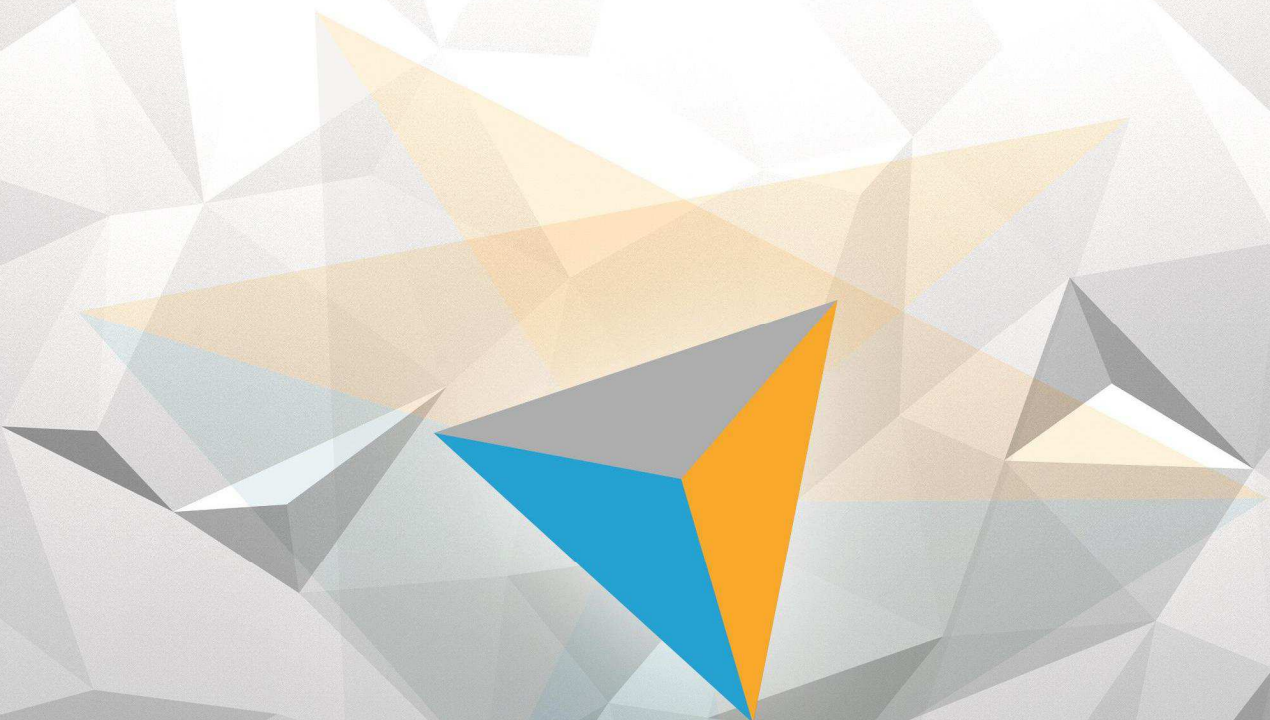


# Interim report

## 2017



mVISE AG

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## The first half of 2017 at a glance

mVISE Group	H1 2017	H1 2016	Change
Sales (kEUR)	5,340	3,227	+ 65.3%
Overall results (kEUR)	6,390	3,578	+78.5%
EBITDA (kEUR)	254	170	+49.4%
EBITDA margin (%)	4.8	5.3	-
Group interim results (kEUR)	461	-134	-
Operative Cash flow (kEUR)	-551	124	-
Cash & Cash Equi. (kEUR)	166	189	-12.2%
Balance sheet total (kEUR)	11,655	5,020	+132.2%
Equity capital ratio (%)	34.1	50.1	-
Average Number of Employees	95	72	+31.9%

### Group

- Full order books as a foundation for additional growth
- Significant sales increase and definite growth of recurring revenue
- Successfully placed a convertible bond for the financing of the majority share purchase of elastic.io GmbH and for the capital increases through contributions in kind for the increase of the shares in Just Intelligence GmbH from 55.1% to 78%.
- Expanding of the operating resources loan with Deutsche Bank and an additional credit line with Commerzbank.
- Adding the share to the Scale stock market segment
- Adding a fourth Director to the Supervisory Board for additional expertise in the fast-expanding company.
- Further improvement of the Creditreform company rating to 239 (equivalent to S&P BB+-BB).

### Professional Services

- Strong demand, in particular from large accounts, ensures unwaveringly high growth dynamics
- Continued high level of interest in managed services
- Increase in share of external services due to working at high capacity
- Setting-up the Hamburg location
- Official approval and kick-off of the funding program of the Federal Ministry for Education and Research PAKOS (Bundesministeriums für Bildung und Forschung) (automated driving)
- First order in the new Big Data subject environment.

## Products

- Significant sales increase by consolidating Just Intelligence and elastic.io as well as contribution from SaleSphere
- Purchase of elastic.io involves high synergies and enables entry into the iPaaS (Integration Platform as a Service) growth market
- Meinl Deutschland officially started in March as the first customer but SaleSphere sales cycles are all in all still longer than expected
- Development of new modules and functionalities (“FotoChart” and “PDFChart”) for enhanced target group marketing and expansion.
- New SaleSphere website launched end of June, marketing start planned for August.
- First partner reseller agreements have been signed

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## 1 The Board of Directors



**Manfred Götz**

Professional Services & Finance

**Rainer Bastian**

Products & Administration

## 2 Letter from the Board of Managing Directors

Dear shareholders,

dear business friends and partners of our company,

dear staff members,

2016 was a very successful year for mVISE - for the first time in years we were able to achieve a positive balance. We will, however, not rest on yesterday's achievements. As the German soccer coach once said "after the match is before the match", we are continuously striving to make the successful turnaround into an ongoing growth story. Accordingly, we have been staying diligently true to our 2015+ strategy in the first half of 2017. And we are very happy with the results in the year to date. Especially the increase in sales and the overall performance are definitely something to show for.

Growth here rests on several pillars: In the consulting sector, we are still working at full capacity; the new Hamburg location is proof of that. Among the highlights are a large number of new customers as well as the huge demand for managed services. The product segment, too, has become a lot stronger thanks to the expanded portfolio. And our proprietary brand SaleSphere has also been making progress. In order to shorten sales cycles and for to more quickly convert high interest into orders, we have been developing a number of innovations in the year to date. This includes new modules and functionalities which have been enjoying strong demand from our customers, such as a performance or camera documentation. These will be offered starting August both individually as well as together with the SaleSphere system, and in addition, there will also be free test version. As a result of these measures, we expect an easier entry for a significantly larger group of interested prospects.

We further place our emphasis on synergy effects through our new cloud-based integration platform elastic.io. This platform serves as a form of data hub between intragroup infrastructures and external cloud systems and enables simple and fast networking of various IT systems and thus a smooth and frictionless data transport. As many as two-thirds of all companies are using cloud solutions by now; the need for integration reflects this correspondingly. Especially our key accounts from the areas of telecommunication, industry and financial services see themselves confronted with complex integration tasks in the context of cloud infrastructures. The advanced integration possibilities through elastic.io thus also additionally increase the value for the customer of our SaleSphere and ICC products.

So you see that we are achieving a more and more balanced business model and our dependency on project-driven consulting business is continuously decreasing. The increase of the portion of recurring revenue amounting to about 50 percent during the previous year to about three-quarters in the current year is further proof of this development. In order to be able to cope with this high level of demand, we have been resorting more to external partners and freelancers in the first half of 2017. True, the use of external contractors leaves us with lower margins, however, the overriding objective here is definitely the continued sales increase in the current development stage of mVISE. To avoid any further increase of the share of contractors, however, we are hiring new employees on an ongoing basis. Our current infrastructure can handle up to 200 consultants so that each new hire automatically leads to a reduction of the overhead rate. Sales increases from the product business add to the personnel cost rate reduction as well. The contribution margin each consultant must realize in order to cover their own portion of the overhead cost has been reduced by about half since 2015. This shows that we are basically on the right path with regard to profitability.

The reason for the still negative results of the operative business in the reporting period is a result of both the increased third- party services and the typical business cycle in the IT industry: Often, budgets are allocated toward the end of the fiscal year, hence, the first half of the year is traditionally weaker than the second half. Against the background of mostly linear cost structures, this effect has an impact on the mid-year results. This has also entailed a negative cash flow from the operative business side during the first six months. The issuance of a convertible bond during the elastic.io acquisition as well as the increase of the operating loan with the Deutsche Bank and the Commerzbank, however, ensure our liquidity and offer ample flexibility for further organic and inorganic growth.

