairment losses on fixed assets	5,021	4,946
3.	+/-	Increase/decrease in provisions	-164	194
4.	+/-	Other non-cash changes	117	-101
5.	-/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-203	-1,520
6.	+/-	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	300	-702
7.	-/+	Gain/loss on disposal of fixed assets	4	-2
8.	+/-	Interest expense/income	1,973	2,139
9.	+/-	Income tax expense/income	1,886	1,606
10.	-/+	Income taxes paid	-4,505	-1,478
			4,721	5,302
Cash flows from investment activities				
11.	-	Acquisition of intangible assets	-104	-32
12.	+	Proceeds from sale of property, plant and equipment	12	33
13.	-	Acquisition of property, plant and equipment	-6,083	-3,318
14.	-	Acquisition of consolidated entities	0	-1,653
15.	-	Interest received	1	1
			-6,174	-4,969
Cash flows from financing activities				
16.	+	Proceeds from loans and borrowings	4,500	2,200
17.	-	Repayment of bonds and borrowings	-3,500	-2,500
18.	-	Repayment of loans of former shareholders	-59	-2,085
19.	-	Interest paid	-901	-1.063
			40	-3,448
Cash and cash equivalents at the end of the period				
		Net change in cash and cash equivalents (subtotals 1 - 3)	-1,413	-3,115
		Effect of movements in exchange rates and remeasurements on cash held	61	-243
		Cash and cash equivalents at the beginning of the period	3,821	7,179
		Cash and cash equivalents at the end of the period	2,469	3,821
Composition of cash and cash equivalents				
		Cash on hand, cash at bank	2,472	4,784
		Current liabilities to banks	-3	-963
			2,469	3,821

Notes to the consolidated financial statements

General information

The parent company is listed under the name IHSE Holding GmbH, with registered office in Oberteuringen, in the commercial register of the Freiburg i. Br. District Court under file number HRB 717560.

The consolidated financial statements of IHSE Holding GmbH for financial year 2018 were prepared in accordance with Sections 290 et seqq. of the German Commercial Code (HGB).

IHSE Holding GmbH voluntarily prepares consolidated financial statements.

The consolidated income statement is prepared using the nature of expense method.

Scope of consolidation

The consolidated financial statements comprise IHSE Holding GmbH as well as three (PY: three) German and two (PY: two) foreign subsidiaries. In February 2017 subsidiary IHSE GmbH acquired the remaining 50% of the shares in IHSE USA, LLC. Cranbury, USA. The accounting treatment transferred from the equity method to full consolidation at 1 January 2017. In May 2017, the wholly owned subsidiary IHSE GmbH established IHSE Immobilien GmbH.

Accounting policies

The financial statements of entities included in the consolidated financial statements of IHSE Holding GmbH were prepared using uniform accounting policies.

Intangible assets acquired for a consideration and property, plant and equipment are stated at cost less straight-line amortisation and depreciation, where amortisable/depreciable.

The amortisation/depreciation periods correspond to the typical useful lives of the assets as observed in the industry. The useful lives for software, licences and similar rights are between three and five years, and for external facilities and installations for the factory buildings between eight and nineteen years. We depreciate technical equipment and machinery generally over three to ten years and other equipment, operating and office equipment over three to thirteen years. A collective item for tax purposes was determined for low-value assets costing between EUR 150.00 and EUR 1,000 that were acquired before 1 January 2018. This collective item was applied under commercial law due to its minor significance. The collective item is written down on a straight-line basis over five years. Low-value assets costing less than EUR 800.00 that were acquired after 31 December 2017 were fully written off. This write-down was applied under commercial law due to its minor significance.

Inventories were valued at the lower of cost and fair market value.

Items were written down as required for reasons of obsolescence.

Receivables and other assets were stated at nominal value. Risks related to trade receivables are accounted for through appropriate specific allowances. In addition, a general allowance of 1% is recognised for overall credit risk for trade receivables for which no specific allowances have been determined.

Cash on hand, cash in banks are stated at nominal value.

Tax provisions and other provisions take into account all identifiable risks and contingent liabilities. They are recognised at the settlement amount deemed necessary according to prudent commercial judgment (i.e. including future cost and price increases).

Liabilities are recognised at their settlement amount.

To determine deferred taxes due to temporary or quasi-permanent differences between HGB valuations for assets, liabilities, prepaid/deferred items and their tax bases or due to tax loss carryforwards, the amounts of the resulting tax liability and relief are valued at the company-specific tax rates at the time of the reversal of the differences and are not discounted. This also takes into account differences attributable to consolidation measures pursuant to Sections 300 to 307 HGB. Deferred tax assets and liabilities were offset. The relevant option was exercised to not recognise a surplus of deferred tax assets resulting from differences in the annual financial statements of the consolidated entities.

The following accounting and valuation methods are used for any hedges recognised in accordance with Section 254 HGB:

Economic hedging relationships were accounted for by recognising hedges. The net hedge presentation method was applied, whereby changes in value of the hedged risk that offset each other were not recognised. Offsetting positive and negative changes in value both in the hedged item and the hedging instrument were recognised with no effect on the income statement.

