TIE Kinetix N.V.

# ANNUAL REPORT 2020

TIE KINETIX
total integrated e-commerce

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# Letter from the Chief Executive Officer, Jan Sundelin

Dear reader,

In many respects the year 2020 will go down as a memorable year. First and foremost, the year in which a pandemic has undoubtedly impacted the everyday lives of billions of people globally. As a consequence of the virus and measures taken to fight its spread, peoples' lives were disrupted and company's perspectives changed. If the pandemic has made one thing very clear than that is that 100% digitalization for companies is a must, a 'need to have' to enable and facilitate remote working efficiently and from a safe place at home. At TIE Kinetix we closed our offices early March and do not expect to open them before January 1, 2021. From a TIE Kinetix company perspective, we were well prepared for this changeover. With some changes in our way of working, we have succeeded to tighten control over our operations even stronger. We implemented daily management calls and further tightened vital operational processes in our back-office. As a result, the company is performing well under these changed conditions.

In 2020 we divested our business in the area of 'TCMA' and 'Google AdWords for Channel'. These applications, although generating a healthy cash flow, were no longer instrumental to our strategy going forward. TIE Kinetix is now focused on solutions to fully digitalize the supply chain with the tools we have in our FLOW platform: EDI, Pdf conversion and our e-invoicing portal solution.

In 2020 our Business to Government E-invoicing proposition has been further rolled out in the Netherlands, and in 2021 we will be expanding this solution to Germany. Our German operations is now positioned to sell and deliver our EDI, Pdf conversion and e-invoicing portals to both the 'Business to Business' market as well as to the budding Business to Government market.

In 2020, our order intake came in below the record setting 2019 level. However, given the discontinuation of part of the business and the external shock wave with the pandemic, we are satisfied that we have a strong basis for further growth in 2021. We have plans in place to grow order intake again in 2021, especially in our largest markets the Netherlands and the United States. In order to support such growth, we will use the proceed from the sale of TCMA/GaW to invest in our markets of operation. We will step up our marketing programs and continue to invest in strengthening and grow of our operations.

We do recognize that, working full time from home offices, our colleagues are putting a tremendous effort under sometimes very challenging conditions with their children's schools in lock down or limited office space available at home. And we are truly grateful for their continued support. With our current product suite, we are at the right place in the market at the right moment in time. We are determined to bring this company to the next level in 2021.

Sincerely,

Jan Sundelin
CEO, TIE Kinetix N.V.

# Our Vision

**Optimizing the supply chain with 100% digitization**

We specialize in the 100% digitization of our customers' supply chain. Our products and solutions enable our customers to process and enhance all incoming and outgoing documents (such as invoices), data and messages digitally.

Digitization increases cost efficiency, enhances control over incoming and outgoing documents, reduces processing errors and improves buyer- and supplier relations.

# Our Mission

We provide our customers with solutions that facilitate the exchange of documents, data and messages with their supply chain partners.

Our FLOW platform is highly scalable to support our customers' demand for high volumes of data in best of market connectivity. Self-service functionality supports the onboarding of many trading partners at minimal cost. Our EDI-Integration applications reduce our customers' cost of processing supply side trading information.

Our analytics applications provide relevant performance measurement information (document processed data per type – including revenue/cost aspects per document, lead conversion data per partner etc.) enabling our customers to optimize their entire supply chain.

Our solutions are offered under the name of FLOW Partner Automation:
FLOW is our easily accessible platform that combines our supply chain integration solutions such as EDI/XML, PDF conversion and our supplier portal. FLOW also provides tailored analytics data and dashboards for its users.

# Our Strategy

TIE Kinetix maximizes return on investment in the supply chain with Software as a Service based applications. The FLOW platform with innovative, field-tested technology unburdens our customers who can remain focused on their core business. TIE Kinetix develops cloud-based solutions, backed with over 30 years of proven technology and awards.

These solutions empower our clients to improve their supply chain efficiency and coordination. Our integrated FLOW platform enables trading partners to work seamlessly together on the major business processes in their supply chain.

Our FLOW solutions are sold directly and indirectly. Indirect sales are managed through a network of distribution partners such as Unit4, Exact, Epicor, Oracle, SAP, Microsoft, AFAS and Syspro. We refer to our market model as a 'Hub-and-Spoke' approach, where an implementation of our FLOW platform with an enterprise level customer serves as a 'Hub' connecting many trading partners as 'Spoke'. As a next step 'Spokes' are analyzed and qualified as a potential new 'Hub'.

Our FLOW platform serves both the Business to Business market as well as the Business to Government market.

Our business model includes low cost self-service onboarding with a recurring usage fee based on actual usage. Our Hub-and-Spoke model assures maximum low-cost connectivity for our customers and healthy SaaS based revenue for TIE Kinetix.

# Our Company Values

**TIE Kinetix has defined how it wants to achieve the goals:**
**» Openness and Honesty.**
**» Trust and Togetherness.**
**» Competence and Quality.**

### Openness and Honesty

As an organization we aim to excel by working closely with all of our stakeholders. Working closely means that we need to be transparent and communicative and maintain an open and honest dialogue with colleagues, clients, suppliers, partners and shareholders.

### Trust and Togetherness

With transparency and honesty, trust and togetherness thrives. Creating and maintaining a team spirit with our colleagues, clients and other stakeholders in our operations, activities and initiatives is what we aim for. Trust and togetherness enable us to reach our shared and individual goals alongside.

### Competence and Quality

As a software company, we continuously build our competence and our quality on an organizational and individual level. We believe with competence and quality, in addition to software solutions, we can add value to all of our stakeholders and further strengthen our competitive edge.

# The Supervisory Board



As a software based company, we continuously build our competence and our quality on an organizational and individual level. We believe with competence and quality, in addition to software solutions, we can add value to all of our stakeholders and further strengthen our competitive edge.

In the performance of their duty, the Supervisory Board shall be guided by the interests of the Company, and shall take into account the relevant interests of all the Company's stakeholders. The Supervisory Board shall have due regard for the corporate social responsibility issues that are relevant to the Company. The Supervisory Board is responsible for the quality of its own performance. With respect to the Supervisory Board the new legislation regarding diversity will be taken into account at the moment of new appointments of new Supervisory Board members.

## Mr. G. (Georg) Werger – Chairman

Gender: **Male**
Date of birth: **August 15, 1960**
Nationality: **Dutch**
Principal position: **Attorney at law**
Date of initial appointment: **July 2018**
Current term of office ends: **July 2022**
Supervisory Board memberships of other public interest companies: **None**

## Mrs. G. (Gerdy) Harteveld-Smeets

Gender: **Female**
Date of birth: **January 15, 1952**
Nationality: **Dutch**
Principal position: **independent board member**
Date of initial appointment: **July 2018**
Current term of office ends: **July 2022**
Supervisory Board memberships of other public interest companies: **None**

## Mr. P. (Per) Nordling

Gender: **Male**
Date of birth: **October 25, 1962**
Nationality: **Swedish**
Principal position: **informal investor**
Date of initial appointment: **July 2018**
Current term of office ends: **July 2022**
Supervisory Board memberships of other public interest companies: **None**

# The Executive Board



## J.B. Sundelin (Jan)
## Chief Executive Officer

Date of birth: **October 21, 1960**
Nationality: **Swedish/Dutch**
Date of initial appointment member of the Executive Board: **February 14, 2007**
Date reappointed member of the Executive Board: **July 2018**
Current term of office ends: **March 2021**
Number of shares in the Company: **34,704**
Number of options in the Company: **0**
Number of warrants in the Company: **11,428**

## Dr. M. Wolfswinkel (Michiel)
## Chief Financial Officer

Date of birth: **June 11, 1963**
Nationality: **Dutch**
Date of initial appointment member of the Management Board: **November 28, 2013**
Date reappointed member of the Executive Board: **March 2017**
Current term of office ends: **March 2021**
Number of shares in the Company: **1,686**
Number of options in the Company: **0**
Number of warrants in the Company: **0**

# Important Information



Investors in the Ordinary Shares are reminded that their investment carries financial risks. Investors should therefore take careful notice of the entire contents of, and disclosures contained within, this report and the Financial Statements 2020 (October 1, 2019 - September 30, 2020).

Cautionary Statement on Forward-Looking Information.
Certain statements contained in this report are "forward-looking statements".
Such statements may be identified, among others by:
» the use of forward-looking wording such as "believes", "expects", "may", "anticipates" or similar expressions;
» discussions of strategy that involve risks and uncertainties;
» discussions of future developments with respect to the business of TIE Kinetix N.V.

In addition, from time to time, TIE Kinetix N.V., or its representatives, have made or may make forward- looking statements either orally or in writing.

Furthermore, such forward-looking statements may be included in, but are not limited to, press releases or oral statements made by or with approval of an authorized executive officer of TIE Kinetix N.V.

Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied in such statements.

Important factors, which could cause actual results to differ materially from the information set forth in any forward-looking statements include, but are not limited to:
» General economic conditions, including but not limited to the impact of the COVID-19 pandemic;
» Performance of financial markets;
» Levels of interest rates;
» Currency exchange rates;
» Changes in laws and regulations;
» Changes in policies of Dutch and foreign governments;
» Competitive factors, on a national and/or global scale;
» TIE Kinetix's ability to attract and retain qualified management and personnel;
» TIE Kinetix's ability to successfully complete ongoing development efforts;
» TIE Kinetix's ability to integrate acquisitions and manage the continuous growth of the company;
» TIE Kinetix's ability to anticipate and react to rapid changes in the market.

Many of these factors are beyond TIE Kinetix' control or ability to predict. Given these uncertainties, investors are cautioned not to place undue reliance on any forward-looking statement.

# Report from the Supervisory Board





To the shareholders,

This report reflects an overview of what was discussed with the Executive Board. In the financial year 2020, the Supervisory Board met 6 times and no board members were absent.  During the financial year 2020, several informal meetings were held.

After the appointment at the Extraordinary Meeting of Shareholders on July 13, 2018, the Supervisory Board advised the Executive Board on the future development and sale of the FLOW proposition and the development of the strategy for growth of the Company by focusing on 100% digitization and EDI/Integration and to divest non-core Business.

Additionally, the Supervisory Board discussed the development of the strategy for growth of the Company with the main stakeholders of the Company. Compared to previous years trust and confidence with the main stakeholders was improved.

## Organizational aspects

The Supervisory Board consists of three members. For detailed information of each individual member, reference is made to page 8 onwards of this annual report. None of the members of the Supervisory Board hold shares in TIE Kinetix N.V..

The Supervisory Board is construed in line with best practices provisions as stated in chapter II of the Code (dated December 8, 2016). With reference to the Code, all members are considered independent.
The Supervisory Board notes that the composition of the Supervisory Board is in line with the terms of reference and required profile of the Supervisory Board. Each board member has his specific field of complementary expertise.

## General Business

The Supervisory Board supervised and monitored the following:

### The achievement of the objectives of the Company and its management

The Supervisory Board discussed the objectives of the Company and monitored the development of the results and the actual results versus the targets set. The supervisory Board monitored the cost structure of the Company and advised the Executive Board on all relevant aspects. Following 2018 and 2019, TIE Kinetix was again cash flow positive (from operating activities) in the year 2020.