Fur the current year, we continue to expect an unchanged positive operative cash flow and an EBITDA margin of around 12%. With regard to the overall results as well, we are very happy with our forecast. The current order volume in excess of EUR 3.5 mn. ensures working to nearly full capacity and the huge demand, especially from key accounts, is a positive sign for significant contract completions in the second half of the year. Mobile devices will continue to grow in their importance as being communication and decision-making centers in more and more interconnected process scenarios. With our core competencies of mobility, virtualization and security, we are outstandingly well positioned to accompany our customers in the planning and realization of digitalization strategies as well as to significantly contribute to the success of their projects.

Together with Bosch, we have been able to enter a very interesting area in the course of machine networking, and of course, we would like to continue to market our experience from the PAKOS funding program of the Federal Ministry for Education and Research in the area of autonomous driving. Should this study end successfully - which is beyond any doubt whatsoever at this point - this would definitely reflect positively on the positioning of mVISE in the area Internet of Things (IoT) for Automotive and allow sales through licenses for the application of this standard. But we are already benefiting from the business contacts to global players such as BMW or Bosch who have been emerging not only during the committee work but also as a response to being mentioned in the media and decisive Internet portals.

The development achieved and also envisioned for the future has obviously not remained a secret for the capital market. All in all, the mVISE shares achieved an increase of 61.6 percent in the review period vs. the closing rate 2016, accompanied by a significantly increased market capitalization. The trade volume too has multiplied. All this has lead to investors showing more and more interest for mVISE. We are very happy about that and would, however, at the same time thank all of you who have been by our side for a long time. The same applies of course to our employees who play a major role in this successful development, and our customers and partners who have been demonstrating their confidence in our products and services every day.



Düsseldorf, August 2017



The Board of Directors

Manfred Götz | Rainer Bastian

## **3 MVISE AG Group Management Report for the period Jan 1, to June 30, 2017**

The Group Management Report is to be read together with the consolidated financial statement and the information given in the Notes to the Group Accounts. The following representations are based on a series of statements which are explained in detail in the Notes to the Group Accounts. The Group Management Report further includes forward-looking statements, that is statements which rest on certain assumptions and the current planning, estimates and forecasts based on such assumptions. Forward-looking statements are only valid for the period in which they are made. The mVISE AG management does not assume any obligation to rework or publish the forward-looking statements which this document is based on should new information become available. Statements concerning the future are always subject to risks and uncertainties. The mVISE AG board of directors points out that there are a number of factors that can lead to a significant deviation in the goals we achieve. These essential factors will be described in detail in the section “Risk report of the 2016 Annual Group Report.

### **3.1 Basic information on the Corporation**

#### **3.1.1 Business activity, business operations**

mVISE AG, with its registered office in Düsseldorf, is an IT services and products in connection with mobile business solutions provider operating mostly in Germany. The company was founded in 2000 and possesses vast experience in the area of projects and consulting. Since 2015, mVISE AG has been positioning itself as a thematically clearly focused specialist for products and professional services for mobile digitalization and is a partner for mobile digitalization for their customers. Building on their own expertise in mobile services, mVISE AG focuses on the core subjects mobility, virtualization and security while offering the corresponding consulting services, complex individual solutions (B2B apps) as well as cloud-ready standard products for the digitalization of business processes and their corresponding integration in cloud infrastructures.

Due to the specialization in the three areas of mobility, virtualization (cloud computing) and security, the customer has a one-stop source for all issues involving the mobilization of business processes. This starts with an analysis of the current scenario, needs and potentials, while continuing with the selection and implementation of the appropriate infrastructure (e.g. cloud design) and the development of specific solutions, concluding with aspects such as access control, online identity management and data backup.

Starting with the 2017 fiscal year, the business areas have been restructured. The development of customer-specific solutions is closely intertwined with the accompanying consulting services. This is why these business areas have been consolidated under the Professional Services department, which is under the supervision of Manfred Götz. In the year to date, the product business has therefore been established as a stand-alone area under the responsibility of Rainer Bastian.

#### **3.1.2 Group structure**

In addition to the Düsseldorf parent company, mVISE AG, the following companies are included in the consolidated financial statement:

- Just Intelligence GmbH, Hamburg

mVISE AG has been a shareholder of Just Intelligence GmbH, Hamburg since 2014. In September, the shareholding was increased from 33.4% to 50.1%. An additional increase to 78% took place in January 2017. A contractual arrangement was also made for the remaining 22%. The consolidation for accounting purposes of the company took place in Q4/2016.

Just Intelligence GmbH came about as the result of a Management Buyout from one of Germany's leading customer service providers in 2011. Today, the company is known for intelligent data analysis and workforce management solutions. The multiple award-winning software ICC offers Just Intelligence one of the best-performing systems for planning and controlling contract centers.

- elastic.io GmbH, Bonn

Since May 2017, mVISE AG has been a 75.1% shareholder of elastic.io GmbH in Bonn. A contractual arrangement was also made for the remaining 24.9%. The consolidation for accounting purposes of the company took place in May 2017.

Elastic.io GmbH was founded in 2013 and offers a cloud-based integration platform through its software which enables fast, secure and cost-efficient networking of various IT systems enabling a smooth and frictionless data interchange. The core of the software consists of multiple so-called connectors, pre-defined interfaces as well as an elaborate software development kit for the development of new interfaces. This solution is sold both in a cloud-based version as the iPaaS model (integration platform as a service), as well as so-called campus license for large businesses.

### **3.1.3 Control system**

The company's administration oversees their interests in regular meetings of the company's corporate bodies as well as through informal coordination between Supervisory Board and Board of Directors and within the committees. Beyond that, regular management meetings to elaborate on topics are attended by members from all areas of the company. The Board of Directors oversees the company with the support of a management information system featuring an integrated performance calculation including a detailed running projection on financial requirements and use. The Board of Directors oversees the group and its development for the major part through the following financial and non-financial performance indicators. Here, great emphasis is placed on a sustained development of the group. A detailed presentation of the group's earnings, assets, and financial position is stated under item 3.4.

### **3.1.4 Research and Development**

The technological and professional development of the company and its employees is essential for the business success of mVISE AG. This is why in the fiscal year 2016 we went to great lengths for the continued development of the SaleSphere product so that it would be ready to go to the market in 2016. Companies that use digital programs to master the challenges of digitalization and also succeed in keeping their sales organizations in the profit zone or even increase margins, are able to on average

double their revenues and productivity. SaleSphere targets the digitalization of the sales cycle in order to maximize the potential in a sustainable manner and to solidify the value chain in sales. Starting with the integration of complex and extensive product catalogues through managed sales situations, order management and structured preparation and follow-up of sales calls, down to the integration of company planning systems, the mVISE solution offers the degree of support needed in diversified markets.

The development efforts undertaken by ICC in the year under review were predominantly geared towards the virtualization and production of cloud-ready products and the design and development of additional features alike.

The product offering has been further expanded by the purchase of 75.1% of the shares of the elastic.io GmbH. elastic.io GmbH with their software in the same name possesses an integration platform which is considered leading in the market place. It enables faster, more secure and cost efficient integration among intra-company infrastructures and external cloud systems.

## **3.2 Economic report**

### **3.2.1 Overall economic development**

The German Institute for Economic Research (DIW Berlin) (Deutsches Institute für Wirtschaftsforschung) considers the German economy to still be on a steady upward trend for the first half of 2017 and expects an economic performance increase of 1.5% for the overall year 2017. The number of persons employed is at a historic all-time high and growing, as well as private household income. Public coffers, too, are well filled and inflation is moving up only slowly. The DIW Berlin, however, still sees a high level of uncertainty, e.g. as a result of the Brexit negotiations or the protectionist endeavors of the US trade policy. Global growth nevertheless remains intact and experts are expecting an increase of the global economy performance of around 3.7%. Despite increased inflation, the DIW Berlin considers private consumption in the developed economies among the main drivers, especially since more and more people are gainfully employed. On top of this, investor confidence is on the rise in both the US and Europe. For the emerging economy countries, the DIW Berlin is expecting steady if not strong dynamic in growth.