Currency translation

Assets and liabilities denominated in foreign currency were generally translated at the average spot exchange rate at the balance sheet date. The realisation principle and the historical cost principle are observed where the remaining term is more than one year. Except for equity (subscribed capital, reserves, profit/loss brought forward at historical rates), assets and liabilities in the annual financial statements prepared in foreign currency were translated into euro at the average spot rate on the balance sheet date. Income statement items have been translated into euro at the average exchange rate. The resulting translation difference is recognised in group equity under 'Foreign currency translation differences'.

Translating these items at the closing rates resulted in translation differences affecting fixed asset values, which are presented separately in the statement of movements in fixed assets.

The 'thereof' comments on currency translation shown in the income statement include both realised and unrealised exchange differences.

Consolidation policies

Capital consolidation is performed pursuant to the revaluation method at the date of initial consolidation. Any resulting asset surplus is recognised as goodwill and generally amortised over ten years.

Receivables and liabilities, revenue, expenses and income and interim profits were eliminated within the scope of consolidation.

Explanatory notes on the consolidated balance sheet

Fixed assets

Changes to individual fixed asset items are presented in the separate statement 'Consolidated movements in fixed assets 2018'.

Goodwill

Goodwill results from the consolidation of IHSE GmbH at 1 April 2016 and of IHSE USA, LLC at 1 January 2017, and has developed as follows:

		IHSE GmbH	IHSE USA LLC
		KEUR	KEUR
Book value	1 Apr. 2016	44,413	0
Amortisation	2016	-3,331	0
Book value	31 Dec. 2016/1 Jan. 2017	41,082	1,901
Amortisation	2017	-4,441	-191
Book value	31 Dec. 2017	36,641	1,710
Amortisation	2018	-4,441	-190
Book value	31 Dec. 2018	32,200	1,520

Since the estimated useful life of the goodwill cannot be reliably estimated, it is amortised over a period of ten years pursuant to Section 309 (1) HGB in conjunction with Section 253 (3) sentences 2 and 3 HGB.

Disclosures on shareholdings

Disclosures on shareholdings can be found in a separate statement 'Shareholdings as at 31 December 2018'.

Receivables and other assets

	31 Dec. 2018	31 Dec. 2017
	EUR	EUR
Trade receivables	4,619,206.96	4,617,094.33
- thereof with a remaining term of more than one year	(0.00)	(0.00)
Other assets	1,108,981.58	1,090,355.14
- thereof with a remaining term of more than one year	(0.00)	(0.00)
	5,728,188.54	5,707,449.47

'Other assets' include input tax reimbursements in the amount of EUR 33,679.90 (PY: EUR 0.00) that take legal effect only after the reporting date.

Deferred tax assets

Deferred tax assets result from the elimination of intercompany profit recognised in the income statement. The calculation is based on a tax rate of 28%.

Equity

Subscribed capital corresponds to the balance sheet item presented by the parent company and thus amounts to EUR 25,000.00 as of the reporting date. It is fully paid in.

The capital reserve corresponds to the balance sheet item presented by the parent company and thus amounts to EUR 8,025,000.00 as of the reporting date.

Equity also includes foreign currency translation differences.

Retained earnings result from the profit brought forward of EUR 473,076.29 plus the consolidated net income for the year of EUR 291,747.94.

Other provisions

Other provisions mainly include provisions for warranties, profit sharing and employee bonuses, untaken leave, contributions to the employer's liability insurance association, bonuses and financial statement closing and audit fees.

Statement of liabilities

Type of liability	Less than 1 year EUR	Term 1 to 5 years EUR	more than 5 years EUR	Total EUR
Liabilities to banks	3,063,157.56	21,322,360.00	4,817,640.00	29,203,157.56
Prior year	3,963,072.12	11,088,240.00	14,111,760.00	29,163,072.12
Payments received on account of orders	31,327.18	0.00	0.00	31,327.18
Prior year	0.00	0.00	0.00	0.00
Trade payables	1,469,346.45	0.00	0.00	1,469,346.45
Prior year	820,215.47	0.00	0.00	820,215.47
Liabilities to affiliated companies	0.00	0.00	11,658,336.65	11,658,336.65
Prior year	0.00	0.00	11,050,002.10	11,050,002.10
Other liabilities	346,208.06	5,690,967.80	0.00	6,037,175.86
Prior year	1,058,214.20	0.00	5,437,497.20	6,495,711.40
Total	4,910,039.25	27,013,327.80	16,475,976.65	48,399,343.70
Prior year	5,841,501.79	11,088,240.00	30,599,259.30	47,529,001.09

Liabilities to banks include an amount of EUR 6,700,000.00 secured by land charges.

Liabilities to affiliated companies are owed to shareholders and concern loans plus interest.

Explanatory notes on the consolidated income statement

	2018		2017	
	KEUR	%	KEUR	%
Revenue				
- by product group				
Digital KVM extenders	20,243	69.5	23,874	71.0
KVM matrix switch	7,074	24.3	8,504	25.3
VGA & USB extenders	153	0.5	584	1.7
Converters & accessories	1,315	4.5	333	1.0
Installation accessories & power supply units	213	0.8	183	0.5
Miscellaneous	122	0.4	166	0.5
	29,120	100.0	33,644	100.0
- by region				
Germany	4,334	14.9	6,822	20.3
Europe	9,456	32.5	9,589	28.5
Asia	5,262	18.1	5,549	16.5
North America	8,171	28.1	9,230	27.4
Other	1,897	6.4	2,454	7.3
	29,120	100.0	33,644	100.0

Other operating income

Other operating income includes foreign currency translation gains, settlements of non-cash benefits and income from the reversal of provisions.