In line with the strategy related to the FLOW proposition, the Company continued in close co-operation with the Supervisory Board, not to invest in non-core business anymore. Following the growth strategy to focus on Integration business it was decided to divest business that was determined as non-core. This resulted in the sale of the Demand Generation / Google AdWords business to Impartner, Inc. which was executed in August 2020.

### The corporate risk profile and the internal risk management and control system

The Supervisory Board discussed the Company's risk profile with the Executive Board and with the external auditor. The Supervisory Board recognizes that the risk profile of TIE Kinetix is adequately understood, monitored and acted upon by the Executive Board in a sufficient way. All systems used for the delivery of services to the Company's customers were carefully screened on their security levels to ensure that all services comply with the highest security levels.

The Supervisory Board is satisfied with the structure and operation of the internal risk management and control system and is convinced that its (financial) consequences have been adequately reflected in the Company's processes and accounting records.

### Audit Committee

The Supervisory Board as a whole monitored the accounting and reporting processes in its function as audit committee. In order to ensure the quality of the financial reporting process and to discuss the findings on the financial statements, the Supervisory Board meets with the Company's external auditors BDO, both with and without the Executive Board being present. The Supervisory Board closely followed whether the advices of the external auditors received a proper follow up by the Executive Board.

### Meetings of the Supervisory Board

In FY 2020, the Supervisory Board as a whole met 6 times, excluding several informal meetings. The Supervisory Board had met also other members of the management to provide advice and follow closely future development of the FLOW proposition, the marketing  activities of the Company and the operations.
Apart from the meetings where quarterly performance was discussed, the following subjects were discussed in depth:

» strategy: meetings with the Executive Board and other members of management were dedicated to specific aspects of company such as the revised growth strategy to focus on 100% digitization and EDI/Integration  and to align the product strategy related to the FLOW proposition and development of additional FLOW modules within the EDI/

Integration business. Additionally, the Supervisory Board discussed with the Executive Board the divestment of the Demand Generation / Google AdWords business, as this business was considered as non-core subject to the revised growth strategy;
» Remuneration: evaluation of personal targets and targets for the performance share plan of the Executive Board and senior management;
» Evaluation of performance at country level.

## Remuneration Policy

The Remuneration Policy outlines the terms and conditions for the members of the Executive Board of the Company. The objective of the Remuneration Policy is to provide a structure that retains and motivates the current members of the Executive Board by providing a well-balanced and incentive based compensation.

According to article 135 of book 2 of the Dutch Civil Code, the Remuneration Policy requires the approval of the General Meeting of Shareholders. On March 27, 2020, the General Meeting of Shareholders has adopted the revised Remuneration Policy for a period of 4 years (ending on March 27, 2024). Within the scope of the Remuneration Policy, the Supervisory Board, will determine the Remuneration Plan, which will be the basis of the remuneration of the members of the Executive Board.

### Term of appointment

A member of the Supervisory Board will be appointed for a maximum period of four (4) years. On expiry of the four-year term, a member of the Supervisory Board may be reappointed for successive terms of four years each.
On July 13, 2018, all members of the new Supervisory Board were appointed for a period of four years.
» Mr Georg Werger, AGM March 2022
» Mrs Gerdy Harteveld, AGM March 2022
» Mr Per Nordling, AGM March 2022

The Supervisory Board will set up an annual based schedule for re-appointment, in order to prevent that a decision by the Annual General Meeting or Extraordinary General Meeting of Shareholders is necessary for a re-appointment of all members of the Supervisory Board at the same time.

### Termination of employment

The contracts with the members of the Executive Board include an arrangement on the notice period required to terminate the contract. The contracts with the members of the Executive Board will not be renewed or will be terminated if the member of the Executive Board reaches the age of retirement, on the date as provided in the relevant pension scheme. Upon termination of the contract by the Company (or by a competent court on request of the Company) and provided that the special circumstances as described in the contracts with the members of the Executive Board do not apply, the member of the Executive Board will be entitled to a severance payment.

### Severance Package

The members of the Executive Board have been offered a severance package with a maximum of one (1) year's salary. This was not changed compared to previous years.

### Remuneration Executive Board

The remuneration of the members of the Executive Board may comprise of the following components:
» Salary;
» Variable compensation in a cash based on the realization of short term targets and the share based variable compensation as adopted and confirmed in the General Meeting of Shareholders on March 27, 2020. The share based part was implemented in 2016, in accordance with the Performance Share Plan as adopted by the General Meeting of Shareholders on March 31, 2016.

Currently the Performance Share Plan has expired. The Supervisory Board will consider a renewal of the Performance Share Plan or an alternative as compensation for long term targets for the Executive Board and senior management.

The salary includes base salary, holiday allowance, pension arrangements and lease vehicles. The remuneration levels are set to reflect the requirements, performance and responsibilities regarding a position in the Executive Board and the targets of the Company. The Supervisory Board will review the salary level of the Executive Board regularly, considering circumstances that would justify adjustments, such as changes in the individual's responsibilities, the individual as well as collective performance, developments in the business environment and developments in the salary level of personnel in the Company. The Supervisory Board shall evaluate the remuneration structure regularly in order to ensure that it meets the objective of the Remuneration Policy. The contract with the members of the Executive Board includes an arrangement for the reimbursement of all reasonable expenses incurred in the performance of its duties. The variable compensation is designed to strengthen the Executive Board member's commitment to the Company and its objectives. The variable compensation is linked to previously determined and objectively measurable performance targets. The Supervisory Board determined the performance targets for each individual member of the Executive Board, based on a long term operating plan. These performance targets reflect the individual responsibilities of the member of the Executive Board, such as, but not limited to, financial results and/or operational results per focus area. The performance targets are based on the Company's strategic agenda, which includes financial targets.

Since these targets contain commercially sensitive information, the exact targets shall not be disclosed. However the information is available for the external auditor of TIE Kinetix.

The Executive Board updates the Supervisory Board on the achievement against the individual performance criteria on a quarterly basis. After the end of a financial year, the Executive Board prepares an evaluation of the past financial year. The evaluation includes the extent to which the individual performance targets have been met. On the basis of this evaluation and its own investigation, the Supervisory Board reviews the performance of the members of the Executive Board and decides whether the performance targets are met and therefore a member of the Executive Board should receive his variable compensation. The Supervisory Board may take special circumstances into consideration in determining the achievement of the targets.

## Remuneration Supervisory Board

The remuneration of the members of the Supervisory Board remained unchanged in 2020.

### Shares

The members of the Executive Board will not be offered any TIE Kinetix shares without financial consideration, unless the specific approval of the Supervisory Board has been obtained (i.e. the shares are offered (as part of) an annual variable salary component). Shares in the Company, held by a member of the Executive Board, are long-term investments.

### Loans

The Company does not grant its Executive Board members any personal loans, guarantees or the like, unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the Supervisory Board. No remission of loans shall be granted.

### Remuneration report J.B. Sundelin

In 2020, Mr. Sundelin had a base salary of € 250k.
The remuneration including expenses was paid to CAPTA Management B.V., Mr. Sundelin's consultancy company.
The Supervisory Board evaluated the performance of the CEO along the references laid down in the applicable arrangements and decided that the CEO is entitled to receive variable compensation, based on company performance and individual performance.

### Remuneration report M. Wolfswinkel

In 2020, Mr. Wolfswinkel had a base salary of € 200k.
The remuneration including expenses was paid to Mr. Wolfswinkel. The Supervisory Board evaluated the performance of the CFO along the references laid down in the applicable arrangements and decided that the CFO is entitled to receive variable compensation, based on company performance and individual performance.

The remuneration of the Executive Board is disclosed in detail on page 67.

G. Werger

Chairman Supervisory Board, TIE Kinetix N.V.

# Report from the Executive Board





## Prior year achievements and recent developments

### Prior year achievements

| |
|---|
| Market leader with state-of-the-art EDI-Integration products |
| Strategic partnerships with Epicor, Unit4, Oracle, Google and Microsoft |
| Business completely in SaaS business model |
| Recognition on Gartner's Magic Quadrant for Integration Brokerage |
| E-invoicing to Government and municipalities in the Netherlands and Germany |
| Acquisition of Google Analytics business to enrich EDI-Integration product suite |
| Launch of FLOW, the world's First Self Service Partner Automation Platform |
| Implementation of blue chip customers to FLOW |
| Focus on retail and manufacturing sector |

### Developments in 2020

| |
|---|
| Sale of business line 'Demand Generation' and 'Google Adwords for Channel' |
| Focus on 100% digitization of customers' supply chain with products in EDI/XML, PDF conversion and our supplier portal |

## Targets 2020 and priorities 2021

The targets for 2020 changed in the course of the year. We started the year 2020 with priorities to further penetrate the supply chain for Manufacturing and Retail with our FLOW proposition, combining our historic EDI integration solution with a limited group of TCMA solutions. However, early in the year we were approached by a strategic buyer interested to buy our TCMA stack of solutions including staff and customers. An agreement was reached early in the first quarter and subsequently the final deal was announced early second quarter. The transaction financially closed on August 22, 2020. The divestiture of TCMA (within the company often referred to as Demand Generation) provided much more focused strategy for the company. Going forward the company is fully focused on 100% digitization of our customers' supply chain with EDI/XML solutions, pdf conversion and our invoicing portal.

Targets for 2020 also included further penetration of the Business to Government markets in the Netherlands and Germany. In the US we targeted to migrate our legacy customers on E-vision to our latest EDI-SaaS solution called FLOW, based on our TIE Smart Bridge X ('TSBx') technology.

### In order to achieve our goals TIE Kinetix set the following priorities for 2020:

| | |
|---|---|
| Migrate US customers from legacy to FLOW/EDI SaaS | Successful |
| Scale up Google-Adwords-for-Channel | Successful |
| Expand Partnership network | Successful |
| Grow E-invoicing to Government in Germany | Not successful |
| Offer all solutions worldwide in all our markets | Not successful |
| Expand Integration to Germany | Successful |

For 2021 we will focus on investing in our operations to prepare for further growth in the delivery of EDI/XML, pdf conversion and our invoicing portal. We aim to further grow with these solution in the Business to Business market in the Netherlands, Germany France and the US, and in the Business to Government Sector in the Netherlands and Germany.

## Review 2020

First and foremost, the year 2020 of course is characterized by the impact of the COVID-19 pandemic raging around the world. At TIE Kinetix we closed our offices worldwide, initially until September 1, 2020 and subsequently until January 1, 2021, pending the development of the pandemic and government measures taken in the countries of our operation.

We initially prepared an emergency program to limit the impact of the COVID-19 effects on our business, but decided not to currently effectuate this program in light of the limited downside impact COVID-19 seemed to have on our business. Management has assessed the impact of COVID-19 on its operations and financials where possible. We have reviewed our sales processes, both in the SME segment and the large enterprise segment, our on boarding processes, our receivable positions, the valuation of our assets,  and the effect on our operating costs. We have assessed that the first wave of COVID-19 has not effected the valuation of assets and did not lead to a significant deterioration of our receivables position. Sales to our large enterprise level customers may have been effected negatively by the travel and meeting restrictions imposed, although around year end we have seen some large sales opportunities materializing. If anything the first ramifications are that the effect of COVID-19 are neutral to positive through increased customer awareness on the need for 100% digitization driving sales in combination with cost savings in travel, marketing and office costs.