### **3.2.2 Market and market environment**

The industry development on the IT sector is analyzed and evaluated by the German Federal Association for Information Technology, Telecommunications and new media e. V. (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V.) For the current year, the association expects sales amounting to EUR 161 bn in Germany in the areas IT, telecommunication and consumer electronics (+1.3 percent). The driver again of this positive development is IT with a sales volume of EUR 86 bn and a 2.7% growth rate. Here, especially software suppliers are in high demand (+6.3 percent) and IT Services (+2.3 percent), whose business will blow up to a volume of EUR 23 bn and 39 bn respectively. IT hardware sales have remained on a constant level with EUR 24 bn.

All in all the Bitkom industry is in optimistic mood. Eight out of ten companies (83 percent) expect an increase in sales for the first entire year 2017 over the same period in the last year. While software

companies (85 percent) and IT Services (83 percent) expect growing sales particularly often, only two-thirds of the IT hardware producers (65 percent) share that opinion for their own industry. The favorable business situation will most likely, as in the previous years, have a positive effect on the job market. Two thirds of the Bitkom industry companies (65%) are planning to create additional jobs in the current year. The shortage of skilled workers will increase further accordingly, though. As to a Bitkom study, 51,000 IT specialist positions cannot be filled at this time. Roughly 75% of all companies see their growth undermined as a consequence.

In view of the upcoming general German elections, the majority of ITK companies demand a new digital government program. Close to nine out of ten (87 percent) of them feel that Germany needs a new political agency in order to support the digitalization of the leading industries and the medium-sized enterprises. Just as many (87 percent) require to turn Germany into an international hotspot of digital transformation. And 85 percent expect politics to show more commitment to economic protection and IT security. No wonder: A recent Bitkom study reveals that more than half of all companies in Germany (53 percent) fell victim to industrial espionage, sabotage or data theft during the past two years. This has caused a damage of about EUR 55 bn annually. It is in particular smaller companies that are lacking a security strategy during their use of cloud computing. Whereas companies with 500 or more employees who are using or planning the use Cloud services do have a Cloud Security Strategy in place, only a third of the smaller companies follows that example. And all this before the background of a booming Cloud use in the economy. Two out of three companies with a staff of 20 or more (65 percent) utilized Cloud Computing in 2016. In the previous year, this number was at 54 percent with a little as 44 percent in 2014.

According to Crisp Research study, the Cloud market alone will go up to a volume of EUR 13.4 bn. The use of these apps include mobile devices, especially in the areas collaboration and customer communication and are predominantly used by the sales, customer relations and service departments. According to a Burda Creative study regarding communication in sales, two thirds of the survey participants see a large to very large digitalization demand in sales communication. On the requirements list is an enhanced orientation on the needs of the target group and a greater compaction of the flood of information. Because even in areas with high mobile devices penetration, only a few users take full advantage of the existing options.

While digitalization holds many opportunities for the economy and enables many exciting transformation projects in the IT medium-sized sector, the largest challenges are setting up IT security as well as integrating mobility into company processes. This phenomena is accompanied by a corresponding increase in budgets put aside for mobility integration in the company processes. This is the result of the Enterprise Mobility Study 2015 which furthermore has determined INDUSTRY 4.2 Virtualization and Cloud Computing to be the most important technology trends for the coming five years.

### **3.3 Significant events in the reporting period**

#### Shareholding increase in Just Intelligence GmbH within the scope of a capital increases through contributions in kind

In January 2017, mVISE AG increased its participation in the Just Intelligence GmbH, Hamburg, from 50.1 to 78%. The increase was realized by issuing 210,000 shares within the scope of a capital

increase through contributions in kind from the authorized capital of mVISE AG. A contractual arrangement was also made for the remaining 22%.

#### Majority takeover of elastic.io GmbH

In May 2017, mVISE AG took over 75.1% of the shares of elastic.io GmbH in Bonn. The takeover was realized against cash payment. A contractual arrangement was also made for the remaining 24.9%. The purchase price amount is subject to secrecy, the major part of the total purchase amount is results-based and takes into account the development of elastic.io GmbH in the fiscal years 2017 to 2019. The consolidation for accounting purposes of the company took place in May 2017. Renat Zubairov and Igor Drobiazko, the two founders of the company will continue to be in elastic.io's top management and thus continue to add their experience to the company.

#### Issuance of a convertible bond

In order to be able to finance the strategic investment in elastic.io GmbH and to strengthen the equity capital base, the Board of Directors with the consent of the Supervisory Board made use of the authorization granted by the general meeting and resolved the issuances of convertible bonds in the total nominal amount of EUR 3 mn. applying a simplified exclusion of preemptive rights pursuant to Sec221 sub-section 4, sentence 2 in conjunction with sec 186 sub-section 3, sentence 4 of the German Stock Corporation Act (AktG) against cash payment. The convertible bonds were fully issued in 30 partial debentures with a nominal value of EUR 100,000.00. The agreed upon conversion price is EUR 3.75.

### **3.4 Earnings, assets, and financial position**

#### **3.4.1 Overall presentation**

In the first half of 2017, the mVISE group was able to significantly increase sales and overall performance over the same period in the previous year. While the group's sales have increased about 65% from EUR 3.2 mn. to EUR 5.3 mn., the overall performance experienced a rise of even 78% from EUR 3.6 mn. to EUR 6.4 mn. The growth can be attributed to both the further expansion of the Professional Services division as well as the expanded product portfolio. At the same time it needs to be taken into consideration that the first half of the year, due to the nature of the industry industry, , is traditionally weaker than the second half since many budgets will be awarded towards the end of the business year. Against the background of mostly linear cost structures, this effect has an impact on the mid-year results. Increase in share of external services due to working at high capacity This has also entailed a negative cash flow from the operative business side during the first six months. The Board of Directors however, expects the continuance of the positive development from the 2016 fiscal year for the year 2017.

Also after the issuance of the debenture bond in order to finance the acquisition of elastic.io GmbH, the equity capital ration as at 30 June, 2017, is at 34.1%. mVISE AG continues to show a robust balance sheet structure this way which leaves ample flexibility for additional organic and inorganic growth.

### **3.4.2 Profit situation**

#### Sales development

In H1 2017, the group's sales totaled to EUR 5.3 mn. (H1 2016: EUR 3.2 mn.) Here both the areas Professional Services and Division Products have enjoyed noticeable gains. In Professional Services, sales increased from EUR 3.5 mn. in H1 2016 to EUR 4.66 mn. in the period under review as a result of the high capacity utilization in consulting as well as the distinct demand for Managed Services. In Products, sales have almost doubled driven by the first-time inclusion of the acquired products ICC and elastic.io from EUR 0.3 mn. to EUR 0.7 mn. taking into account the change in inventories of EUR 0.03 mn. (H1 2016: EUR 0.01 mn.) as well as the capitalized own services in the amount of EUR 0.8 mn. for the continued development of the three products SaleSphere, ICC and elastic.io (H1 2016: EUR 0.3 mn.) the result of the first six months of 2017 is an overall performance of EUR 6.3 mn. (H1 2016: EUR 3.6 mn.)

#### Development of expenditures

In the period under review, third-party services acquired amounted to EUR 1.9 mn. (H1 2016: EUR 0.9 mn.) These third-party services pertain mostly to the use of freelancers. The increase over the previous year is a result of the favorable demand situation, which is, however, being responded to with a time lag by hiring new own employees.

Personnel costs were EUR 3.4 mn. (H1 2016: EUR 2.0 mn. combined with a personnel quota reduced to 52.4% in relation to the overall performance (H1 2016: 56.4%). On the one hand, this development corresponds to our personnel base which is still in the process of being established but above all demonstrates the scalability of the Professional Services business model. The high sales increase in this area has not entailed higher administrative costs.

Other operating expenses include mainly expenses for occupancy, vehicles, advertising and capital market costs, as well as costs for the annual audit and legal advisory services. They experienced a 43% increase to EUR 0.95 mn. in the period under review (H1 2016: EUR 0.67 mn.) and thus also present an less than proportional increase in relation to the overall performance. It further needs to be considered that compared to the previous year, following the consolidation of Just Intelligence and elastic.io, this expense item also includes the corresponding costs of these subsidiaries. In total, here too, the scalability of the business model becomes visible: a growth in sales volume does not automatically lead to a similar increase of the other operating. The other operating expenses in the period under review also include expenses for the accelerating pace of growth of the mVISE group. The acquisition of the majority holding in the subsidiaries Just Intelligence and elastic.io has lead to expenses for the acquisition, integration and above all the new hire and training of Professional Services employees for these two new product areas.

The depreciation on property, plant, and equipment and intangible assets amounted to EUR 0.8 mn. in the first half of 2017 (H1 2016: EUR 0.3 mn.). Along with the investment in the SaleSphere product, the strong increase arises from of the depreciation for the Just Intelligence und elastic.io products which have been added on as a result of the group consolidation.