Other operating expenses

Other operating expenses include occupancy costs, insurance, fees and charges, repairs and maintenance, vehicle expenses, advertising and travel expenses, distribution costs, various operating costs, losses on the disposal of fixed assets, losses from allowances on receivables and foreign currency translation losses.

Other disclosures

Other financial obligations

Other financial obligations arise from rent and lease agreements and amount to KEUR 391.

Derivative financial instruments

Our Group has implemented an interest rate cap to hedge future interest rate risks from bank loans. The total volume of the hedge is EUR 15.1 million. The negative fair value of the cap is KEUR 0.

As the hedged items are closed positions, there is no need to recognise a provision.

The fair value of the cap is determined based on the zero coupon spot approach.

Hedges

It is company policy to limit or eliminate interest rate risks by concluding hedges. All necessary hedging activities are executed and coordinated centrally by the financial accounting department.

As the hedged items can be reliably anticipated in terms of volume and timing, anticipatory hedges have been recognised between the hedged items and the aforementioned hedging instruments.

The divergent cash flows of hedged item and hedging instrument completely cancel each other out in the hedging period, because the cap is offset by hedged items in the same amount. This means that the effectiveness criterion according to the critical terms match method is satisfied.

The same applies for the retroactive determination of previous ineffectiveness, as all value determinants between the hedged item and the hedging instrument are consistent with each other. In such cases, no accounting-relevant ineffectiveness can arise based on the hedge.

Proposal for the appropriation of profits

The parent company's management proposes that the parent company's retained earnings of KEUR 36 be carried forward to the following year.

Auditor's fee

Total fees paid to the auditor for the financial year are:

	KEUR
Audit services	52
Other assurance services	9
	61

The audit services item includes the fees for the audit of the separate and consolidated financial statements of IHSE Holding GmbH and the audit of the annual financial statements of IHSE Beteiligungs GmbH, IHSE GmbH and IHSE Immobilien GmbH.

Managing Directors

Dr Enno Littmann, Immenstaad (graduate of physics (Dipl. Physiker))
Michael Spatny, Perchtoldsdorf, Austria (engineer of electronics and communications technology) (from 1 January 2019)

In accordance with the indirect protective effect under Section 286 (4) HGB, the managing directors' compensation is not disclosed.

Personnel

An average of 98 people were employed in the year under review.

Subsequent events

No events of particular importance that have a significant financial impact occurred after the reporting date.

Explanatory notes on the consolidated statement of cash flows

The consolidated statement of cash flows shows how the Group's cash and cash equivalents have changed through inflows and outflows in the course of the financial year. In accordance with GAS 21 (German accounting standard), a distinction is made between cash flows from operating activities, investing activities and financing activities.

Cash and cash equivalents presented in the statement of cash flows include all liquid assets, i.e. cash on hand and cash at bank (KEUR 2,472; PY: KEUR 4,784) less current liabilities to banks (KEUR 3; PY: KEUR 963).

The determination of cash flows from investing activities and financing activities is cash-based. In contrast, cash flows from operating activities are derived indirectly from the consolidated net income for the year.

Oberteuringen, 13 May 2019

Dr Enno Littmann	Michael Spatny
Managing Director	Managing Director

Shareholdings as at 31 December 2018

Name and registered office of company	Ownership interest %
Subsidiaries included apart from parent company	
Germany	
IHSE Beteiligungs GmbH, Oberteuringen	100,00%
IHSE GmbH, Oberteuringen	100,00%
IHSE Immobilien GmbH, Oberteuringen	100,00%
International	
IHSE GMBH Asia Pacific Pte. Ltd., Singapore	100,00%
IHSE USA, LLC, Cranbury, USA	100,00%

Movements in fixed assets during the financial year from 1 January 2018 to 31 December 2018

		Cost					Accumulated amortisation, depreciation and write-downs					Book value	
		1 Jan. 2018	Currency differences	Additions	Disposals	31 Dec. 2018	1 Jan. 2018	Currency differences	Additions	Disposals	31 Dec. 2018	31 Dec. 2018	31 Dec. 2017
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I.	**Intangible assets**												
1.	Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	327,797.44	0.00	103,758.64	0.00	431,556.08	216,699.90	0.00	94,846.64	0.00	311,546.54	120,009.54	111,097.54
2.	Goodwill	46,313,788.49	0.00	0.00	0.00	46,313,788.49	7,962,370.91	0.00	4,631,378.85	0.00	12,593,749.76	33,720,038.73	38,351,417.58
		46,641,585.93	0.00	103,758.64	0.00	46,745,344.57	8,179,070.81	0.00	4,726,225.49	0.00	12,905,296.30	33,840,048.27	38,462,515.12
II.	**Property, plant and equipment**												
1.	Land, leasehold rights and buildings, including buildings on third-party land	1,489,199.11	0.00	23,106.60	0.00	1,512,305.71	19,623.81	0.00	5,702.00	0.00	25,325.81	1.486,979.90	1,469.575.30
2.	Technical equipment and machinery	992,408.07	0.00	374,485.16	0.00	1,36,.893.23	852,224.07	0.00	56,325.16	0.00	908,549.23	458,344.00	140,184.00
3.	Other equipment, operating and office equipment	1,058,119.85	6,238.88	310,848.46	161,917.85	1,213,289.34	623,704.10	4,233.40	232,884.12	145,785.60	715,036.02	498,253.32	434,415,75
4.	Advance payments and construction in progress	1,584,600.57	0.00	5,374,774.42	0.00	6,959,374.99	0.00	0.00	0.00	0.00	0.00	6,959,374.99	1,584,600.57
		5,124,327.60	6,238.88	6,083,214.64	161,917.85	11,051,863.27	1,495,551.98	4,233.40	294,911.28	145,785.60	1,648,911.06	9,40..952.21	3,628,775.62
		51,765,913.53	6,238.88	6,186,973.28	161,917.85	57,797,207.84	9,674,622.79	4,233.40	5,021,136.77	145,785.60	14,554,207.36	43,243,000.48	42,091,290.74