Secondly, the year 2020 was for TIE Kinetix an important year in which the company divested its TCMA applications (internally referred to as Demand Generation) plus its Google Adwords for Channel business. This divestiture changed our focus to the market and internally. Our go to market strategy changed from selling a broad suite of solutions to a diverse customer base to a much more focused approach of selling EDI/XML, 100% digitization and e-invoicing solutions. We will continue to use a 'Hub - Spoke' strategy in which we contract with a large customer (called 'Hub') and subsequently connect their suppliers (the 'Spokes') to our FLOW platform with EDI/XML, pdf conversion or invoicing portal solutions. In the business to business segment we are targeting the vertical markets Retail and Manufacturing. In addition we are targeting the Business to Government segment in the Netherlands and Germany.

In 2020 our development efforts focused on building tools to support the migration process of customers on our legacy Evision product to EDI/SaaS, creating a new customer interface to improve end user experience, on the build-up of functionality in the FLOW platform for Business to Government customers, including customer self onboarding functionality, on the build of a central mapping repository, to support the development of an internal digital training center on the FLOW modules (FLOW Academy), set up new (ERP) connectors to FLOW and train our operations staff on the latest tools and functionality.

In 2020 we have signed up more clients to E-invoicing to government solution including some Dutch governmental agencies, universities and hospitals. In Germany the Business to Government market only opened up slowly. There were less opportunities for TIE Germany to sell our Business to Government solution than expected and our expansion in this segment was not at the planned levels. However, the signs are that in 2021 the market will develop more rapidly and we expect sales to pick up significantly in the next years. In 2020 the Google-Adwords-for-Channel business developed positively in line with our plans providing a solid basis for the new owner to further build upon.

## Integrated Report

TIE Kinetix attaches great importance to Corporate Social Responsibility (CSR), which is an essential component of our business strategy. In this Annual Report, we provide accountability for both our financial and social performance, and describe how we strive to create added value in diverse areas.

## Management Statement

In accordance with the EU Transparency Directive as incorporated in chapter 5.25c paragraph 2 sub c of the Dutch Financial Supervision Act (Wet Financieel Toezicht), the Management Board confirms to the best of its knowledge that:

A) the annual financial statements for the year ended September 30, 2020 give a true and fair view of the assets, liabilities and financial position and comprehensive income of TIE Kinetix N.V. and its consolidated companies;
B) the management report presented in the Annual Report gives a true and fair view of TIE Kinetix N.V. and its consolidated companies as of September 30, 2020 and the state of affairs during the financial year to which the report relates;
C) the annual management report describes the principal risks the Company is facing.

## Management's Discussion and Analysis

(all amounts are in € x 1,000 unless otherwise stated)

### Annual Results of Operations and Financial Position

The table on page 30 sets forth the main items in the Company's Statement of (Comprehensive) Income for the respective financial years. In view of the modest size of the company and its operations, no separate condensed Statement of (Comprehensive) Income is presented.

## Revenue Analysis

### Order Intake (Intake Signed Proposals or "ISP")

In many respects FY 2020 was a-typical. There were no sales reported to large 'Hubs' which likely is due to COVID-19 restrictions on meetings and travel. Large 'Hubs' usually acquire our solution to fulfill a strategic need. Furthermore, given the size of the contract, typically various stakeholders within the 'Hub' type customer are involved. Such sales have a long sales cycle and traditionally require physical meetings. On the other hand, the order intake of our 100% Digitization products ideally fits in the current more digitized environment. For 2021 we will continue to fully focus on 100% digitization of our customers in the Business to Business and Business to Government sectors.

In 2020 the total Order Intake amounted to € 12.5 million (2019: € 16.3 million). The EDI/Integration Order Intake amounted to € 9.1 million (2019: 10,9 million). As explained above the decrease is largely attributable to the shortfall in large 'Hub' type customers. In 2021 we aim to focus on the Business to Business sector, with vertical markets Manufacturing and Retail, and on the Business to Government sector.

### Customers and Resellers

The Top 10 customers accounted for 15% (2019: 18%) of revenue, with an average sales value of € 256k (2019: € 286k).

### Product Development

Our FLOW platforms is fully SaaS based with all solutions into one single platform offering, and with seamless integrations to many third party ERP systems. The FLOW modules allow easy to use, self-service onboarding, reducing the entry costs for our customers. Within FLOW, our customers can benefit from all data generated within their own community of suppliers, distribution partners and end users.

An important element of the FLOW offering is the deployment of our hybrid hosting strategy. Our hybrid hosting strategy allows us to offer our solutions in public, and private and hybrid cloud deployment with the objective to benefit from the latest and most efficient technologies. It allows our customers freedom of choice. Hybrid hosting is an aspect that sets us apart from our competitors, traditionally offering feature rich but expensive private hosting, hosted either on bare metal or on virtual machines.

## Operating Expenses and Non-Recurring Expenses

The following table provides a breakdown of the total operating expenses for both continuing and discontinuing operations together, the financial years indicated:

| **Operating Expenses** | **2020** | **As % 2020** | **2019** | **As % 2019** |
|---|---|---|---|---|
| Employee Benefits | 5,209 | 53% | 5,151 | 54% |
| Non-Recurring Expenses | - | - | 26 | - |
| Depreciation and Amortization Expense | 1,889 | 19% | 1,298 | 14% |
| Impairment | 298 | 3% | - | - |
| **Other Operating Expenses:** | | | | |
| Accommodation Expenses | 183 | 2% | 622 | 6% |
| Professional Services | 518 | 5% | 422 | 4% |
| Communication Expenses | 455 | 5% | 535 | 6% |
| Marketing | 341 | 4% | 469 | 5% |
| Travel Expenses | 153 | 2% | 307 | 3% |
| Supplies | 328 | 3% | 315 | 3% |
| General & Administration | 380 | - | 432 | 5% |
| **Subtotal Other Operating Expenses** | **2,358** | **24%** | **3,102** | **32%** |
| **Total Operating Expenses** | **9,754** | **100%** | **9,577** | **100%** |

## Financial Income and/or Expense

Interest Income relates to received interest on the bank accounts; The Interest expense consists of interest paid.

## Impairment of Intangible Assets

Cash generating units are identified in line with the way management monitors, and will continue to monitor, the business. This is based on the internal reporting to the Executive Board as main decision-making body in the company. Reporting is primarily based on Country segments. All revenue, direct costs and fee earning staff are allocated to country operation (or holding functions). Country operations are the reporting segments for internal reporting and externally for statutory reporting purposes. Any transactions between reporting segments are accounted for at cost. These items are adjusted for the segment information presented under Eliminations. This leads to the cash generating units TIE Nederland, TIE Kinetix France, TIE Kinetix US, TIE Kinetix Germany incl. DACH and TIE Product Development.

As in past years we used a discounted cash flow model to determine the value in use, based on a 12% post tax WACC and 10 years horizon. Management has assessed the assumptions used and has conducted sensitivity tests with post tax WACC of 13% and 14%.

Management has conducted annual impairment testing and assessed that for all cash generating units the Value in Use [IAS 36.30-57] exceeds Carrying Value [IAS 36.8-9]. Furthermore, management has no indications that individual assets of any cash generating units may be impaired.

## TIE Netherlands: headroom considerations

In 2020 TIE contracted several important new customers for e-invoicing to government. Such customers were contracted in the Netherlands but also (post year end) in Germany. These customers - governmental agencies and municipalities - are directing their suppliers to TIE Kinetix for the implementation of e-invoicing. In 2020 further efforts have been made in onboarding suppliers to the FLOW platform. However, actual usage of the platform is behind our expectations and revenues are behind plan. At the same time we see an increasing effort from our customers – governmental agencies and municipalities – to demand e-invoicing from their suppliers. Therefore, management expects that this revenue stream will increase over the short term.

This business may be expected to grow with new cities coming to us after successful implementation of e-invoicing solutions. The future growth of the operation is estimated to be around 50% in the first 4 years (2018-2022) and flat thereafter. It is assessed that the 10 Year Cumulative Cashflow exceeds the carrying value of Goodwill with sufficient headroom.

Management has assessed that the headroom between currently estimated future cash flows and carrying value of goodwill is sufficient and may further increase in future.

### Income Taxes

The carrying value of the Deferred Tax Asset in the US amounts to € 267k ($ 313k) (2019: € 299k or $ 327k), and is caused by timing differences. The US net operating losses for both Federal Tax purposes and State tax purposes are fully utilized as a result of which the company's effective tax rate is increasing. The carrying value of the Deferred Tax Liability in Germany amounts to € 10k (2019: € 5k), and in the Netherlands nil (2019: nil).

### Net Income

Net income in 2020 is composed of Net Income from Continued operations (€ - 71k) and Net Income from Discontinued operations (€ 6,582k). Net Income from discontinued operations relates to the sale of TIE International B.V. and the TCMA applications and includes the net income derived from discontinued operations until the moment of financial close of the transaction (July 31, 2020) plus the gain on the transaction.

### Cash Position

In 2020, the Cash Generated in operations is € 3,363k (2019: €2,501k). As at September 30, 2020 the Company held a cash position of € 5,886k (2019: € 2,041k). The liquidity position of the company improved, as the current ratio increased to 1.65 (2019: 0.69), and overall cash of the company at the end of 2020 amounts to € 5.8 mln (2019: € 2 mln). The solvency position of the company increased to 55.0% (2019: 30.1%). The current borrowing of the company are nil. The company has a standby, yet undrawn, credit facility of € 1,25 mln in place. There are no covenants set by the bank for the credit facility. The company does not currently foresee the need for (re-)financing for its current business.

## Risk Assessment & Risks

The Company is exposed to various risks, including market risks (currency risk and interest rate risk), credit risk, and liquidity risk. Financial instruments held are accounted for under Assets (Loans and Receivables) and Equity (Convertible Bonds). The risks are monitored on a recurring basis at a Management Board level, applying input received from Management in the individual geographical areas, with whom the Management Board has contact on regular basis.

The risk analysis focuses predominantly on business risks that result in managerial decisions, in particular with respect to:
» Span of control, i.e. oversight.
» Commercial dependency of our partners.
» Our churn rate and retention rate.
» Downtime of datacenters.
» Contractually agreed (SLA) obligations.
» Use of third party software in our applications.

Financing and funding decisions are made by the Chief Financial Officer in the Executive Board, guaranteeing that management is aware of any changes and developments. Individual debtors with collectability issues are discussed on an item-by-item basis. The Company neither holds nor issues financial instruments for trading or hedging purposes.

### Fair value

The Company does not hold any financial assets or liabilities accounted for at fair value through the Profit and Loss

Account. Fair values disclosed are calculated based on current interest rates, taking into account the terms and conditions of the financial asset or liability. In most cases, fair values will equal the carrying value of the item.

## Currency Risk

The Currency Risk is discussed on page 43 of this report.

## Credit Risk

The Credit Risk is discussed on page 43 of this report.

## Liquidity Risk

The Liquidity Risk is discussed on page 44 of this report.

## Interest Rate Risk

The Interest Rate Risk is discussed on page 44 of this report.