#### Earnings performance

Despite the liabilities described above, which are a result of the organic and inorganic growth during the period under review, an EBITDA (Earnings before interest, taxes, depreciation, and amortization) of EUR 0.3 mn. could be achieved in the reporting period (H1 2016: EUR 0.2 mn.).

EBIT (earnings before interest and tax) in the reporting period, due to the increased depreciation from the development activities for the significantly increased portfolio was EUR -0.5 mn. (H1 2016: EUR -0.1 mn.).

The financial result in the first half 2017 was kEUR -110 (H1 2016: kEUR -4) along with a group result before taxes of EUR -0.6 mn. (H1 2016: EUR -0.1 mn.). Considering a tax income in the amount of EUR 1.1 mn. in connection with the first-time consolidation of elastic.io in the period under review (H1 2016: EUR 0.00 mn) the result is a significantly positive consolidated net income for the period of EUR 0.5 mn. (H1 2016: EUR -0.1 mn.).

### **3.4.3 Financial situation**

#### Current assets

As at June 30, 2017, short-term assets experienced a negligible increase to EUR 1.9 mn. (31 December 2016: EUR 1.7 mn.). This way, the considerably increased business volume has also let to an increase in inventories (unfinished services) to EUR 0.3 mn. (31 December, 2016: EUR 0.1 mn.).

Trade receivables from goods and services amounted to EUR 1.2 mn. (31 December 2016: EUR 1.2 mn.). Despite the considerable growth in sales volume, these have not increased in a significant fashion. This way, additional liquidity need could be avoided thanks to a compelling receivables management.

The other short-term assets amounting to EUR 0.2 mn. (31 December 2016: EUR 0.2 mn) and cash and cash equivalents in the amount of EUR 0.2 mn. (31 December 2016: EUR 0.3 mn.) did not show any material change.

#### Long-term assets

As at the balance sheet date, long-term assets amounted to EUR 6.7 mn. (31 December 2016: EUR 3.0 mn.). This considerable accretion is predominantly based upon the goodwill from acquiring shareholdings of the Just Intelligence and elastic.io.

#### Outside capital

As at June 30, 2017, outside capital amounted to EUR 7.7 mn. (31 December 2016: EUR 3.5 mn.). The increase is primarily a result from issuing a convertible bond with an effect on the balance sheet of EUR 3.0 mn.

Following the organic expansion of the business' undertakings and the first-time consolidation of elastic.io an expected increase of the other debt positions took place. This way, provisions increased to EUR 2.0 mn. as at the balance sheet date (31 December 2016: EUR 1.4 mn.). Further, trade payables were EUR 0.7 mn. (31 December 2016: EUR 0.4 mn.), and amounts owed to credit institutions EUR 0.9



mn. (31 December 2016: EUR 0.4 mn.) and pre-payments received EUR 0.1 mn. (31 December 2016: EUR 0.0 mn.).

### Equity capital

As at June 30, 2017, equity capital amounted to EUR 4.0 mn. (31 December 2016: EUR 3.3 mn.). The increase is primarily a result from issuing the successful capital increase with an effect on the balance sheet of kEUR 210, as well as the connected payment to capital reserve. The equity capital ratio for H1 2017 is 34.1%, a decrease over 50.1% in H1 2016. This is primarily a result of the strong increase of the balance sheet total following the issuance of a convertible bond with an effect on the balance sheet of EUR 3.0 mn., as well as of the organic expansion of the business operation and the first-time consolidation of elastic.io.

### **3.4.4 Financial condition, Cash-Flow Statement and Liquidity**

#### Cash-Flow Statement und Liquidity

Analogous to the results from the ordinary business activity which has taken a blow from the accelerated growth path, cash-flow from the operating activity was negative in the period under review and amounted to EUR -0.51 mn. (H1 2016: EUR 0.12 mn.).

Der net cash outflow from investments was EUR 2.9 mn. in the period under review (H1 2016: EUR -0.4 mn.). Here, investments in tangible assets amounted to kEUR 40 (H1 2016: kEUR 30) and the investment in intangible assets was EUR 0.9 mn. (H1 2016: EUR 0.4 mn.). The remaining amount of EUR 2.0 mn. (H1 2016: EUR 0.0 mn.) relates to payments for additions to the consolidated companies.

In H1 2017, the net cash flow from financing activities was EUR 3.3 mn. (H1 2016: EUR 0.4 mn.). The positive balance resulted from payments from taking on loans as well as the convertible bond issuance.

Thus, the overall cash-flow for the first six months of 2017 totaled to EUR -0.1 mn. (H1 2016: EUR 0.1 mn.). On June 30, 2017, cash and cash equivalents amounted to EUR 0.3 mn. (30 June 2016: EUR 0.2 mn.).

### **3.4.5 Investments**

Investments with a volume of EUR 0.9 mn. were made in the period under review (H1 2016: EUR 0.4 mn.). of which kEUR 40 (H1 2016: kEUR30) went to tangible fixed assets and EUR 0.9 mn. (H1 2016: EUR 0.3 mn.) to intangible assets. For the most part, the means invested were used for the continued development of the SaleSphere ICC and eastic.io products as well as for purchasing the majority shares in elastic.io GmbH.

### **3.4.6 Staff**

For mVISE, qualified and motivated employees are the most important asset. The number of employees during the period under review has increased from 81 on 31 December, 2016 to 105 on 30 June, 2017. There are several reasons for this considerable increase: For one, many new staff members have been added to the Professional Services division, and the elastic.io GmbH takeover has also made an impact. During H1 2017, on average 95 employees worked at the group (H1 2016: 72).

### **3.4.7 Order Situation**

With EUR 3.1 mn., mVISE AG's order back log clearly exceeded that of the reporting period in the previous year (30. Jun 2016: EUR 2.2 mn.) Unlike the marginal order backlog in the product area during the previous year, 13% of orders are attributable to this segment in the year under review. All in all, for the year under review, the Board of Directors expects another significant shift of the SaleSphere and elastic.io products in favor of the products.

### **3.4.8 Risk and Opportunity Report**

The risks and opportunities arising out of entrepreneurial activity are defined, evaluated by the Board on an on-going basis, and minimized or shifted to third parties as far as possible and appropriate from an entrepreneurial point of view. Explicit reference is made to the risks which might jeopardize the success of mVISE AG as well as the business potential in the group management report under 3.3 "Risk and Opportunity Report" in the 2016 annual report. There were no major changes in the risk and opportunity profile of mVISE AG during the period under review.

### **3.4.9 Forecast**

Following the successful repositioning and the positive 2016 business development, a continuation of the growth path is planned for the current year as well. The underlying conditions as such are basically positive: The economic environment is stable, and the mVISE products and trends are a response to global trends, such as business process digitization and IT security. The group has gained a reputation as being a forerunner in mobile digitization and can therefore enjoy a steady and reliable client base.

The Board in particular wants to take advantage of the development surrounding data protection and security, which currently enjoys regulatory and media support, in order to drive further growth in this sector. But also in the area of machine networking, mVISE AG together with Bosch has penetrated into an extremely interesting area with many exciting projects. The current order volume in excess of EUR 3.1 mn. ensures working to nearly full capacity and the huge demand, especially from key accounts, is a positive sign for significant contract completions in the second half of the year.

The focus here is on additionally expanding the consulting business, in addition, we are striving for the first measurable achievements in the licensing business with both sales force support products (SaleSphere) as well as further sales increases with the Just Intelligence and elastic.io solutions. To be able to further expand on the market position achieved so far, mVISE AG is also focusing on inorganic

growth in 2017 as well. Following the successful addition to the product portfolio with the acquisition of elastic.io GmbH, the priority is on Professional Services, as far as future acquisitions are concerned.

Overall, the Board once more emphasizes their growth and results objectives on group level. Given stable competitive structures and market prices, no losses caused by key accounts as well as a continued positive development in the relevant target markets, from today's view, the Board awaits an overall performance of EUR 14 mn. for the 2017 business year. Just Intelligence GmbH will most likely contribute 10 to 15% of the planned overall performance, and in addition to that no major sales figures from the product area are included in this forecast. Besides the increase in revenue, the focus here is on achieving synergies, e.g. in the areas of marketing and sales, as well as finances and Human Resources. All in all, for the 2017 business year, the Board expects an EBITDA margin at the forecast's lower end amounting to 15 to 20 percent.