The following independent auditor's report, prepared in accordance with § 322 HGB ["Handelsgesetzbuch": "German Commercial Code"], refers to the complete consolidated financial statements, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with the group management report of the IHSE Holding GmbH, Oberteuringen, for the financial year from 1 January to 31 December 2018. The group management report is not included in this prospectus. The above-mentioned independent auditor's report and consolidated financial statements are both translations of the respective German-language documents.

Independent Auditor's Report

To IHSE Holding GmbH

Opinions

We have audited the consolidated financial statements of IHSE Holding GmbH, Oberteuringen, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including the accounting policies presented therein. In addition, we have audited the group management report of IHSE Holding GmbH for the financial year from 1 January to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018, in accordance with German legally required accounting principles, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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 whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ravensburg, 13 May 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Nover Wirtschaftsprüfer [German Public Auditor]	Garde Wirtschaftsprüfer [German Public Auditor]

Audited German GAAP Consolidated Financial Statements of IHSE Holding GmbH from 1 January 2017 to 31 December 2017

IHSE Holding GmbH
Consolidated balance sheet as at 31 December 2017

	Assets		EUR	EUR	31 Dec. 2016 KEUR
A.	**Fixed assets**				
I.	**Intangible assets**				
1.	Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets acquired for a consideration	111,097.54			189
2.	Goodwill	38,351,417.58			41,082
			38,462,515.12		41,271
II.	**Property, plant and equipment**				
1.	Land, leasehold rights and buildings, including buildings on third-party land	1,469,575.30			47
2.	Technical equipment and machinery	140,184.00			170
3.	Other equipment, operating and office equipment	434,415.75			286
4.	Advance payments and construction in progress	1,584,600.57			1
			3,628,775.62		504
					42,091
III.	**Financial assets**				
	Investments in an associate		0,00		692
				42,091,290.74	42,467
B.	**Current assets**				
I.	**Inventories**				
1.	Raw materials and supplies	3,155,698.82			2,783
2.	Work in process	1,084,682.84			1,111
3.	Finished goods and merchandise	1,105,980.63			635
			5,346,362.29		4,529
II.	**Receivable and other assets**				
1.	Trade receivables	4,617,094.33			1,442
2.	Receivables from associates	0,00			799
2.	Other assets	1,090,355.14			16
			5,707,449.47		2,257
III.	**Cash on hand, cash in banks**		4,784,411.21		7,179
				15,838,222.97	13,965
C.	**Prepaid expenses**			1,116,947.61	1,134
D.	**Deferred tax assets**			124,112.40	0
				59,170,573.73	57,566

	Equity and liabilities	EUR	EUR	31 Dec 2016 KEUR
A.	**Equity**			
I.	**Subscribed capital**	25,000.00		25
II.	**Capital reserve**	8,025,000.00		8,025
III.	**Foreign currency translation difference**	-327,310.75		23
IV.	**Consolidated retained earnings**	473,076.29		253
			8,195,765.54	8,326
B.	**Provisions**			
1.	Tax provisions	1,918,487.45		1,167
2.	Other provisions	1,220,532.64		1,023
			3,139,020.09	2,190
C.	**Liabilities**			
1.	Liabilities to banks	29,163,072.12		28,500
2.	Trade payables	820,215.47		152
3.	Liabilities to affiliated companies	11,050,002.10		10,442
4.	Other liabilities	6,495.771.41		7,950
	thereof for taxes: EUR 539,876.98 (PY: KEUR 165)			
	thereof for social security: EUR 10,055.29 (PY: KEUR 9)			
			47,529,061.10	47,044
D.	**Deferred income**		306,727.00	0
E.	**Deferred tax liabilities**		0,00	6
			59,170,573.72	57,566