The company has implemented an internal risk management and risk control systems with a view to minimizing its operating and financial risks and to limit the impact of unexpected events on balance sheet ratios and results. The following overview of the principal risks for the company is not exhaustive. It is possible that risks that have not yet been identified, or that are not regarded as material, will have a significant adverse effect on the company's ability to achieve its objectives at a later date. The Company's internal risk management and risk control systems are geared to the timely identification of such risks as much as possible.

| Key Risks | Mitigation | Risk Appetite |
|---|---|---|
| **Sensitivity to economic cycles** | ▸ Maintain a leading position ▸ Develop appropriate solutions as effectively and efficiently as possible ▸ Make clear choices regarding strategic positioning ▸ Spread activities across different markets, mix between different themes ▸ Continuous monitoring of sales funnel and horizon | Low to Moderate |
| **Speed of technological developments** | ▸ Alert response to changes affecting clients and markets ▸ Invest in new technologies, products and people ▸ Continuous training and education of professional staff ▸ Partnerships to stay at the forefront of technological developments | Moderate |
| **Shortage of well-qualified staff and inability to retain qualified staff** | ▸ HR policy aimed at making us the employer of choice ▸ Enable entrepreneurship and initiatives ▸ Create a sufficiently challenging environment ▸ Invest in relationships with schools and universities | Low |
| **Incremental costs to attract highly talented people** | ▸ Offering higher added value solutions ▸ Maintain high quality ▸ More scalable projects ▸ Increase customer awareness that talent is becoming more expensive | Low |
| **Dependence on large clients** | ▸ Broaden the client base, invest in sales | Low |
| **Inadequate project control** | ▸ Continuous improvement of internal quality and control systems ▸ Qualified management with adequate competencies and business and IT knowledge ▸ Continuous training and education of project staff | Moderate |
| **Unauthorised access to lystems** | ▸ Ongoing security testing • Ongoing awareness training and programmes for ICT staff | Low |
| **Data breach** | ▸ Update and implementation of data breach and privacy policies ▸ Clear procedures in place for data collection and storage ▸ Ongoing awareness training and programmes on own platforms ▸ Regular audits | Low |

| | | |
|---|---|---|
| **Currency risk** | ▸ Maintain natural hedge where possible ▸ hedge against functional currency € if necessary | Low |
| **Interest rate risk** | ▸ Limit use of financial instruments ▸ hedge if necessary | Low |
| **Reporting risks** | ▸ Internal procedures and guidelines for internal and external reporting (internal control framework) ▸ External audit and supervision by the Audit Committee • Implementation of a consolidation tool ▸ Internal letter of representation process in place | Low |
| **Inadequate funding** | ▸ Ensure adequate financing facilities, for both acquisitions and working capital | Low |
| **Credit risk** | ▸ New customers are vetted individually for creditworthiness, including external ratings | Low |
| **Failure to comply with laws and legislation** | ▸ Continuous monitoring of laws and regulations ▸ Close involvement of legal department and external legal advice | Low |
| **Fraud and corruption** | ▸ Internal control framework that includes various preventive and detective controls, including fraud aspects ▸ Corporate governance system ▸ Appropriate delegation levels of authority to sign policy | Low |

### COVID-19

COVID-19 and the government measures to contain the virus have impacted the TIE Kinetix operations in FY 2020 in a limited way. Our offices have been closed, and travel was suspended. Working from home obviously was more challenging for some than for others. The company is striving for a fair and flexible working environment offering its staff ample flexibility to maintain a healthy work-life balance. Some customers of the company suffered from the COVID-19 measures. As the case may be such customers have been granted extended payment terms or other mechanisms to help them through this difficult period. TIE Kinetix expects that more such customer situations will occur if the measures are prolonged in subsequent periods and governmental support programs are reduced. Potentially negative effects of decreasing GDP may hurt our customer’s income and ability to pay our invoices or engage into new sales contracts. At the same time TIE Kinetix ackowledges that most of its customer base is in sectors that are robust in economically challenging times – such as retail, food, healthcare.

We have assessed that the first wave of COVID-19 has not effected the valuation of assets and did not lead to a significant deterioration of our receivables position. Sales to our large enterprise level customers may have been effected negatively by the travel and meeting restrictions imposed, although around year end we have seen some large sales opportunities materializing. If anything the first ramifications are that the effect of COVID-19 are neutral to positive through increased customer awareness on the need for 100% digitization, driving sales in combination with cost savings in travel, marketing and office costs.

## Acquisition Strategy

TIE Kinetix strives for long term sustainable growth of the SaaS value of its solutions. FLOW is our core product in all our markets. We aim to achieve our growth objectives through organic growth in our existing markets, supported – as and when the opportunity arises – by acquisitive growth. Following the introduction of FLOW, TIE Kinetix has refocused its acquisition strategy. Acquisitions may be considered by TIE Kinetix to support the roll out of FLOW in its existing markets.

Our acquisition strategy is based on the following considerations:
1. Customers are potential FLOW customers.
2. Within existing geographical footprint of TIE Kinetix.
3. Strengthens or expands current local country operation.
4. Cultural fit.
5. Customers are in vertical markets that strategically fit with TIE Kinetix.
6. Financing with newly issued shares only if the earnings per share improve with the acquisition.

# Corporate Sustainability

It is the role of the Executive Board to manage the corporate responsibility issues that are relevant to the Company. As such the Company focuses on several subjects and the corporate responsibility aspects thereof. This chapter provides an overview of the important subjects in light of the corporate social responsibilities. As a whole, the Company is committed to achieve a correct balance between growing as a company and our corporate responsibility.

## Our Employees

Employees are very important to TIE Kinetix and our employees are the driving force behind our success, and critical to TIE Kinetix's profitability, sustainability and long-term growth. We strive to be a good employer and invest in engaging, supporting and developing our people and treating their safety and wellbeing as a paramount concern. Personal growth of our staff is of great value to the Company. This can be obtained through setting challenging targets, guidance by management and education. The personal growth of the staff members is closely monitored and recurring evaluations and assessment meetings take place.

Since the worlds of mobile, social media, big data, and multi-channel are subject to constant change, TIE Kinetix and its business is changing as well. All these changes necessitate a more result-oriented approach. This belief is the reason for TIE Kinetix to further improve its existing performance and competency management towards its employees in 2020, in order to enable and optimize the realization and support of the organizational strategy.

The workforce of TIE Kinetix is diverse and multicultural as TIE Kinetix employs a large variety of nationalities. In official announcements and communication we use English as the main international business language. In general TIE Kinetix aims to provide its staff members with safe and healthy working conditions.

TIE Kinetix provides extra encouragement to employees in the Netherlands by offering them an extra vacation day if they have not been ill during a certain period. By facilitating its employees the possibility to balance their private life with their business responsibilities, TIE Kinetix endorses "Het Nieuwe Werken" in the Netherlands. TIE Kinetix offers flexible working hours and an extensive special leave arrangement as well.

### Compliance with Laws and Regulations

TIE Kinetix will abide by all human rights and supports the development of them wherever it operates within the legitimate role of business. TIE Kinetix rejects any restrictions to free trade other than duly enacted national and international laws.

TIE Kinetix offers its employees and applicants equal opportunities, and does not tolerate any form of harassment or unfair or unlawful discrimination based on race, age, gender, sexual orientation, disability or national origin. TIE Kinetix has a policy in place for dealing with complaints regarding harassment or discrimination. Additionally, TIE Kinetix has a Whistleblower's policy in place, allowing employees to report suspected irregularities without jeopardizing their positions.

The Code of Conduct has been drawn up to provide all of our employees with a clear set of guiding principles on integrity and ethics in business conduct.

Also, TIE Kinetix has regulations on insider knowledge in place, preventing trading with insider knowledge. Every employee, executive, specified person, Executive Board member and Supervisory Board member is to inform the Compliance Officer of its intention to trade in TIE Kinetix shares prior to any transaction. The Compliance Officer is the Chief Financial Officer of the Company, ensuring that every employee, executive, specified person, Executive Board member and Supervisory Board member abides by the applicable laws and restrictions.

TIE actively enforces data breach policy and privacy policy to be in compliance with the Dutch General Data Protection Regulation (GDPR).

The silent period, in which every employee, executive, specified person, Executive Board member and Supervisory Board member is prohibited from trying to execute and/or executing a transaction in TIE Kinetix shares, irrespective of whether or not he or she possesses insider knowledge, is published on our website and communicated at the start of every silent period.

For members of the Supervisory Board and the Executive Board a personal liability insurance is in place. More information on compliance with laws and regulations can be found in the Code of Conduct and together with our other policies, published on our website in the section Investor Relations, under Corporate Governance, Policies & Procedures. For gender diversity we refer to Corporate Governance on page 26.

### Workers Council

TIE Kinetix recognizes the employees' right to organize them in order to protect their own rights. From 1999, TIE has a Worker's Council (Ondernemingsraad) in the Netherlands. As of 2005, this Worker's Council has continued on a voluntary basis, due to the number of employees in the Netherlands. In 2015 both members of the Netherlands' workers council stepped down their position while no other candidates have stepped forward since. As at September 30, 2020 the appointment of a new Worker's Council in the Netherlands is pending.

### Investor Relations

TIE Kinetix' Investor Relations objectives are aimed at maintaining and improving relationships with existing shareholders and developing relationships with new investors. The overall goal is to increase transparency, minimize information asymmetry and to reduce stock price volatility. As the case may be, we maintain and develop relations with analysts with the aim to clarify our strategy and achievements. We aim for transparent communication and we therefore provide detailed, clear and timely information to existing and potential shareholders, financial analysts and the media. We also operate an open-door policy with regard to enquiries.

TIE Kinetix provides its shareholders and financial market stakeholders with similar and simultaneous information about potentially price sensitive matters and is very careful with contacts between company executives and shareholders and analysts.

TIE Kinetix will not engage in actions that might compromise analyst independence and does not assess, comment on or correct – other than factually – any analysts' reports or analyst valuations.

TIE Kinetix communicates with shareholders and analysts through regular meetings such as the Annual General Meeting of Shareholders or bilateral meetings as the case may be. Bilateral meetings are organized to ensure that (potential) shareholders receive a balanced and comprehensive view of our performance and strategy and the issues TIE Kinetix faces in the execution of its goals. In all our contacts we are always careful to observe the rules on fair disclosure, equal treatment of shareholders, insider trading and transparency in all our communications.

## Our Carbon Footprint

### Our solutions

At TIE Kinetix we are dedicated to fulfill our corporate social responsibility. This dedication reflects in our continuous efforts to develop software solutions which contribute to the digital processes and connecting business processes between enterprises and governments. Through our solutions, TIE Kinetix improves to the sustainability profile of all stakeholders within supply chain from end to end.

An example is our FLOW 'e-invoicing' proposition, which decreases paper-usage. With our FLOW platform, we provide a paper-free solution to digitally process invoices. Our solutions are hosted in both the public cloud and in private cloud solutions. Our hosting providers are dedicated to corporate social responsibility as they are constantly addressing their practices to ensure that they are kept sustainable.

### Our office in Breukelen, The Netherlands

Our office has a parking lot which is fully lit by LED-lights and is equipped with moving sensors for lighting the office. The office also accommodates charging of electric cars, various cars leased by TIE Kinetix are electric or hybrid.

TIE Kinetix publishes an annual report and semi- annual results. In addition, TIE Kinetix keeps its stakeholders informed through press releases.