The total investment volume planned for the 2017 fiscal year is around EUR 1.8 mn. in tangible and intangible assets. These investments are intended to expand the scope of functions of the Just Intelligence, elastic.io and SaleSphere products in order to increase the portfolio's attractiveness on the market with a significant increase in license-generated sales in the future. The investment volume might increase over the current planning in the event of increased inorganic growth through acquisitions.

**Düsseldorf, August 2017**



**The Board of Directors**

**Manfred Götz | Rainer Bastian**

## **4 mVISE AG on the capital market**

### **4.1 Price development**

#### Market report

Based upon the favorable company development and the successful turnaround, mVISE AG shares showed a significant above average development in the 2016 business year and were noted with a price of EUR 2.97 in Xetra trade at the annual financial statements as at December 30. This signifies an 81.1% increase over the 2015 year's end rate. Starting 2017, the mVISE share started the year with a price of EUR 2.90 on January 2, and has been moving in a narrow corridor between the previous year's low of EUR 2.75 and EUR 3.00. Following the publication of the preliminary figures for the 2016 business year on Feb 2, the price increased to EUR 3.30. More positive news followed in May with the majority takeover of elastic.io GmbH as well as the publication of the 2016 annual report, both of which have entailed significant increase in value of the mVISE share and marking the beginning of a continuous upward trend. On June 27, VISE AG shares achieved their highest level in the review period with EUR 4.90 and closed with EUR 4.80 in the Xetra trade on June 30. Since that time, the price has been stable at EUR 4.50.

Overall, mVISE shares in the current reporting period have experienced a 61.6 percent increase over the 2016 closing price, along with a market capitalization of the company of around EUR 40.2 mn. as at June 30 (31 December 2016: EUR 24.9 mn.) Besides the price increase, the substantial increase of the market capitalization also arises from an increase in capital contributions in kind within the context of a share increase from 50.1 to 78% in Just Intelligence GmbH. Through issuance of 210,000 shares to the sellers of the Just Intelligence GmbH shares against a contribution in kind in form of a total of 18,899 company shares of Just Intelligence GmbH, and the share capital of mVISE AG has increased from EUR 8,164,052 as at 31 Dec 2016, to EUR 8,374,052 as at 30. Jun 2017.

## Price chart



Source: Xetra-Schlusskurse (Bloomberg)

## 4.2 Information on the share

mVISE AG was taken over in the new Scale quality segment for small and medium-sized companies (KMU) of the German Stock Exchange. Since March 2017, Scale has been replacing the entry standard for shares and corporate bonds. The new segment, which is intended to allow companies easier access to investors and growth capital, is subject to much more severe regulation than the Basic Board, in which mVISE AG was listed following the end of the entry standard until they were admitted to Scale.

The new quality standards require companies above all to commit to transparency in addition to having an established business model and minimum defined key figures. This includes for example annual analyst conventions as well as an independent research commissioned by the German Stock Exchange

mVISE AG welcomes the efforts of the German Stock Exchange for enhanced transparency - this is why the introduction of Scale marks an important and justified step. It has therefore been a logical decision for mVISE to apply for admission into the new quality segment.

The increased transparency requirements make the companies listed in Scale much more attractive, which significantly supports both a broadening of the investor base, as well as the image of companies in the business and financial media.

The Securities Identification Number (ISIN DE0006204589) of mVISE AG remains the same.

We informed our shareholders and the public interested of the current business development, special events as well as the company's perspective in a timely manner in H1 2017. This year's regular general

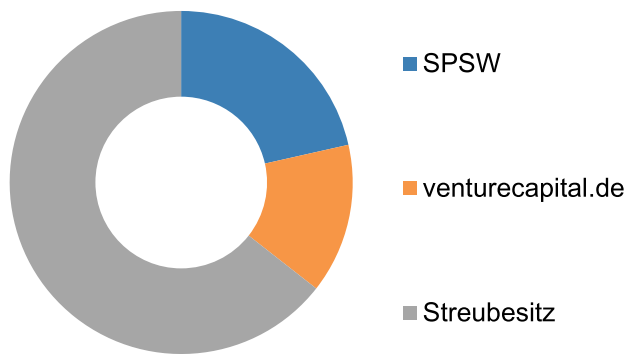
meeting for example, which was held in Düsseldorf on June 29, where shareholders could gain information on the year, ended 2016 and the current situation in mVISE AG, was again met with great interest. Both presentation and speech can be found at the website under the tab “Investor Relations/General Meeting” and is available for download.

The Board further presents the company at various relevant capital market conventions, accompanied by further information given on the present situation as well as still existing challenges. mVISE AG was also part of the DVFA spring convention in Frankfurt/Main, to name just an example. Other scheduled events include the Rüttbauer Research IR trip in September and the Eigenkapitalforum in November in Frankfurt.

#### Key information:

ISIN	DE0006204589
Securities identification number	620458
Stock exchange symbol	C1V
Number of shares	8,374,052
Stock market segment	Scale (over-the-counter trading)
Trading centers / stock exchanges	XETRA®, Frankfurt, Berlin, Stuttgart, Düsseldorf, Tradegate
Capital market partner	BankM – representative office of FinTech Group Bank AG
Designated Sponsor	BankM – representative office of FinTech Group Bank AG
Research Coverage	SMC Research / Edison Research

**Shareholder Structure:**



**2017 Financial Calendar:**

August 2017	Publication of mid-year report
7 to 9 September, 2017	IR trip Rüttbauer
27 to 29 November, 2017	German equity forum

## 5 Consolidated mid-year financial statements as of 30 June, 2017 pursuant to the German Commercial Code (HGB)

### 5.1 Consolidated balance sheets for the first six months from January 01 to June 30, 2017

<b>A s s e t s</b>		
	30 June, 2016	21 December, 2016
	kEUR	kEUR
<b>A fixed assets</b>		
<b>I. Intangible assets</b>		
1. Proprietary industrial property rights and similar rights and values	3,191	2,328
2. paid concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	96	51
3. Goodwill	3,306	595
<b>II. Property Plant &amp; Equipment</b>		
other plant and equipment, and office furniture and equipment	103	82
<b>III. Investments and long-term financial assets</b>		
Shares in affiliated companies	7	7
<b>B. Current Assets</b>		
<b>I. Inventories</b>		
unfinished services	340	107
<b>II. Receivables and other assets</b>		
1. Accounts receivable trade	1,204	1,152
2. Receivables from Affiliated Companies	3	2
3. other assets	178	184
<b>III. Cash and balances, credit balance held with banks</b>		
	167	275
<b>C. Prepaid Expenses</b>		
	41	21
<b>D. Deferred tax assets</b>		
	3,020	2,141
	<b>11,656</b>	<b>6,945</b>

<b>L i a b i l i t i e s</b>		
	30 June, 2016	21 December, 2016
	kEUR	kEUR
<b>A Equity capital</b>		
<b>I. Share Capital</b>		
	8,374	8,164
<b>II. Capital reserve or Additional paid-in capital</b>		
	14,037	13,782
<b>III. Loss carried forward</b>		
	-19,125	-19,296
<b>IV. Surplus</b>		
	461	627
<b>V. Minority capital</b>		
	229	55
<b>B. Provisions</b>		
Other provisions	2,015	1,403
<b>C. Liabilities</b>		
<b>I. Bonds</b>		
	3,030	0
<b>II. Amount owed to credit institutions</b>		
	878	428
<b>III. Advances received on orders</b>		
	133	16
<b>IV. Trade accounts payable</b>		
	724	656
<b>V. Liabilities to affiliated companies</b>		
	0	0
<b>VI. Other current liabilities</b>		
	867	1,012
<b>D. Prepaid Expenses</b>		
	33	98
	<b>11,656</b>	<b>6,945</b>



## 5.2 Consolidated income statement for the first six months from January 01 to June 30, 2017

	1. HY 2017	1. HY 2016
	kEUR	kEUR
1. Revenues	5,340	3,227
2. Increase in inventories in finished goods and work -in -process	292	14
3. other capitalized own work	758	337
<b>4. Total income</b>	<b>6,390</b>	<b>3,578</b>
5. other operating income	89	140
6. Cost of materials purchased	-1,924	-859
7. Personnel expenses	-3,351	-2,019
8. Depreciations and amortizations	-785	-296
9. other operating expenses	-950	-670
10. Other interest and similar income	1	0
11. Interest and similar expenses	-114	-4
<b>12 Profits from ordinary activities</b>	<b>-644</b>	<b>-130</b>
13. Income taxes	1,109	0
<b>14. Result after tax</b>	<b>465</b>	<b>-130</b>
15. other taxes	-4	-4
<b>16. Mid-year group net income/loss</b>	<b>461</b>	<b>-134-</b>
17 Profit share of external	340	-
18 earnings paid to shareholders	122	-
19. Earnings per share (€)	0.02	-