Consolidated income statement

			EUR	EUR	EUR	2016 KEUR
1.	Revenue			33,644,351.51		19,868
2.	Decrease (PY: increase) in finished goods and work in process			-527,778.41		469
3.	Other operating income thereof from currency translation: EUR 54,365.84 (PY: KEUR 55)			415,007.83		147
					33,531,580.93	20,484
4.	Cost of materials					
		Cost of raw materials, supplies and purchased goods		12,249,342.69		7,785
5.	Personnel expenses					
	a)	Wages and salaries	6,932,808.74			3,887
	b)	Social security	864,614.46			574
				7,797,423.20		4,461
6.	Amortisation, depreciation and write-downs					
		Amortisation of intangible assets and depreciation of property, plant and equipment		4,946,193.71		3,515
7.	Other operating expenses thereof from currency translation: EUR 96,101.03 (PY: KEUR 41)			4,441,784.81		1,852
					29,434,744.41	17,613
					4,096,836.52	2,871
8.	Income from associates			0.00		735
9.	Other interest and similar income			1,207.03		0
10.	Interest and similar expenses thereof from affiliated companies: EUR 608,334.55 (PY: KEUR 442)			2,140,115.25		1,571
					-2,138,908.22	-836
					1,957,928.30	2,035
11.	Income taxes thereof income from changes in recognised deferred taxes: EUR -518,001.71 (PY: KEUR -400)				1,605,733.36	1,756
12.	Earnings after taxes				352,194.94	279
13.	Other taxes				132,216.48	26
14.	Consolidated net income for the year				219,978.46	253
15.	Profit brought forward from the prior year				253,097.83	0
16.	Consolidated retained earnings				473,076.29	253

Consolidated statement of changes in equity

	Parent company					Consolidated equity
	Subscribed capital	Capital reserve in accordance with Section 272 (4) HGB	Foreign currency translation differences	Consolidated retained earnings	**Equity**	
	EUR	EUR	EUR	EUR	EUR	EUR
1 Jan. 2016	0.00	0.00	0.00	0.00	0.00	0.00
Contributions to subscribed capital	25,000.00	0.00	0.00	0.00	25,000.00	25,000.00
Contributions to capital reserve (cash receipts or non-cash contributions)	0.00	8,025,000.00	0.00	0.00	8,025,000.00	8,025,000,00
Currency translation	0.00	0.00	23,241.81	0.00	23,241.81	23,241.81
Consolidated net income for the year	0.00	0.00	0.00	253,097.83	253,097.83	253,097.83
31 Dec. 2016	25,000.00	8,025,000.00	23,241.81	253,097.83	8,326,339.64	8,326,339.64
1 Jan. 2017	25,000.00	8,025,000.00	23,241.81	253,097.83	8,326,339.64	8.326,339.64
Currency translation	0.00	0.00	-350,552.56	0.00	-350,552.56	-350,552.56
Consolidated net income for the year	0.00	0.00	0.00	219,978.46	219,978.46	219,978.46
31 Dec. 2017	25,000.00	8,025,000.00	-327,310.75	473,076.29	8,195,765.54	8,195,765.54

Consolidated statement of cash flows

			2017 KEUR	2016 KEUR
Cash flows from operating activities				
1.		Profit/loss for the period (consolidated net income for the year)	220	253
2.	+/-	Depreciation/amortisation/(reversal of) impairment losses on fixed assets	4,946	3,515
3.	+/-	Increase/decrease in provisions	194	652
4.	+/-	Other non-cash changes	-101	6
5.	-/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-1,520	-932
6.	+/-	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	-702	438
7.	-/+	Gain/loss on disposal of fixed assets	-2	4
8.	+/-	Interest expense/income	2,139	1,571
9.	-	Adjustment of investment in associates	0	-692
10.	+/-	Income tax expense/income	1,606	1,756
11.	-/+	Income taxes paid	-1,478	-1,462
			5,302	5,109
Cash flows from investment activities				
12.	-	Acquisition of intangible assets	-32	-151
13.	+	Proceeds from sale of property, plant and equipment	33	12
14.	-	Acquisition of property, plant and equipment	-3,318	-214
15.	-	Acquisition of consolidated entities	-1,653	-49,704
16.	-	Interest received	1	0
			-4,969	-50,057
Cash flows from financing activities				
17.	+	Proceeds from issue of share capital from shareholders of the Parent Company	0	7,025
18.	+	Proceeds from loans and borrowings	2,200	30,000
19.	+	Proceeds from shareholder loans	0	10,000
20.	+	Proceeds from loans of former shareholders	0	7,500
21.	-	Repayment of bonds and borrowings	-2,500	-1,500
22.	-	Repayment of loans of former shareholders	-2,085	0
23.	-	Interest paid	-1,063	-940
			-3,448	52,085
Cash and cash equivalents at the end of the period				
		Net change in cash and cash equivalents (subtotals 1 - 3)	-3,115	7,137
		Effect of movements in exchange rates and remeasurements on cash held	-243	42
		Cash and cash equivalents at the beginning of the period	7,179	0
		Cash and cash equivalents at the end of the period	3,821	7,179
Composition of cash and cash equivalents				
		Cash on hand, cash in banks	4,784	7,179
		Current liabilities to banks	-963	0
			3,821	7,179

Notes to the consolidated financial statements

General information

The parent company is listed under the name IHSE Holding GmbH, with registered office in Oberteuringen, in the commercial register of the Freiburg i. Br. District Court under file number HRB 717560.

The consolidated financial statements of IHSE Holding GmbH for financial year 2017 were prepared in accordance with Sections 290 et seqq. of the German Commercial Code [HGB].

IHSE Holding GmbH voluntarily prepares consolidated financial statements.

The consolidated income statement is prepared using the nature of expense method.

Scope of consolidation

The subsidiary IHSE Beteiligungs GmbH acquired the operating subsidiary IHSE GmbH at the end of March 2016. Initial consolidation took effect at 1 April 2016, meaning that the income statement for 2016 includes an operating period of 9 months. Therefore, the income statement for 2017 is comparable with that of 2016 to a limited extent only.