TIE Kinetix also issues press releases of a commercial or strategic nature, if and when the company deems that to be of interest to its stakeholders.

Commercial sensitivity may prevent us from disclosing contract details (such as customer names, transaction value etc.). TIE Kinetix' policy is to issue a press release when it receives an order with an order value exceeding € 250,000, or an order of strategic nature or when TIE Kinetix engages in a strategic partnership.

Contacts with the capital markets are always dealt with by the Executive Board or staff mandated by the Executive Board.

## Outlook for Financial Year 2021

More than ever before, the future is surrounded with uncertainty. The long term effect of COVID-19 remains unsure. As a company we are dedicated to the commercial growth of our FLOW SaaS solutions, especially in the Business to Business Retail and Manufacturing sectors, as well as in the Business to Government sector. In 2021 we will put special emphasis on building and maintaining an indirect channel in our markets to support further growth. We also intend to invest some of our cash balances to strengthen our operations and to fund future growth. As a consequence of the additional investments in operations and in marketing and sales in 2021, we are planning for a modest bottom line operational performance in FY 2021.

We will continue to invest in the development of FLOW functionality. Our development team will grow slightly to accommodate increasing demand for state of the art functional requirements of our FLOW solutions.

## Financial Calendar 2021

**March 26, 2021: Annual General Meeting of Shareholders**

**April 7, 2021 until May 12, 2021 – Closed Period**
**» May 12, 2021: Publication of the 1st half year results**

**October 7, 2021 until November 17, 2021 – Closed Period**
**» November 17, 2021: Publication of the annual results**

# Corporate Governance



The Dutch corporate governance code is an important code for Dutch listed companies, regulating the relations between the company, its shareholders and its corporate bodies, the Executive Board and the Supervisory Board. The Code is self-regulatory in nature and is based on the principle known as "apply or explain".

This means that a company may deviate from the principles and the best practice provisions of the Code, provided that, in its annual report, it gives a sound reason as to why such deviation has been made.

## Legal framework

TIE Kinetix N.V. (the "Company"), is a public limited liability company, established under the laws of the Netherlands. Its shares are listed on NYSE Euronext, Amsterdam. As such, several laws and regulations apply to the Company: the Dutch Civil Code, the Dutch securities laws such as the Dutch Financial Supervision Act, the NYSE Euronext listing rules and the Dutch corporate governance code of December 8, 2016 (the "Code"). Additionally, the Company, the Executive Board, the Supervisory Board and the staff members are bound by the Company's Articles of Association, the Terms of Reference of the Supervisory Board, the Terms of Reference of the Executive Board, the Code of Conduct, the Remuneration Policy, the Insider Knowledge Regulations, the Whistleblower Policy, the Privacy Policy, the Information Secrecy Policy and several internal procedures. More details and the most recent documents can be found on our website, https:// tiekinetix.com/nl/investor-relations.

## Shares and shareholders

Up to June 3, 2015, the Company's authorized share capital amounts to € 14 million, consisting of 2 million ordinary shares, with a nominal value of € 7.00. Following the decision of the General Meeting of Shareholders on March 27, 2015, the Company has changed its Articles of Association on June 3, 2015, in order to change the Company's authorized share capital to € 500,000, consisting of 5 million ordinary shares, with a nominal value of € 0.10.

The General Meeting of Shareholders decides on resolutions with regard to the issuance of shares and may grant this authority to another company body for a period up to five years. At the issuance of shares, each shareholder has a pre-emptive right proportional to his existing shareholding, subject to statutory provisions. The pre-emptive right may be restricted or excluded by a resolution of the General Meeting of Shareholders or by another company body if it has been authorized to do so by a resolution of the General Meeting of Shareholders, for a period up to five years. On March 27, 2017 the General Meeting of Shareholders decided not to grant authorization to the Executive Board to issue shares and rights to acquire shares (options, warrants, convertibles). In case the Company wishes to issue shares or rights to acquire shares, the Company convenes a General Meeting of Shareholders or an Extraordinary General Meeting of Shareholders. The Company does not have any anti-takeover provisions.

Shareholders who have reported their interest in the Company pursuant to Chapter 5.3 of the Dutch Act of Financial Supervision are Mr. C. Komen (through DW Vastgoed Beleggingen B.V.) 28,38 %, Mr. P. van Schaick (directly and/or indirectly) 26,76%, Mr. D. Lindenbergh (through Blikkenburg B.V.) 9.1 %, and Mr. G. van Lookeren (through Loca Holding B.V.) 5%; all excluding potential interests. In 2020, no shareholders agreements have been concluded between the Company and these major shareholders.

## Shareholders meeting and voting rights

Responsible corporate governance requires the fully-fledged participation of shareholders in the decision-making in the General Meeting of Shareholders. The Company attaches great value to shareholder relations. In line with relevant laws and regulations, the Company provides all shareholders and other parties in the financial markets with equal and simultaneous information about matters that could have a significant influence on the price of the Company's listed securities, thereby taking into account possible exceptions permitted by those laws and regulations. The Company regularly issues press releases and maintains a mailing list of interested parties. The Company actively communicates its strategy and the developments of its business to the financial markets. The dates of publication of the interim financial statement are announced well in advance and these publications are accessible online via the Company's website. Meetings with analysts, investors and shareholders are announced on the Company's website or through press releases. At least once a year a General Meeting of Shareholders is convened by a notice on the Company's website, announcing the meeting date and place, the registration date, the agenda of the meeting with explanatory notes and the procedure for attendance. In accordance with Dutch law the shareholding at the registration date is decisive for the right to attend and address the meeting and to exercise voting rights, notwithstanding a subsequent sale of the shares. Each share entitles its holder to cast one vote. Resolutions are passed by a simple majority of the votes cast, unless Dutch law or the Articles of Association require a larger majority.

Amongst other things the General Meeting of Shareholders decides on the adoption of the financial statements, the appropriation of the net results, the (re)appointment, discharge and remuneration of the members of the Supervisory Board, material changes of the Remuneration Policy, the (re)appointment and the discharge of the members of the Executive Board, the appointment of the external auditor, the authorization of another company body to issue new shares, the amendment of the Articles of Association, and other important matters such as major acquisitions or the sale of a substantial part of the Company. The Company prepares a list of decisions made during a shareholders meeting and publishes it on the Company's website. The Company also prepares the minutes, which will be set by the shareholders at the next General Meeting of Shareholders.

The General Meeting of Shareholder of March 27, 2020 was held digitally due to COVID-19 meeting and travel restrictions. The company will hold its General Meeting of Shareholders of March 26, 2021 digitally if circumstances require.

## Amendment of the Articles of Association

At the Annual General Meeting of Shareholders of March 27, 2015, it has been decided to amend the articles of association of the Company as described above. Other amendments have not been made since March 27, 2015.

## Executive Board

The Executive Board is entrusted with the management of the Company. This means that it is responsible for the achievement of the Company's targets, its strategy with the associated risk profile, the development of the results and the social aspects of doing business relevant to the Company. For its management the Executive Board is accountable to the Supervisory Board and the General Meeting of Shareholders. In the performance of its duties, the Executive Board and the Supervisory Board are guided by the interests of the Company, taking the relevant interests of all stakeholders into account and to create long term value in accordance with article 1.1.1 of the Code. In this respect, the Executive Board and the Supervisory Board have assessed the Company's long term growth strategy related to its FLOW proposition. This included assessment of the required investments and financial aspects, control of related risks and opportunities subject to article 1.2.1 and 1.2.2 of the Code and communication with its stakeholders.

The Executive Board performs its activities under the supervision of the Supervisory Board. The Executive Board attends the meetings of the Supervisory Board with exception of the meetings focusing on the evaluation of the Supervisory Board and the Executive Board and the annual meeting with the external auditor. The Executive Board provides the Supervisory Board timely with all information essential for the Supervisory Board to exercise its duties.

The Executive Board consists of Mr. J.B. Sundelin and Dr. M. Wolfswinkel. Mr. J. Sundelin, CEO, has been a member of the Executive Board since February 2007. His term was renewed at the General Meeting of Shareholders of March 2018 and will end on March 31, 2021.

Dr. Wolfswinkel joined the company as CFO on August 19, 2013 and has been appointed to the Executive Board on November 28, 2013. His term was renewed at the General Meeting of Shareholders of March 31, 2017 and will end on March 31, 2021. The remuneration of the members of the Executive Board has been set in line with the Remuneration Policy of the Company and is in line with the provisions of the Code. In the Remuneration policy a claw back clause on variable pay has been incorporated. The severance package of the Executive Board is in line with best practice provision 3.2.3. of the Code. More information about the remuneration of the Executive Board can be found in the notes to the consolidated statement of comprehensive income.

The Executive Board avoids (the appearance of) conflicts of interests between the Company and a member of the Executive Board. All transactions in which a conflict of interest exists or is deemed to exist must be concluded on terms at least customary in the sector concerned. Resolutions for entering into such transaction must be approved by the Supervisory Board. In the financial year 2020, there were no reports on conflicts of interest.

The company strives to have a balanced gender representation in the Executive Board and Supervisory Board, being that at least 30% of the members are male and at least 30% is female. Because the company needs to balance several relevant selection criteria when composing its Executive Board, it did not meet the aforementioned gender balance in 2020 (no female representation). When selecting future board members all relevant factors will continue to be taken into account, including diversity aspects, experience, background, skills, knowledge and abilities, with quality and skills as key drivers.

## Supervisory Board

The role of the supervisory board is to exercise supervision over the policies adopted by the Executive Board and over the general conduct of business of the Company as well as to provide the Executive Board with advice. The general duties of the Supervisory Board include supervising, monitoring and advising the Executive Board on the realization of the Company's operational and financial objectives, the corporate strategy, the risks inherent in the business activities, the design and effectiveness of the internal risk management and control systems, the main financial parameters, the financial reporting process, compliance with applicable laws and regulations, the relationship of the Company with its shareholders and the corporate social responsibility issues that are relevant to the Company. In the performance of its duties, the Supervisory Board is guided by the interests of the Company and takes the relevant interests of all the Company's stakeholders into account. The Supervisory Board is responsible for the quality of its own performance.

The Supervisory Board has three members, all appointed at the Extra-Ordinary Meeting of Shareholders of July 13, 2018: Mr Georg Werger (president), Mrs Gerdy Harteveld and Mr Per Nordling. Further information about the members of the Supervisory Board can be found in the report of the Supervisory Board as included in this annual report. All members of the Supervisory Board are independent, subject to the relevant requirements of provision 2.1.6, 2.1.7, 2.1.8 and 2.1.9 of Code. The composition of the Supervisory Board is such that its members are able to act critically and independently of one another and of the Executive Board and any particular vested interests. Each member of the Supervisory Board is capable of assessing a broad outline of the overall strategy of the Company and its business. As a whole, the composition is such that it enables the Supervisory Board to best carry out the variety of its responsibilities and duties to the Company and other stakeholders. The Supervisory Board is constituted in a balanced manner as to reflect the nature and variety of the Company's businesses and the desirability to have available expertise in such fields as finance, economics, management, legal/ corporate governance, information technology and the Company's business in general and more specifically the national and international E-Commerce market. The Supervisory Board members are appointed by the General Meeting of Shareholders. A Supervisory Board member is appointed or reappointed for a term commencing on the date of his appointment and ending at the day of the first General Meeting of Shareholders held after the fourth anniversary of this appointment.