### 5.3 Cash-Flow Statement for the first six months from January 01 to June 30, 2017

			kEUR
1		Result for the period (consolidated mid-year net earnings including earnings attributable to other shareholders)	461
2	+	Depreciation of fixed assets	785
3	-	Decrease in provisions	-100
4	+	Other non-cash expenses	2
5	-	Decrease in inventories, of trade receivables and other assets which are not to be allocated to investment or financing activities.	-159
6	-	Decline in trade accounts payable as well as other liabilities not arising from investment or financial activities	-545
7	+	Interest paid	113
8	-	Income tax received	-1,109
9	=	<b>Net cash generated from operating activities</b>	<b>-551</b>
10	-	Payments for investments in intangible assets	-881
11	-	Payments for fixed assets investments	-42
12	-	payments for additions to the consolidated companies	-1,954
13	=	<b>Cash flow from investment activity</b>	<b>-2,876</b>
14	+	Payments-in from the issuances of bonds and taking up loans of (finance) credits	3,450
15	-	Interest paid	-129
16	=	<b>Cash flow from financing activities</b>	<b>3,321</b>
17		<b>Net change in cash and cash equivalents</b>	<b>-107</b>
18	+	Changes in cash and cash equivalents due to the consolidated group structure	19
19	+	Cash and cash equivalents at beginning of period	274
20	=	<b>Cash and cash equivalents at end of period</b>	<b>167</b>

## **6 Notes to the financial statements for the first six months from January 01 to June 30, 2017**

### General Information

The parent company of VISE group is mVISE AG, Wanheimer Str. 66, 40472 Düsseldorf, Germany. The Company is registered in the commercial register at the Düsseldorf Amtsgericht (local court) under HRB 76863.

Object of the Company is IT hardware and software consulting, development and distribution of software solutions, as well as carrying out training and further education measures for data processing and protection.

These Consolidated Financial Statements were prepared pursuant to sections §§ 290 et seq. German Commercial Code (HGB) as well as the statutory regulations of the German Stock Corporation Act (AktG) and the regulations and Articles of Incorporation.

According to section 267, sub-section 2 of the German Commercial Code (HGB), mVISE AG is considered to be a small corporation with share capital. The management report for mVISE AG was consolidated with the group management report pursuant to sec. 315, sub-section 3 of the German Commercial Code (HGB).

During the reporting period, the company was listed in the Basic Board trade segment within the over-the-counter trade, since 26 July, the share has been listed in the Scale Stock Exchange segment.

As of 30 June 2017, the company has been under the management of the two Directors Manfred Götz (Professional Services & Finance) and Rainer Bastian (Products & Administration).

At mid-year, mVISE AG operates branches in Frankfurt am Main and Hamburg.

### Scope of Consolidated Companies

The Consolidated Financial Statements include the statements of account of mVISE AG as parent company and its subsidiaries as of 30 June of the fiscal year. The financial statements of the subsidiaries will be prepared under uniform general accounting policies at the same balance sheet date as that of the parent company.

In the beginning of the reporting period, the holding in Just Intelligence GmbH, Hamburg, was increased from 27.9% to 78%. When calculating the transaction value and goodwill relating to this acquisition of shares, the date at which the company was first included in the group financial statement was used (October 1, 2016)

Furthermore, 75% of the shares in elastic.io GmbH, Bonn, were purchased in May 2017. elastic.io GmbH was included in the Consolidated Financial Statements on May 2017.

No shareholdings subject to consolidation were present at the time of the balance sheet date in the previous year.

The Consolidated Financial Statements include the following domestic subsidiaries that are under direct control of mVISE AG. Reporting date for all companies included in the Consolidated Financial Statements is 30 June.

Subsidiaries	Interest held	Book value of the Shares	Equity capital of the subsidiaries	Result 1st HY 2017
Just Intelligence GmbH	78%	kEUR 850	kEUR 839	kEUR 83
elastic.io GmbH	75.1%	kEUR 2,620	kEUR 747	kEUR 1,200

mVISE Professional GmbH has not been included in the consolidated group of companies, because its business operations have been idle for several years coupled with its insignificance for the group.

#### Consolidation policies

The financial statements of the companies included in the group of companies were prepared following the general accounting policies. The capital consolidation for first-time consolidated companies due to acquisition, was carried out on the basis of the acquisition method at the time, when the company became a subsidiary.

When using the acquisition method, the value approach for the portion belonging to the parent company will be offset against the equity share attributable to that portion. Equity is carried with the amount that corresponds with the accompanying current value of the assets, debts, deferred items and extraordinary items to be included in the consolidated balance sheet. Any remaining difference following the offsetting, should it appear on the assets side, will be shown as goodwill. In determining the current value of the assets, debts, deferred items and extraordinary items to be taken up in the consolidated balance sheet, along with the capital consolidation, the determining date is the point at which the company became a subsidiary. The capital consolidation for companies or purchased capital shares was carried out applying the revaluation method. The amounts to be capitalized will be, to the extent this is possible, allocated to the respective asset item, the remaining balance was shown as goodwill.

### **6.1 Accounting and valuation methods**

Below is an illustration of the accounting and valuation methods applied in the consolidated financial statements. The accounting and valuation methods from the previous year have been used again.

#### Intangible assets

Proprietary intangible assets are reported at their production cost, reduced by linear amortization (with an ordinary useful life of three years). The integration of adequate portions of general

administrative expenses is the result of exercising of voting rights pursuant to section 22, sub-section 2, page 3 HGB. Through die Activation of the costs attributed to the recorded development services and general administration it is ensured that the revenues from disbursements related to product licensing are considered during the time period in which the revenues arise. Capitalized own services are depreciated over three years according to their useful life.

Goodwill is capitalized including all goodwill from the first-time consolidation of shares purchased and depreciated over a 10 to 15-year period. It will be checked on a case-to-case basis over which time period the goodwill may be most likely used and then depreciated on a straight-line basis accordingly. If needed, additional unscheduled depreciations will be made.

### Property Plant & Equipment

Tangible assets are assessed at their first cost, minus the scheduled straight-line depreciation over the expected useful lives. Depreciations on additions to fixed assets are carried out pro rata temporis. The useful live of IT hardware is usually three years, and seven to ten years for all other business equipment and furnishings. During the year changes in property, plant and equipment can be seen in the fixed assets development.

### Inventories

Unfinished work is assessed at production cost. Production costs include, in addition to the direct material and labor charges, an appropriate share of material and/or production over head costs, as well as depreciation of the fixed assets. The integration of adequate portions of general administrative expenses is the result of exercising of voting rights pursuant to section 22, sub-section 2, page 3 HGB. In all cases the principle of no-loss valuation was followed, that is, the review of impairment was carried out applying discounts on the expected retail price for additional costs that might be incurred.

### Deferred taxes

Deferred tax assets are reported on the differences in the balance sheet amounts and of the tax balance to the extent that these taxes are expected to diminish in following fiscal years. In addition, deferred taxes on the assets side are created on the existing losses carried forward to the extent a setting off of losses is to be expected during the five years to come. Deferred tax assets and liabilities are shown netted. The calculation of deferred tax assets and liabilities is based upon the relevant tax rate of the group companies concerned.

### Receivables and other assets

Receivables and other asset are recognized at nominal value A one percent general value adjustment is applied to accounts receivable trade. Individual value adjustments are made when in doubt of fulfilment due to credit rating. The other assets refer to provided deposits and receivables from affiliated companies.

### Provisions

Accruals account for all identifiable risks and uncertain liabilities in the amount of the expected utilization. Future price and cost increases are included in the evaluation. Provisions with a residual maturity of more than one year will be discounted at the average corresponding market interest rate of the past seven years corresponding to the respective term.

### Liabilities

Liabilities are shown at their settlement amount on the balance sheet date.