The consolidated financial statements comprise IHSE Holding GmbH as well as three (PY: two) German and two (PY: one) foreign subsidiaries. In February 2017 subsidiary IHSE GmbH acquired the remaining 50% of the shares in IHSE USA, LLC. Cranbury, USA. The accounting treatment transferred from the equity method to full consolidation at 1 January 2017. In May 2017, the wholly owned subsidiary IHSE GmbH established IHSE Immobilien GmbH.

First-time inclusion of IHSE USA, LLC and IHSE Immobilien GmbH led in particular to changes in the following annual financial statement items:

Financial statement items KEUR	IHSE USA, LLC KEUR	IHSE Immobilien GmbH KEUR	Total KEUR
Goodwill	1,711	0	1,711
Land and buildings	0	1,412	1,412
Advance payments and construction in progress	0	1,585	1,585
Finished goods and merchandise	530	0	530
Trade receivables	1,003	0	1,003

Cash on hand, cash in hands	1,073	75	1,148
Liabilities to banks	0	2,200	2,200
Trade payables	113	0	113
Deferred income	307	0	307
Revenue	2,490	0	2,490
Decrease in finished goods and work in process	-442	0	-442
Cost of raw materials, supplies and purchased goods	1,484	0	1,484
Wages and salaries	1,242	0	1,242
Other operating expenses	1,002	26	1,028
Other taxes	132	0	132

Accounting policies

The financial statements of entities included in the consolidated financial statements of IHSE Holding GmbH were prepared using uniform accounting policies.

Intangible assets acquired for a consideration and property, plant and equipment are stated at cost less straight-line amortisation and depreciation, where amortisable/depreciable.

The amortisation/depreciation periods correspond to the typical useful lives of the assets as observed in the industry. The useful lives for software, licences and similar rights are between three and five years, and for external facilities and installations for the factory buildings between eight and nineteen years. We depreciate technical equipment and machinery generally over three to ten years and other equipment, operating and office equipment similarly over three to thirteen years. A collective item for tax purposes was determined for low-value assets costing between EUR 150.00 and EUR 1,000. This collective item was applied under commercial law due to its minor significance. The collective item is written down on a straight-line basis over five years.

Inventories were valued at the lower of cost and fair market value.

Items were written down as required for reasons of obsolescence.

Receivables and other assets were stated at nominal value. Risks related to trade receivables are accounted for through appropriate specific allowances. In addition, a general allowance of 1% is recognised for overall credit risk for trade receivables for which no specific allowances have been determined.

Cash on hand, cash in hands are stated at nominal value.

Tax provisions and other provisions take into account all identifiable risks and contingent liabilities. They are recognised at the settlement amount deemed necessary according to prudent commercial judgment (i.e. including future cost and price increases).

Liabilities are recognised at their settlement amount.

To determine deferred taxes due to temporary or quasi-permanent differences between HGB valuations for assets, liabilities, prepaid/deferred items and their tax bases or due to tax loss carryforwards, the amounts of the resulting tax liability and relief are valued at the company-specific tax rates at the time of the reversal of the differences and are not discounted. This also takes into account differences attributable to consolidation measures pursuant to Sections 300 to 307 HGB. Deferred tax assets and liabilities were offset. The relevant option was exercised to not recognise a surplus of deferred tax assets resulting from differences in the annual financial statements of the consolidated entities.

The following accounting and valuation methods are used for any hedges recognised in accordance with Section 254 HGB:

Economic hedging relationships were accounted for by recognising hedges. The net hedge presentation method was applied, whereby changes in value of the hedged risk that offset each other were not recognised. Offsetting positive and negative changes in value both in the hedged item and the hedging instrument were recognised with no effect on the income statement.

Currency translation

Assets and liabilities denominated in foreign currency were generally translated at the average spot exchange rate on the balance sheet date. The realisation principle and the historical cost principle are observed where the remaining term is more than one year. Except for equity (subscribed capital, reserves, profit/loss brought forward at historical rates), assets and liabilities in the annual financial statements prepared in foreign currency were translated into euro at the average spot rate on the balance sheet date. Income statement items have been translated into euro at the average exchange rate. The resulting translation difference is recognised in group equity under 'Foreign currency translation differences'.

Translating these items at the closing rates resulted in translation differences affecting fixed asset values, which are presented separately in the statement of movements in fixed assets.

The 'thereof' comments on currency translation shown in the income statement include both realised and unrealised exchange differences.

Consolidation policies

Capital consolidation is performed pursuant to the revaluation method at the date of initial consolidation. Any resulting asset surplus is recognised as goodwill and generally amortised over ten years.

Receivables and liabilities, revenue, expenses and income and interim profits were eliminated within the scope of consolidation.

Explanatory notes on the consolidated balance sheet

Fixed assets

Changes to individual fixed asset items are presented in the separate statement 'Consolidated movements in fixed assets 2017'.

Goodwill

Goodwill results from the consolidation of IHSE GmbH at 1 April 2016 and of IHSE USA, LLC at 1 January 2017, and has developed as follows:

	1 Apr. 2016 KEUR	Amortisation 2016 KEUR	1 Jan. 2017 KEUR	Amortisation 2017 KEUR	31 Dec. 2017 KEUR
IHSE GmbH	44,413	-3,331	41,082	-4,441	36,641
IHSE USA LLC	0	0	1,901	-190	1,711
	44,413	-3,331	42,404	-4,631	38,352

Since the estimated useful life of the goodwill cannot be reliably estimated, it is amortised over a period of ten years pursuant to Section 309 (1) HGB in conjunction with Section 253 (3) sentences 2 and 3 HGB.