Furthermore, the General Meeting of Shareholders approved the remuneration of the members of the Supervisory Board. The annual remuneration of Mrs. Harteveld and Mr. Nordling is € 10k and the remuneration of Mr. Werger is € 20k.

Since the Supervisory Board comprises only three members, no separate remuneration committee and selection and appointment committee have been formed. The audit committee consists of all members of the Supervisory Board and meets during Supervisory Board meetings. It is the opinion of the Supervisory Board that, at present, there is no need for an internal audit function in the Company.

The Supervisory Board avoids (the appearance of) conflicts of interests between the Company and a member of the Supervisory Board and/or a member of the Executive Board. In the financial year 2020, there were no conflicts of interest.

## Notes on the Company's corporate governance

All members of the Executive Board and the Supervisory Board comply with the rules of Dutch corporate governance regarding the limitations of the number of board positions in Dutch large companies as all members of the Executive Board and the Supervisory Board have no other positions than their position within the Company.

BDO Audit & Assurance B.V. has been the external auditor during the financial year 2020, being appointed at the General Meeting of Shareholders of March 27, 2020.

## No deviations

The company complies with the provisions of the Dutch Corporate Governance Code 2016.

## In control statement

In order to ensure adequate and effective internal risk management and control systems, all internal business processes are recorded in an internal instrument called My-TIE, based on Exact Synergy. This system gives the Executive Board complete visibility on all transactions that have taken place anywhere within the company and provides detailed reports. It also provides for strong procedures to control purchasing, order fulfillment and support. It provides information on policies and procedures, customers and prospects, human resources, assets, documentation and pricing of products and services. My-TIE is the platform to collaborate with other employees, customers and resellers. The system has been outsourced in order to ensure 24/7 global availability.

Functionality and design are continuously developed to further improve supporting business processes and upgraded to the latest version of Exact Synergy.

In 2016, our time tracking functionality was migrated to Exact Synergy and our customer resource management processes were consolidated within Synergy allowing tighter control and management.
In 2017, our subscription based contracts and invoicing was migrated to Exact Synergy.
In 2018, our project management and development functionality was migrated to Exact PSA/Synergy.
In 2019, functionality was added to enable robotic accounting for our accounts payable and three way invoice matching within Synergy. My-TIE has proven to be a very effective instrument of the internal risk management and control system. Any shortcomings that come to light as the Executive Board continues to evaluate processes and procedures, also in light of changing circumstances and business processes, are addressed and resolved as soon as possible.

In view of the above, the Executive Board believes that with the implementation of My-TIE as a system of monitoring and reporting, it has taken adequate steps to implement an appropriate risk management and internal control system. This system provides, with reasonable certainty, reliable internal and external reports. These reports supply adequate information to determine in how far the company is achieving the strategic goals it has set and assurance that the company is operating within the boundaries of the law.

My-TIE significantly reduces, but cannot fully eliminate the possibility of poor judgment in decision-making, human errors, abuse and control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of other unforeseeable circumstances. Another limiting factor is the need to consider the relative costs and benefits of risk responses. A properly designed and implemented risk management and internal control system will therefore provide reasonable, but not absolute, assurance that a company will not be hindered in achieving its business objectives, in orderly and legitimate conduct of its business. It can also not provide absolute insurance that a misstatement in the financial reporting would be prevented or detected. In this context, reasonable assurance refers to a degree of assurance that would be satisfactory for a prudent manager in the management of his affairs in the given circumstances. Notwithstanding the forgoing and in view of the above, the Executive Board makes the following statement:

» The Executive Board is of the opinion that it has implemented an internal risk management and control system that is adequate and effective, suitable for the company's business;
» The internal risk management and control system provide a reasonable assurance that the financial reporting does not contain any errors of material importance; the financial statements therefore provide as far as the Executive Board is aware, a fair view of the financial position, the assets and liabilities and the financial results of the company and consolidated enterprises as of September 30, 2020;
» The internal risk management and control system has worked properly in financial year 2020 and there are no indications to believe that the internal risk management and control system will not continue to function properly in financial year 2021.

The Executive Board has discussed the internal risk management and control system with the Supervisory Board.

# Consolidated Statement of Financial Position September 30, 2020



Notes to the Consolidated Statement of Financial Position from page 49.

## Assets

| (€ x 1,000) | Notes | 30 September 2020 | | 30 September 2019 | |
|---|---|---|---|---|---|
| **Non Current Assets** | | | | | |
| *Intangible fixed assets* | 1 | | | | |
| Goodwill | | 2,245 | | 2,278 | |
| Other Intangible Fixed Assets | | 3,056 | | 3,673 | |
| | | | 5,300 | | 5,951 |
| Tangible Fixed Assets | 2 | | | | |
| Property, Plant and Equipment | | 1,019 | | 107 | |
| | | | 1,019 | | 107 |
| Financial Fixed Assets | | | | | |
| Deferred Tax Asset | 3 | 267 | | 299 | |
| Contract Cost Asset | | 140 | | 139 | |
| | | | 407 | | 438 |
| Total Non Current Assets | | | **6,726** | | 6,496 |
| | | | | | |
| **Current Assets** | 4 | | | | |
| Trade Debtors | | 1,470 | | 2,156 | |
| Income Tax Receivable | | 43 | | 46 | |
| Taxation and Social Security | | 63 | | 65 | |
| Contract Cost Asset (Current) | | 181 | | 127 | |
| Other Receivables and Prepayments | | 346 | | 399 | |
| Loan Receivable | | 3,000 | | - | |
| Contract Asset | | 303 | | 265 | |
| | | | 5,406 | | 3,059 |
| | | | | | |
| Cash and Cash Equivalents | | 5,886 | | 2,041 | |
| **Total Current Assets** | | | **11,293** | | **5,100** |
| | | | | | |
| **Total Assets** | | | **18,019** | | **11,597** |

## Equity and Liabilities

| (€ x 1,000) | Notes | 30 September 2020 | | 30 September 2019 | |
|---|---|---|---|---|---|
| **Equity** | 5 | | | | |
| Share Capital (incl Surplus) | | 61,513 | | 61,464 | |
| Reserves | | 2,975 | | 3,120 | |
| Retained Earnings | | (54,567) | | (61,093) | |
| **Total Group Equity** | | | **9,922** | | **3,490** |

| | | | | | |
|---|---|---|---|---|---|
| **Non Current Liabilities** | 6 | | | | |
| Deferred Tax Liability | | 10 | | 5 | |
| Deferred Revenue | | 484 | | 555 | |
| Provisions | | 170 | | 184 | |
| Lease Liability | | 609 | | - | |
| **Total Non Current Liabilities** | | | **1,273** | | **744** |

| | | | | | |
|---|---|---|---|---|---|
| **Current Liabilities** | 7 | | | | |
| Trade Creditors | | 857 | | 797 | |
| Deferred Revenue (Current) | | 2,891 | | 4,807 | |
| Taxation and Social Security, Income Tax | | 540 | | 352 | |
| Other Payables and Accruals | | 2,140 | | 1,407 | |
| Lease Liability (Current) | | 396 | | - | |
| **Total Current Liabilities** | | | **6,823** | | **7,362** |

| | | | | | |
|---|---|---|---|---|---|
| **Total Equity and Liabilities** | | | **18,019** | | **11,597** |

# Consolidated Statement of Comprehensive Income for the year ending September 30, 2020



(Notes to the Consolidated Statement of Comprehensive Income from page 64 onwards).

| | Notes | | | | |
|---|---|---|---|---|---|
| **Revenues** (€ x 1,000) | *8* | | **2020** | | 2019 |
| Licences | | 646 | | 350 | |
| Maintenance and Support | | 2,639 | | 2,793 | |
| Consultancy | | 2,991 | | 2,911 | |
| Software as a Service | | 9,275 | | 8,267 | |
| Revenues subtotal | | | 15,551 | | 14,321 |
| Other income | | | 4 | | 16 |
| **Total Revenue** | | | **15,555** | | **14,337** |
| Third party hire | | | (338) | | (389) |
| Direct Employee Costs | | | (3,484) | | (3,699) |
| Direct Purchase Costs | | | (2,314) | | (2,137) |
| **Total Gross Margin** | | | **9,418** | | **8,111** |
| | | | | | |
| **Operating Expenses** | *9* | | | | |
| Employee Benefits | | (4,939) | | (4,875) | |
| Acquisition Costs and Other Items | | - | | (26) | |
| Depreciation and amortization | | (1,889) | | (1,298) | |
| Impairment on fixed assets | | (298) | | - | |
| Other Operating Expense | | (2,171) | | (2,883) | |
| **Total Operating Expenses** | | | **(9,296)** | | **(9,081)** |
| **Operating Income/(loss)** | | | **122** | | **(970)** |
| Interest and Other Financial Income | *10* | | 25 | | (2) |
| Interest and Other Financial Expense | *10* | | (62) | | (55) |
| **Income/(loss) before Tax** | | | **85** | | **(1,027)** |
| Coporate Income Tax | *11* | | (156) | | (254) |
| **Net Income/(loss) from Continued Operations** | | | **(71)** | | **(1,282)** |
| | | | | | |
| **Net Income from Discontinued Operations** | | | **6,582** | | **(33)** |
| | | | | | |
| **Net Income/(Loss)** | | | **6,511** | | **(1,315)** |

| | | | |
|---|---|---|---|
| **Other Comprehensive Income** | ***12*** | **2020** | 2019 |
| Net Income/(Loss) | | 6,511 | (1,315) |
| Exchange differences on translating of foreign operations | | (31) | 23 |
| **Total Comprehensive Income/(Loss) after Tax** | | **6,479** | **(1,292)** |
| | | | |
| **Attributable to Sharehorlders of TIE Kinetix:** | | | |
| Income after Tax | | 6,511 | (1,315) |
| Comprehensive Income net after Tax | | 6,479 | (1,292) |
| Net result per share - basic | *12* | 4.01 | (0.81) |
| Weighted average shares outstanding (continued & discontinued) - basic (thousands) | | 1,623 | 1,623 |
| Net result per share - deluted | *12* | 3.33 | (0.67) |
| Weighted average shares outstanding - (continued & discontinued) fully diluted (thousands) | | 1,953 | 1,955 |

# Consolidated Statement of Changes in Equity for the year ending September 30, 2020





More details are explained in note 5 on page 58.

| (€ x 1,000) | Share Capital (Incl Surplus) | Retained Earnings | Foreign Currency translation reserve | Share-holders Equity | Convertible Bonds | Total Equity |
|---|---|---|---|---|---|---|
| **Balance per September 30. 2018** | **61,393** | **(56,577)** | **53** | **4,870** | **45** | **4,916** |
| IFRS 15 adjustment opening balance | - | (159) | - | (159) | - | (159) |
| **Adjusted balance at October 1, 2018** | **61,393** | **(56,735)** | **53** | **4,711** | **45** | **4,756** |
| Reclassification of foreign currency translation reserve | - | - | 23 | 23 | - | 23 |
| Net Income | - | (1,315) | - | (1,315) | - | (1,315) |
| **Total Comprehensive Income (loss)** | **-** | **(1,315)** | **23** | **(1,292)** | - | **(1,292)** |
| Coversion of cenvertible bonds | - | - | - | - | (45) | (45) |
| Shares issued and Share Premium | 70 | - | - | 70 | - | 70 |
| **Balance per September 30, 2019** | **61,464** | **(58,050)** | **76** | **3,490** | - | **3,490** |
| IFRS 16 adjustment opening balance | - | (97) | | (97) | - | (97) |
| **Adjusted balance at October 1, 2019** | **61,464** | **(58,147)** | **76** | **3,393** | - | **3,393** |
| Reclassification of foreign currency translation reserve | - | - | (31) | (31) | - | (31) |
| Net Income | - | 6,511 | - | 6,511 | - | 6,511 |
| **Total Comprehensive Income (loss)** | - | 6,511 | (31) | 6,479 | - | 6,479 |
| Shares issued and Share Premium | 49 | - | - | 49 | - | 49 |
| **Balance per September 30, 2020** | **61,513** | **(51,637)** | **45** | **9,922** | **-** | **9,922** |

* for Legal Reserves for Self Developed Software we refer to the Dutch GAAP TIE Kinetix N.V. Equity movement schedule on page 80.