Type of liability as at 30 June, 2017	Total amount 30 June, 2016	of which with a residual maturity of		
		up to 1 year	Between 1 year and 5 years	over 5 years
	kEUR	kEUR	kEUR	kEUR
Convertible Bonds	3,030	30	3,000	-
Amount owed to credit institutions	877	877	-	-
advances received on orders	133	133	-	-
Accounts payable trade	724	724	-	-
other liabilities	866	566	300	-
<b>Total</b>	<b>5,630</b>	<b>2,330</b>	<b>3,300</b>	<b>-</b>

## 6.2 Explanatory Notes to the Profit and Loss Statement

### Revenues

Again, revenues could repeatedly be increased by more than 70% over the previous year. The revenues in the year under review may be attributed to the following activity sectors:

Revenues I	1st HY 2017 (in kEUR)	1st HY 2016 (in kEUR)
Professional Services	4843	3619
Products	731	494
Sales/ Administration & Consolidation	-234	-886
<b>Total</b>	<b>5,340</b>	<b>3,227</b>

Revenues in the segment Professional Services are achieved through consulting services and so-called Managed Services, as well as with proprietary mobile solutions. Proprietary software products distributed in the Products segment.

Revenues II	1st HY 2017 (in kEUR)	1st HY 2016 (in kEUR)
Total sales	5,340	3,227
of which in EU countries	3,172	721
Percentage of total sales	80	22
of which is a third country	15	23
Percentage of total sales	1	1
<b>Total sales abroad</b>	<b>3,187</b>	<b>744</b>

### Other capitalized company-produced additions

Capitalized own work in H1 2017 amounting to kEUR 758 relate to the continued development of the SaleSphere products in the amount of kEUR 420, as well as the continued development of the IIC product of Just Intelligence in the amount of kEUR 198 and the elastic.io product in the amount of kEUR 140.

### Other Operating Income

Other operating income fell below the level of the previous year. It predominantly includes benefits in kind subject to a flat-rate tax. Overview of other operating income for the report period:

	1st HY 2017 (in kEUR)	1st HY 2016 (in kEUR)
Offsetting remunerations in kind	85	59
Non-period income	0	44
insurance indemnification	4	34
Other	0	3
<b>Total</b>	<b>89</b>	<b>140</b>

### Employee Expenses

Personnel expenses pursuant to sec. 275, subsection 2, no. 6 HGB:

	1st HY 2017 (in kEUR)	1st HY 2016 (in kEUR)
Salaries and wages	2,881	1,724
Social security costs and pension expenses	470	259
of which are pension expenses	18	16
<b>Total</b>	<b>3,351</b>	<b>1,919</b>



### Other operating expenses

The following overview shows all major other operating expenses. Further other operating expenses are all below kEUR 100.

	<b>1st HY 2017 (in kEUR)</b>	<b>1st HY 2016 (in kEUR)</b>
Occupancy expenses including data center	212	151
Vehicle costs	157	140
Advertising and travel expenses	181	82
Capital market costs	72	73
Legal, consulting and audit costs	74	10
Third-party services	97	49
Other	98	165
<b>Total</b>	<b>951</b>	<b>670</b>

### Amortization and depreciation

Amortization on intangible fixed assets of property, plant and equipment and depreciation on tangible assets include scheduled depreciations in the amount of kEUR 785 (previous year kEUR 296).

### Financial result

In 2016, interest and similar expenses included interest for shareholder loans as well as the utilization of a bank credit line. Expenses in H1 2017 amounted to kEUR 114 over kEUR 4 in the previous year's period. The reason for this was in particular the redemption of shareholder loans including all interest accrued for which no reserves had been made in the previous year, as well as claiming the existing advance on current account.

### Taxes on income and revenues

The taxes on income and revenue include revenues from taking into account deferred tax assets on losses are carried forward to be used in the future amounting to kEUR 1,109.

### 6.3 Notes to the Group balance sheet

#### Information on shareholdings

As at Jan 1, 2017, mVISE AG purchased another 27.9% slice in the Just Intelligence GmbH and by now consolidates 78% of all shares under it. The shares were purchased within the context of a contribution in kind in the amount of kEUR 210. During the initial consolidation of the second tranche, the point at which Just Intelligence was consolidated was assigned to establish the active difference. The credit balance between the proportionate equity of Just Intelligence on the acquisition date of the second tranche (1 Jan, 2017) and the first-time consolidation date (1 Oct, 2016) was reposted to capital reserves.

In May 2017, shares amounting to 75.1% of elastic.io GmbH were purchased. The share purchase price in addition to a cash component of kEUR 1,910 also includes an earn-out provision. Thus, during the process of determining the purchase price, aside from the cash component, an amount equaling the discounted earn-out requirement forecast for the period of fulfillment was to be taken into account. The total purchase cost amounts to kEUR 2,608.

As part of the initially consolidated new assessment of the net assets of elastic.io, hidden reserves in intangible assets in value of 700 kEUR were to be activated. The hidden reserves relate to an in-house developed software.

#### Intangible Assets

The first-time consolidating of elastic.io has led to an asset difference from capital consolidation in the amount of kEUR 2,608 which was shown as goodwill. In line with section 309, sub-section 1 HGB, it is subject to scheduled depreciation over its expected service life of 10 years.

The goodwill of 1 Jan, 2017 to 30 June 2017 are shown in the following chart: Numbers in kEUR

Company	AHK 01 Jan., 2017	Additions	AHK 30 June, 2016	Depreciations and amortizations accumulated	Book value 30 June, 2017	Book value 31 Dec., 2016	Write-off 1 Jan. – 30 June, 2017
mVISE AG	150	0	150	138	13	20	8
Just Intelligence GmbH, Hamburg	585	179	764	35	729	575	26
elastic.io GmbH, Bonn	0	2,608	2,608	43	2,565	0	43
<b>Total</b>	<b>585</b>	<b>2,787</b>	<b>3,522</b>	<b>216</b>	<b>3,307</b>	<b>595</b>	<b>77</b>

Other additions to intangible assets in the amount of kEUR 1,458 were in relation to in-house developed software and purchased licenses amounting to kEUR 61.

#### Property Plant & Equipment

Additions in Property Plant & Equipment totaling to kEUR 42 are exclusively in relation to other business equipment and furnishings.

#### Investments and long-term financial assets

As at the balance sheet date, financial assets amount to kEUR 7 and are to be allocated to mVISE Professional Services which currently is a dormant company.

#### Trade receivables und other assets

The stated amount of accounts receivable trade as in the previous year has a term of under one year.

The other assets with a remaining maturity of between one and five years amount to kEUR 178 (previous year kEUR 184) on the balance sheet date). All remaining other assets, as in the year before, have a term of under one year.

#### Liquid assets

The liquid funds amounting to kEUR 166 (previous year kEUR 189) include the current account bank deposits. All credit balances at banks are unencumbered as of the reporting date. No foreign currency accounts existed as at the balance sheet date.

#### Income not due in, but assignable to the reported period.

Accruals and deferred income mainly include deferrals for prepaid expenses for third-party services.

#### Deferred tax assets

The shown deferred tax assets present the balance between a deferred tax asset item and a deferred tax liability item.

## Group Equity capital

	Subscribed capital of mVISE AG	Capital reserve Group	Loss for the year Group	Minorities capital	Total
<b>Change in equity</b>					
<b>kEUR</b>					
<b>Updated 1 Jan, 2016</b>	<b>7,914</b>	<b>13,652</b>	<b>-19,296</b>	<b>0</b>	<b>2,270</b>
Issue of shares	250	130			380
Result			171	456	627
Changes in consolidated Group companies				55	55
<b>updated 31 Dec, 2016</b>	<b>8,164</b>	<b>13,782</b>	<b>-19,125</b>	<b>511</b>	<b>3,332</b>
Issue of shares	210				210
Result			122	340	461
Changes in consolidated Group companies		255			-27
				-282	
<b>Updated 30 June, 2017</b>	<b>8,374</b>	<b>14,037</b>	<b>-19,003</b>	<b>569</b>	<b>3,977</b>

The mVISE AG share capital amounts to EUR 8,374,052 and is divided into 8,374,052 non-par value bearer shares and are shown with a pro-rata amount of EUR 1.00 per share in the share capital. All shares possess the same voting rights and dividend claims. These exclude shares held by the company out of which the company is not entitled to any rights. The shareholders' right and obligations result in detail from the provisions of the German Stock Corporation Act, including but not limited to sections 12, 53a et. seq., 118 et seq. and 186 German Stock Corporation Act.

Voting rights restrictions of the shares may result from statutory provisions (sections 71 b, 136, German Stock Corporation Act). Besides that, the Board of Managing Directors is not aware of any restrictions for exercising voting rights or transferring shares.