Disclosures shareholdings

Disclosures on shareholdings can be found in a separate statement 'Shareholdings as at 31 December 2017'.

Receivables and other assets

	31 Dec. 2017	31 Dec. 2016
	EUR	EUR
Trade receivables	4,617,094.33	1,441,501.84
- thereof with a remaining term of more than one year	(0.00)	(0.00)
Receivables from associates	0.00	798,728.64
- thereof with a remaining term of more than one year	(0.00)	(0.00)
Other assets	1,090,355.14	16,385.58
- thereof with a remaining term of more than one year	(0.00)	(0.00)
	5,707,449.47	2,256,616.06

Deferred tax assets

Deferred tax assets result from the elimination of intercompany profit recognised in the income statement. The calculation is based on a tax rate of 28%.

Equity

Subscribed capital corresponds to the balance sheet item presented by the parent company and thus amounts to EUR 25,000.00 as of the reporting date. It is fully paid in.

The capital reserve corresponds to the balance sheet item presented by the parent company and thus amounts to EUR 8,025,000.00 as of the reporting date.

Equity also includes foreign currency translation differences.

Retained earnings result from the profit brought forward of EUR 253,097.83 plus the consolidated net income for the year of EUR 219,978.46.

Other provisions

Other provisions mainly include provisions for warranties, profit sharing and employee bonuses, untaken leave, the employer's liability insurance association, bonuses and financial statement closing and audit fees.

Statement of liabilities

Type of liability	Less than 1 year EUR	Term 1 to 5 years EUR	more than 5 years EUR	Total EUR
Liabilities to banks	3,963,072.12	11,088,240.00	14,111,760.00	29,163,072.12
Prior year	3,000,000.00	12,000,000.00	13,500,000.00	28,500,000.00
Trade payables	820,215.47	0.00	0.00	820,215.47
Prior year	152,037.25	0.00	0.00	152,037.25
Liabilities to affiliated companies	0.00	0.00	11,050,002.10	11,050,002.10
Prior year	0.00	0.00	10,441,667.55	10,441,667.55
Other liabilities	1,058,214.20		5,437,497.20	6,495,711.40
Prior year	2,766,127.69	0.00	5,184,026.60	7,950,154.19
Total	5,841,501.79	11,088,240.00	30,599,259.30	47,529,001.09
Prior year	5,918,164.94	12,000,000.00	29,125,694.15	47,043,859.09

Liabilities to banks include an amount of EUR 2,200,000.00 secured by land charges.

Liabilities to affiliated companies are owed to shareholders and concern loans plus interest.

Explanatory notes on the consolidated income statement

	2017 KEUR	2017 %	2016 KEUR	2016 %
Revenue				
- by product group				
Digital KVM extenders	23,874	71.0	12,687	63.9
KVM matrix switch	8,504	25.3	6,727	33.9
VGA & USB extenders	584	1.7	185	0.9
Converters & accessories	333	1.0	161	0.8
Installation accessories & power supply units	183	0.5	102	0.5
Miscellaneous	166	0.5	6	0.0
	33,644	100.0	19,868	100.0
- by region				
Germany	6,822	20.3	6,075	30.6
Europe	9,589	28.5	3,973	20.0
Asia	5,549	16.5	3,775	19.0
North America	9,230	27.4	4,691	23.6

Other	2,454	7.3	1,354	6.8
	33,644	100.0	19,868	100.0

Other operating income

Other operating income includes foreign currency translation gains, settlements of non-cash benefits and income from the reversal of provisions.

Other operating expenses

Other operating expenses include occupancy costs, insurance, fees and charges, repairs and maintenance, vehicle expenses, advertising and travel expenses, distribution costs, various operating costs, losses on the disposal of fixed assets, losses from allowances on receivables and foreign currency translation losses.

Other disclosures

Other financial obligations

Other financial obligations arise from rent and lease agreements amounting to KEUR 517 and a purchase obligation amounting to KEUR 4,500.

Derivative financial instruments

Our Group has implemented an interest rate cap to hedge future interest rate risks. The total volume of the hedge is EUR 17.1 million. The negative fair value of the cap is KEUR 1.

As the hedged items are closed positions, there is no need to recognise a provision.

The fair value of the cap is determined based on the zero coupon spot approach.

Hedges

It is company policy to limit or eliminate interest rate risks by concluding hedges. All necessary hedging activities are executed and coordinated centrally by the financial accounting department.

As the hedged items can be reliably anticipated in terms of volume and timing, anticipatory hedges have been recognised between the hedged items and the aforementioned hedging instruments.

The divergent cash flows of hedged item and hedging instrument completely cancel each other out in the hedging period, because the cap is offset by hedged items in the same amount. This means that the effectiveness criterion according to the critical terms match method is satisfied.

The same applies for the retroactive determination of previous ineffectiveness, as all value determinants between the hedged item and the hedging instrument are consistent with each other. In such cases, no accounting-relevant ineffectiveness can arise based on the hedge.