# Consolidated Statement of Cash Flows for the year ending September 30, 2020



| (€ x 1,000) | Page reference | | 2020 | | 2019 |
|---|---|---|---|---|---|
| **Income before tax** | | | **6,667** | | **(1,061)** |
| *Adjustments:* | | | | | |
| Depreciation and amortization | | 1,889 | | 1,298 | |
| Impairments | | 298 | | - | |
| (Increase) decrease non-current assets | | 31 | | - | |
| Increase (decrease) provisions | | (9) | | - | |
| Gain on sale of discontinued operation, net of tax | | (6,582) | | - | |
| | | | **(4,373)** | | **1,298** |
| *Working Capital Movements* | | | | | |
| (Increase) decrease in debtors, contract assets and other receivables | | 653 | | 862 | |
| (Decrease) increase in deferred revenue | | (1,988) | | 1,975 | |
| (Decrease) increase in current liabilities | | 1,858 | | (106) | |
| | | | **523** | | **2,730** |
| | | | | | |
| Cash generated (applied) in operations | | | **2,817** | | **2,967** |
| Net cash used by discontinued operations | *46, 47* | | 603 | | - |
| Interest paid | | | - | | (15) |
| Interest received | | | 25 | | - |
| Income tax paid | | | (82) | | (451) |
| **Net Cash flow from operating activities** | | | **3,363** | | **2,501** |
| | | | | - | |
| Investments in intangible fixed assets | | (1,003) | | (1,073) | |
| Disposal of discontinued operation, net of cash disposed of | *46, 47* | 2,156 | | - | |
| Investments in tangible fixed assets | | (21) | | (46) | |
| **Net Cash flow generated / (used) in investing activities** | | | **1,132** | | **(1,119)** |
| Issue of new shares | | 49 | | 70 | |
| Lease payments | | (631) | | - | |
| **Net Cash flow generated / (used) by financing activities** | | | **(582)** | | **70** |
| **Net increase (decrease) in Cash and Cash Equivalents** | | | **3,912** | | **1,452** |
| Currency Exchange Rate Difference on opening balance Cash and Cash Equivalents | | | (67) | | 10 |
| Opening balance Cash and Cash Equivalents | | | 2,041 | | 580 |
| **Closing balance Cash and Cash Equivalents** | | | **5,886** | | **2,041** |

# Notes to the Consolidated IFRS Financial Statements



## General information and Summary of significant accounting policies

### Company Information

TIE Kinetix N.V. is a public company incorporated in the Netherlands with its registered address of De Corridor 5d, Breukelen (chamber of commerce number: 34072305 0000). Subsidiaries are located in Asia-Pacific, France, Germany, the Netherlands and the US. TIE Kinetix is listed on the NYSE EuroNext in Amsterdam. In the following pages, the name “TIE Kinetix” or “the Company” will be used to refer to TIE Kinetix N.V. and its various subsidiaries. TIE Kinetix develops, sells, and distributes software and services under TIE Kinetix’s Total Integrated E-Commerce concept around the world through a network of subsidiaries and resellers. The Company has been active not only in the software development but in the standardization process as well. The consolidated financial statements for the year ending September 30, 2020 are authorized for issuing through a resolution of the Executive Board dated December 24, 2020. The Annual General Meeting of Shareholders, to be held on March 26, 2021 will be requested to decide on the Consolidated Financial Statements.

### Statement of Compliance

The consolidated financial statements of the Company included on pages 28 to 32, have been prepared in accordance with the International Financial Reporting Standards (IFRS) and its interpretations, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission, and Title 9 of Book 2 of the Dutch Civil Code.

### Basis of Preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are detailed below and have been prepared on a historical cost basis, unless stated otherwise. These policies have been consistently applied to all the presented years, unless stated otherwise. The consolidated financial statements are presented in Euros, and all values are rounded to the nearest thousand (€ x 1,000), unless stated otherwise.

### Implications of new, amended and improved standards

New standards impacting the Company that have been adopted in the annual financial statements for the year ended 30 September 2020, and which have given rise to changes in the Company’s accounting policies are:

» IFRS 16 Leases, reference is made to page 37 and 38 of this report

Details of the impacts of this standard is given in the notes below.

### IFRS 16 Leases

The Group has implemented IFRS 16 on the required effective date of 1 October 2019. IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. Previous off-balance sheet operating leases are now included in the consolidated statement of financial position and resulted in an increase in non-current assets and financial liabilities. These right-of-use assets are initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses over the contractual term. The right-of-use asset is adjusted for certain re-measurements of the lease liabilities.

The lease liabilities are initially measured at the present value of lease payments not yet paid at Commencement date and are discounted using an incremental borrowing rate which varies per country within the Group. The liability is subsequently increased by the interest accretion to the lease liability and decreased by lease payments made. The lease liability is remeasured when there is a change in future lease payments or based on changes in assessment of execution of certain extension or termination options in the contracts. The Group applies judgement to determine the lease term for lease contracts that contain renewal options. The depreciation charges and financial charges replace previous operating lease expenses.

As a lessee, the Group previously classified leases as operating and financing leases. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.
On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 October 2019. Furthermore the company applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

## Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 October 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The right-of-use assets of the Group's big-ticket leases are higher than if these would have been calculated retrospectively as if IFRS 16 had been applied since the commencement date using the Group's incremental borrowing rate as at 1 October 2019. This policy choice implies higher future depreciation expenses on the right-of-use assets, compared to the retrospective approach.

The main assumptions and judgements used in estimating the incremental borrowing rate are as follows:

» the determination of a risk-free rate (i.e. government bond yields), considering the currency, economic environment and term;
» the determination of a debt risk premium specific to the entity, using observable inputs; and
» the determination of a lease specific adjustment.

The weighted average incremental borrowing rate for the Group is 3.3%.

The Group applies the modified retrospective approach with no restatement of comparative information. The effect of applying the standard is recognized in the opening balance sheet as at 1 October 2019 resulting in an increase in "Property, Plant and Equipment" and "Lease liabilities". Right-of-use assets are measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payment.

The following amended standards and interpretations became effective as at 1 October 2019 but have no significant impact on the Company's financial statements.

» IFRIC Interpretation 23 Uncertainty over Income Tax Treatments.

Upon the first time application of IFRS 16, the following adjustments have been made to the FY 2020 opening balance sheet on October 1, 2019:

| | 2020 |
|---|---|
| Equity (RE) | 90 |
| ROU Asset | 803 |
| **Lease Liability** | **(893)** |

» Amendments to IFRS 9 Prepayment Features with Negative Compensation.
» Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures.
» Amendments to IAS 19 Plan Amendment, Curtailment or Settlement.
» Annual IFRS Improvement Process.

## Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

The impact of the following amended standards and interpretations are currently being investigated by the Company but are not expected to have a significant impact on the Company's financial statements.

» Amendments to IAS 1 and IAS 8: Definition of Material
» Amendments to References to the Conceptual Framework in IFRS Standards
» Amendment to IFRS 3 Business Combination (Amendment - Definition of a Business)
» IFRS 17 Insurance Contracts

## Going Concern Considerations

Based on Budget 2021, the Company expects positive operational cash flow. The Company has become less sensitive

The table below presents a reconciliation of the operating lease commitments as at to the lease liability recognized as at September 30, 2019.

| | 2020 |
|---|---|
| Operating lease commitments as disclosed under IAS 17 as at September 30, 2019 | 1,984 |
| Other changes | (977) |
| **Total notional liabilities as at October 1, 2019** | 1,007 |
| Discounted using the Group incremental borrowing rate | (41) |
| Recognition exemption for leases with less than 12 months at transition | (74) |
| **Lease liabilities recognized at October 1, 2019** | 892 |

to intra year cash flow fluctuations as a result of the large proportion of recurring subscription based revenue in combination with maintenance and support income. With certain commercial counterparties, the Company is occasionally accepting extended credit terms that may impact working capital negatively. Taking everything into account, management believes it will have adequate cash to run its operations for the next year. The company has a credit facility with Rabobank (in the amount of € 1,250k) to cover working capital balances. In the event the Company needs additional funding, the Company could consider attracting additional credit facilities, or issue loans, or alternatively issue Convertible Bonds or shares. Based on the above, Management concludes that it is correct to prepare the accompanying financial statements on a 'going concern' basis.

Management has not identified any significant impact or material uncertainty as a result of the COVID-19 pandemic. The first wave of COVID-19 has not effected the valuation of assets and did not lead to a significant higher ECL (Expected Credit Loss Rate). If anything the first ramifications are that the effect of COVID-19 are neutral to positive through increased sales combined with cost savings in travel, marketing and office costs. As a result management evaluated the potential impact on the assumption of company's going concern position is limited to nil.

## Basis of Consolidation

The consolidated financial statements include the financial statements of TIE Kinetix N.V. and its subsidiaries. Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. The assessment of control is based on the substance of the relationship between the Company and the entity and, among other things, considers existing and potential voting rights that are presently exercisable and convertible.

Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Company obtains control. It will continue to be consolidated until the date in which such control ceases. All intercompany balances, transactions, and income and expenses resulting from intercompany transactions are eliminated in full.

## Discontinued Operations:

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate business line or segment. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

## Foreign Currency Translation

Foreign operations prepare their financial statements in the currency of the primary environment in which they operate (functional currency). For consolidation purposes, foreign operations are translated into Euro, the functional currency of TIE Kinetix N.V. and the designated presentation currency. Assets and liabilities are translated using the closing rate at September 30, 2020. Income and expenses are translated using weighted average exchange rates or the actual rate at the date of the transaction, if more appropriate. All resulting exchange rate differences are recognized in a special component of equity. In the event of a sale of a foreign operation, the relevant part of the special component of equity pertaining to the entity sold will be released from Equity and included in the realized gain or loss on the sale.

Per September 30, 2020, monetary assets and liabilities are translated against the closing rate. Non-monetary items carried at a cost are translated by using the exchange rate at the date of the transaction. Exchange rate differences on monetary items are recognized in income whenever they arise.