There are no shares with exclusive rights which grant control rights at mVISE AG.

mVISE AG has not issued any shares from which the right of control cannot be directly exercised.

Appointment and dismissal of members of the Board of Directors are governed in sections 84 and 85 of the AktG (German Stock Corporation Act), as well as in section 5 of the Statutes. According to legal provisions (sec. 179, sub-section 1 AktG) any amendment of the statutes is subject to a general meeting resolution. Resolutions of the general meeting may be passed with simple majority provided that the AktG does not require a larger majority for individual changes to the statutes. In line with sec. 10, sub-section 2 of the company's statutes, the Supervisory Board is entitled to make amendments to the statutes that affect only their wording.

Pursuant to Sec 4 para. 8 of the Statutes, the Board of Managing Directors, together with the consent of the Supervisory Board, is entitled to increase the company's share capital by June 8, 2021 by up to EUR 3,872,026 by a one-time or multiple issuance of new shares against contribution in cash or in kind (authorized capital 2016).

On 29 September, 2016, the Board of Directors with the consent of the Supervisory Board resolved to partially utilize the authorized capital 2016 resolved by the general meeting and to increase the company's share capital against remuneration in kind under the exclusion of the subscription right of

the shareholders, by EUR 210,000 from EUR 8,164,052 to EUR 8,374,052 by issuance of 210,000 no-par value bearer company shares with a notional interest in the share capital of EUR 1.00 per unit share. The contribution in kind was to be made in the form of a total of 18,899 Just Intelligence GmbH company shares, registered in the Commercial Register of the Hamburg Local Court under HRB89691 (“Just Intelligence”) in the nominal amount of EUR 1.00 each. The recoverability of the contribution in kind was confirmed by the expert verifying the contribution in kind who was appointed by the Düsseldorf Local Court. The capital increase by contribution in kind was finalized on 19 January, 2017 through registration in the Commercial Register. The remaining authorized capital 2016 is therefore EUR 3,662,026.

Pursuant to section 4, para. 9 of the Statutes, the share capital is conditionally increased by up to EUR 2,000,000 through the issuance of up to 2,000,000 new bearer shares (Contingent Capital 2016). The contingent capital increase is to be carried out only to the extent that the owners of option or conversion rights or those required to convert or exercise their rights from bonds with warrants and convertible bonds which have been issued or guaranteed by the corporation or a successor to the corporation based on the authorization issued at the general meeting dated June 9, 2016, under agenda item 8 up to June 8, 2021, those who make use of their option or conversion rights to the extent that they are required to do make use of their conversion or options rights, those who fulfill their requirement to convert or exercise their options or to the extent that the corporation exercises its right to vote, to guarantee full or partial payment of common shares to the company in place of the monetary amount due.

Pursuant to Sec 4 para. 11 of the Statutes, the share capital is a contingent capital increase by up to 283,387.00 (Contingent Capital V). The Contingent Capital V provides for the fulfillment of subscription rights which are issued to members of the Company Management and the company’s employees following the resolution of the General Meeting dated 9 August, 2010, as well as the general meeting’s amending resolutions dated Aug 29, 2011 and Jan 29, 2015. The Contingent Capital increase will only be carried out to the extent to which the bearers of the issued subscription rights exercise their subscription right.

Pursuant to Sec 4 para. 12 of the Statutes, the share capital is contingently increased by up to 500,000.00 (Contingent Capital VII). The Contingent Capital VII provides for the fulfillment of subscription rights which are issued to members of the Corporation Management and the Corporation’s employees as well as managers and employees of companies affiliated as subsidiaries of the Corporation following the resolution of the General Meeting dated 28 August, 2012, as well as the general meeting’s amending resolutions dated Aug 27, 2015 and Jan 9, 2016. The Contingent Capital increase will only be carried out to the extent to which the bearers of the issued subscription rights exercise their subscription right.

There are no significant agreements to which the company is a party and which take effect upon a change of control of the company following a takeover offer.

No Agreements on Compensation in Case of a Takeover Offer exist with members of the Board of Directors or the employees.

### Provisions

The other provisions amounting to kEUR 2,015 (30 Jun 2016: kEUR 1,296) are for personnel expenses, earn-out obligations, consulting services and other provisions. Provisions mainly contain:

Provisions for consulting services were kEUR 746 mid-year. The provisions relate to assignments that have already been settled but for which we still expect consulting services to take place.

The provisions also include provisions for the earn-out agreement of elastic.io.

### Issuance of convertible bonds in May 2017

On May 8, 2017, the Board of Directors with the consent of the Supervisory Board, utilized the authorization of the general meeting and resolved the issuance of convertible bonds in the total nominal amount of EUR 3 mn. against cash payment under simplified subscription right exclusion pursuant to sec. 221, para 4, sentence 2 in conjunction with sec. 186, para. 3, sentence 4. The convertible bonds were fully issued to institutional investors in 30 partial debentures with a nominal value of EUR 100,000.00. As a result of capital measures, the company received funds in the total amount of EUR 3,000,000 (before commissions and costs). The issue proceeds are to be used to finance the completion of the strategic investments in elastic.io, Bonn, and to further strengthen the company's equity capital base.

### Advances received

As at the balance sheet date, advance payments received for unfinished orders amounted to kEUR 133 vs. a previous year value of kEUR 33. The order backlog is the result of a small number of project tasks which provide for a down payment at the start.

### Trade and other payables

Trade accounts payable amounting to kEUR724 (30 Jun 2016: kEUR 285) are non-interest bearing and are usually due within 30 days. Other current liabilities amount to kEUR 876 (30 Jun 2016: kEUR 890) and mainly consist of liabilities from claiming loans and tax liability. All liabilities have a term of up to one year.

### Deferred income

Deferred income refer to deferrals from previously booked service projects.

## 6.4 Additional Information

### Staff

In the period under review, the mVISE group had a staff of 95 employees on average (vs. 72 employees in the previous year). Directors are included in that number. Of these employees, 86 are operational and 9 in administration (vs. the previous year with 63 operational and 9 in administration).

### Executive Bodies

Board of Managing Directors:

In H1 2017, the Board of Directors of the mVISE AG comprised the following members:

- Manfred Götz, Dipl. Informatiker (FH), Ratingen
- Rainer Bastian, Dipl. Pädagoge, Düsseldorf

The company is represented by both Directors at the same time.

Supervisory Board:

In H1 2017, the Supervisory Board of the mVISE AG comprised the following members:

- Achim Plate, Dipl. Ingenieur, Glückstadt, Chairman of the Supervisory Board,
- Franziska Oelte, Rechtsanwältin, Hamburg, Vice chairperson of the Supervisory Board, Chairwoman of the Supervisory Board of hello.de AG, Berlin
- Malte-Matthias von der Ropp, Dipl. Kaufmann, Cologne, member of the advisory committee in the clickworker GmbH, Essen
- Henning Soltau, Hamburg, member of the Supervisory Board since 29 Jun, 2017, before that substitute member.

During the period under review, Mr. Plate and Mr. Soltau were no members in other statutory Supervisory Boards or any comparable domestic or foreign supervisory committees of business enterprises.

For the first half of 2017, the pro rata remuneration of the Supervisory Board was kEUR 12.5 exclusive of the reimbursement of expenses (previous year kEUR 12.5). The particulars of the overall compensation of the Directors are not disclosed under reference to the Safeguard clause of sec. 314, para. 3 page.2 HGB in conjunction with sec. 286, para. 4, HGB.

#### Transactions with related and/or associated parties

Related and/or associated companies and persons are any legal entities or natural persons who can exert influence on the mVISE group or are subject to the relevant influence through the mVISE group. Business transactions with related and/or associated persons refer to including but not limited to delivery, rental, services and financial business transactions with subsidiaries of the mVISE group. Provided that there is a market for transactions of this kind, they will be entered into according to normal market conditions.

Since 2013, all business transactions of mVISE Professional Services GmbH (previously Astro Boulevard GmbH) have been settled by mVISE AG. This business operation is dormant.

#### **6.5 Supplementary report**

No events of special importance that could affect net assets, financial position and earnings after 30 Jun 2017 occurred.



## 7 Responsibility Statement from the company's legal representatives

In accordance with the relevant and applicable IFRS/IAS accounting provisions and the WpHG, the Management Board makes the following assurance:

“The Board of Managing Directors to the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of mVISE AG and the group give a true and fair view of the assets, liabilities, financial position and profit or loss of the company. The group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with its expected development.”

Düsseldorf, August 2017



The Board of Directors

Manfred Götz | Rainer Bastian