Auditor's fee

Total fees paid to the auditor for the financial year are:

	KEUR
Audit services	38
Other assurance services	4
	42

The audit services item includes the fees for the audit of the separate and consolidated financial statements of IHSE Holding GmbH and the audit of the annual financial statements of IHSE Beteiligungs GmbH, IHSE GmbH and IHSE Immobilien GmbH.

Managing Director

Dr Enno Littmann, Immenstaad Graduate of physics [Dipl.-Physiker]

Personnel

An average of 100 people were employed in the year under review.

Subsequent events

No events of particular importance that have a significant financial impact occurred after the reporting date.

Explanatory notes on the consolidated statement of cash flows

The consolidated statement of cash flows shows how the Group's cash and cash equivalents have changed through inflows and outflows in the course of the financial year. In accordance with GAS 21 (German accounting standard), a distinction is made between cash flows from operating activities, investing activities and financing activities.

Cash and cash equivalents presented in the statement of cash flows include all liquid assets, i.e. cash on hand and cash at bank (KEUR 4,784) less current liabilities to banks (KEUR 963).

Oberteuringen, 20 April 2018

Dr Enno Littmann

Shareholdings as at 31 December 2017

Name and registered office of company	Ownership interest %
Subsidiaries included apart from parent company	
Germany	
IHSE Beteiligungs GmbH, Oberteuringen	100,00%
IHSE GmbH, Oberteuringen	100,00%
IHSE Immobilien GmbH, Oberteuringen	100,00%
International	
IHSE GMBH Asia Pacific Pte. Ltd., Singapore	100,00%
IHSE USA, LLC, Cranbury, USA	100,00%

Movements in fixed assets during the financial year from 1 January 2017 to 31 December 2017

		Cost						Accumulated amortisation, depreciation and write-downs						Book value	
		1 Jan. 2017	Changes in scope of consolida-tion	Currency differences	Additions	Disposals	31 Dec. 2017	1 Jan. 2017	Changes in scope of con-solidation	Currency differences	Additions	Disposals	31 Dec. 2017	31 Dec. 2017	31 Dec. 2016
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I.	**Intangible assets**														
1.	Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets acquired for a consideration	296.118,32	0,00	0,00	31.679,12	0,00	327.797,44	107.587,32	0,00	0,00	109.112,58	0,00	216.699,90	111.097,54	188.531,00
2.	Goodwill	44.413.227,44	1.900.561,05	0,00	0,00	0,00	46.313.788,49	3.330.992,06	0,00	0,00	4.631.378,85	0,00	7.962.370,91	38.351.417,58	41.082.235,38
		44.709.345,76	1.900.561,05	0,00	31.679,12	0,00	46.641.585,93	3.438.579,38	0,00	0,00	4.740.491,43	0,00	8.179.070,81	38.462.515,12	41.270.766,38
II.	**Property, plant and equipment**														
1.	Land, leasehold rights and buildings, including buildings on third-party land	61.249,59	0,00	0,00	1.427.949,52	0,00	1.489.199,11	14.506,59	0,00	0,00	5.117,22	0,00	19.623,81	1.469.575,30	46.743,00
2.	Technical equipment and machinery	968.339,14	0,00	0,00	24.068,93	0,00	992.408,07	798.597,14	0,00	0,00	53.626,93	0,00	852.224,07	140.184,00	169.742,00
3.	Other equipment, operating and office equipment	778.827,80	66.521,45	-13.099,78	281.652,36	55.781,98	1.058.119,85	492.337,65	17.714,50	-7.657,53	146.958,13	25.648,65	623.704,10	434.415,75	286.490,15
4.	Advance payments and construction in progress	960,00	0,00	0,00	1.584.600,57	960,00	1.584.600,57	0,00	0,00	0,00	0,00	0,00	0,00	1.584.600,57	960,00
		1.809.376,53	66.521,45	-13.099,78	3.318.271,38	56.741,98	5.124.327,60	1.305.441,38	17.714,50	-7.657,53	205.702,28	25.648,65	1.495.551,98	3.628.775,62	503.935,15
III.	**Financial assets**														
	Investments in an associate	692.504,00	-692.504,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	692.504,00
		47.211.226,29	1.274.578,50	-13.099,78	3.349.950,50	56.741,98	51.765.913,53	4.744.020,76	17.714,50	-7.657,53	4.946.193,71	25.648,65	9.674.622,79	42.091.290,74	42.467.205,53

The following independent auditor's report, prepared in accordance with § 322 HGB ["Handelsgesetzbuch": "German Commercial Code"], refers to the complete consolidated financial statements, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with the group management report of the IHSE Holding GmbH, Oberteuringen, for the financial year from 1 January to 31 December 2017. The group management report is not included in this prospectus. The above-mentioned independent auditor's report and consolidated financial statements are both translations of the respective German-language documents.

Independent Auditor's Report

To IHSE Holding GmbH

Opinions

We have audited the consolidated financial statements of IHSE Holding GmbH, Oberteuringen, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including the accounting policies presented therein. In addition, we have audited the group management report of IHSE Holding GmbH for the financial year from 1 January to 31 December 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 and of its financial performance for the financial year from 1 January to 31 December 2017, in accordance with German legally required accounting principles, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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 whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ravensburg, 20 April 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Nover Wirtschaftsprüfer [German Public Auditor]	Garde Wirtschaftsprüfer [German Public Auditor]