Intercompany monetary items, which form part of an enterprise net investment, are translated against the closing rate per September 30, 2020. An intercompany current account between TIE Kinetix N.V. and the US subsidiary, TIE Commerce Inc. is denominated in USD. All transactions are accounted for at the transaction rate at TIE Kinetix N.V. Currency Exchange Rate Differences are taken to the special component of Equity.

### Significant Accounting Judgements and Estimates

The preparation of the financial statements involves making assumptions and estimates on the recognition and measurement of assets and liabilities, contingent liabilities and income and expense items, revenue recognition, assumptions pertaining to income tax and deferred tax asset.

Estimation uncertainty at balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets are in note 1, page 49.

## Consultancy Revenue (set-up fees)

Set-up fees have been allocated to the SaaS performance obligations in the contract and, in the absence of contractual extension options, are recognized over time (contract life). The related Direct Purchase Costs are capitalized and amortized over the expected customer life. Due to lack of historical information, the Company currently assumes that contract life equals customer life.

## SaaS revenue

In line with IFRS 15, SaaS revenue is recognized over time commencing on the go-live date, which coincides with the consumption of the subscription to the FLOW portal. The initial invoice date for SaaS subscription approximates the go-live date. On an overall basis, difference between initial invoice date and go-live date is assumed to be immaterial. The average life of a SaaS contract is assumed to be three years.

## Impairment of Assets

Impairments of assets (intangible and tangible) are tested on a Cash Generating Unit (CGU) level. In assessing whether there are indications for impairment or reversal of impairment, management considers changes in the economic and technological environment, sales trends and other data that may be, or become relevant. When testing for impairment, a discounted cash flow model is applied to determine net present values of future cash flows for CGU's in order to compare with asset-carrying values. In accordance with IFRS no reversal of impairment of Goodwill has been considered. The models applied to determine the net present value of these future cash flows encompasses management's judgment and estimates with respect to the following elements:

» Discount rate;
» Reasonable reliably estimable future cash flows;
» Estimated business growth rates.

## Incremental borrowing rate

The Group applies IFRS 16 with respect to lease contracts, which are required to be recorded at the net present value of the future obligations, as set out in note 2. Management assessed the Incremental Borrowing Rate (IBR) at which the cash flows are discounted on a group level which could vary per country and per duration of the lease. An average IBR of 3.3% is applied, in line with the impact disclosure note in prior year's financial statement for the adoption. Furthermore, management assessed the duration of the lease per contract based on contractual agreements and economic circumstances.

## Offsetting

Offsetting a financial asset with a financial liability (IAS 32.42). TIE Kinetix N.V. adopts IAS 32.42 and only offsets a financial asset with a financial liability when TIE Kinetix has the legal right to such an offset and when TIE Kinetix intends to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

## Intangible Fixed Assets

### Development Costs

Product development costs are eligible for capitalization only when a projected outcome is determined technically feasible and deemed probable that future economic benefits will flow from the released product. Also, these economic benefits must be expected to exceed capitalized development cost. In determining both technical and economic feasibility of a project, management exercises judgment with respect to the current economic and technical environment, as well as expected developments therein. This not only establishes a potential market for the product under development, but also estimates potential sales volumes.

### Customer Base

The Customer Base of recent acquisitions has been identified as a separate intangible asset upon acquisition. The asset has been recognized at fair value. Since there is no direct active market for the Customer Base to use for valuation, a valuation model has been used to determine the fair value of the asset. This valuation model encompasses management's judgment and estimate with respect to the following elements:

» Renewal rate customer contracts;
» Discount rate;
» Net Cash Flow starting point;
» 10 years of discounted Cash Flow (5 years for Customer Base of TFT (Tomorrow Focus Technologies));
» No new business.

# Detailed Description of Accounting Principles

## Intangible Fixed Assets

### Goodwill

Goodwill is recognized as an intangible asset for interests in subsidiaries and is measured as the positive difference between the cost of the business combination and the Company's interest in the net fair value of the entity's identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill is carried at a cost less accumulated impairment charges. Upon disposal of an entity in relation to which a goodwill balance is held, the remaining goodwill balance will be taken to income as part of the gain or loss on disposal of the entity.

### Customer Base

The Customer Base of acquisitions in the past has been identified as a separate intangible asset upon acquisition. The useful life of this asset is amortized straightline over ten years and reassessed periodically and adjusted when circumstances give rise to such action.

### Development Costs

Projects for the development of software are broken down into a research phase and development phase. The costs pertaining to research are expensed immediately. The development costs are recognized as an intangible asset after establishing the technical feasibility of the project. Future economic benefits from the project are deemed probable and sufficient resources are available and devoted to the project to facilitate successful completion. Development costs are carried at a cost minus amortization and accumulated impairments. Development costs of products other than FLOW are amortized on a straight-line basis and an expected useful life of three to five years.

The useful life assessment is based on the current experience and the present economic and technological environment. The useful life of this asset is reassessed periodically and adjusted when circumstances give rise to such action.

Upon initial recognition of the assets and liabilities and activities during 2006, a separate intangible fixed asset representing the Content Syndication Concept was recognized. Initially, and awaiting the convergence of all TIE Kinetix' business applications in one common platform, the Content Syndication Concept was considered to have an indefinite useful life and no amortization was applied. Upon the introduction of FLOW, the concept has been developed further and several product modules have now been developed that can only be sold using this concept. Upon the introduction of these FLOW product modules, TIE Kinetix management has re-assessed the concept and its useful life and considers an economic life of 7 years as viable. Management projects a useful life of 7 years in line with the useful life of generally used ERP software in the industry. As from January 1, 2016 onwards, all FLOW development efforts are allocated per commercial module. All FLOW modules are developed under the direction of the CTO and TIE Kinetix Management Team. FLOW product modules compete with products developed by other vendors in the market place and may be expected to be replaced by our next generation products over a 5 year period. For that reason management has assessed a useful life of 5 years.

### Software

Software purchased from third parties, as well as the related development and implementation costs, are recognized at a cost without accumulated amortization and impairment charges and are amortized based upon a straight-line method over an estimated useful life of three-five years. The useful life of these assets is reassessed periodically and adjusted when circumstances give rise to such action.

## Tangible Fixed Assets

### Property, Plant and Equipment

Office equipment (including Furniture, Fixtures and Office Machinery), Hardware and Leasehold Improvements are recognized as Property, Plant and Equipment and measured at cost less accumulated depreciation and impairments. Costs include expenses directly attributable to the acquisition of the asset and the expense of replacing a part of the Property, Plant and Equipment when that cost is incurred and the recognition criteria are met. Each component of an item of Property, Plant and Equipment with an initial carrying value (cost) significant in relation to the total cost of the item is separately depreciated. Property, Plant and Equipment is depreciated against income on a straight-line basis over its estimated useful life to its estimated residual value (generally nil).
Depreciation periods are as follows:

» Leasehold improvements – 10 years or the term of the lease;
» Hardware – 3-5 years;
» Office equipment – 3-5 years.

Useful life estimates are based on management's best estimate of the amount of time over which economic benefits from these assets will flow to the Company. For

Leasehold improvements, this period has been limited to the term of the rental agreements of the respective office buildings. Computer hardware is generally replaced after a maximum of three years of service.

An annual assessment is performed to establish whether circumstances exist to call for an impairment of an individual asset. Residual values and useful lives are reviewed annually and are adjusted when appropriate. Assets are impaired to recoverable value when carrying values are found to be in excess of the recoverable amount of the individual or as part of a CGU for assets that do not generate an independent cash flow. Impairment losses for CGU's as a whole are first charged against the Goodwill balances of the CGU. Any remaining impairments are allocated to the assets of the CGU as a whole. Any reversal of an impairment loss is immediately recognized in income.

The carrying amount of an asset is derecognized in the event that no future economic benefit is expected to arise from its use or disposal. Gains and/ or losses on derecognition are the differences between the net disposal proceeds and the carrying value of the asset. Gains and/or losses on derecognition are accounted for in income.

### Deferred Tax Assets

Deferred Tax Assets reflect the net tax effect of losses carried forward and temporary timing differences between the carrying amounts of assets for financial reporting purposes and the amounts used for income tax purposes. Deferred Tax Assets are recognized when they are considered to be realizable in the future, which is reassessed each year-end.

Deferred Income Tax Assets are measured at the tax rates that are expected to apply to the year when the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted per year-end. Deferred Tax Assets and Deferred Tax Liabilities are offset if a legally enforceable right exists to set-off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## Financial Assets

### Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

### Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through OCI (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- » it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- » its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

### Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

» contingent events that would change the amount or timing of cash flows;
» terms that may adjust the contractual coupon rate, including variable-rate features;
» prepayment and extension features; and
» terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### Cash & Cash Equivalents

Cash and Cash Equivalents are valued at face value and include cash in hand, deposits, and other short-term highly liquid investments with original maturities of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, excluding bank overdrafts.

## Equity

### Shareholders' Equity

Financial instruments issued by the Company to the extent that they indicate a residual interest in the assets of the Company are classified as Equity. All proceeds from the issue of equity instruments, or considerations paid for the purchase of equity instruments, are recognized in Equity. Incremental external costs that are directly attributable to the issuing of TIE Kinetix equity instruments are also recognized in Equity, net of tax. Dividends and other distributions to holders of equity instruments are recognized in Equity net of tax. A liability for dividends payable is not recognized until the dividends have been declared and approved by the General Meeting of Shareholders.

### Convertible Bonds

Convertible Bonds issued by the Company have been classified as Equity, based on the fact that under the terms and conditions of these bonds, there is evidence of a residual interest in the Company's assets after deducting all of its liabilities. If applicable, split accounting has been applied for. Distributions to holders of equity instruments are recognized directly in Equity net of tax. For Convertible Bonds in which a liability component has been identified with respect to interest payments in cash, a liability is established against Equity.

### Non-Employee Stock Options

Stock Options/Warrants issued to non-employees are Gross Settled Stock Options under the terms of the respective contracts, and, therefore, qualify as Equity Instruments. Any considerations received for such options will be accounted for in Equity. Any cash flows at settlement are accounted for in Equity as well.

## Liabilities

### Loans

Loans are recognized initially at fair value plus transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the Statement of Comprehensive Income.

### Provisions

The Company recognizes a provision in cases in which a present obligation resulting from a past event, with a probable future outflow of resources, settles the obligation at an amount that can be reliably estimated. Provisions are measured at the present value of the future outflow required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The change in the time value of future outflows is recognized under expenses. The time value is considered a material component.

To the extent that future events are likely to occur and are expected to have an effect on the amount required to settle a recognized liability, these future events are taken into consideration in determining the appropriate provision level. Provisions are reviewed at each balance sheet date and will be adjusted to reflect the current best estimate.

### Deferred Tax Liability

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred Tax Assets and Deferred Tax Liabilities are offset if a legally enforceable right exists to set-off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## Revenue recognition

### Revenue from Contract with Customers

The Company recognizes revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer. The Company recognizes revenue upon the satisfaction of performance obligations, which occurs when control of the good or service transfers to the customer. Control can transfer at a point in time or over time.

The financial impact of the prior year implementation of IFRS 15 relates to the set-up fees in combination with SaaS-revenue where set-up fees are not considered to be a distinct performance obligation. The other revenue streams are not impacted from a revenue recognition perspective.

The company has four revenue streams, namely, revenue from Licenses, Maintenance and Support, Consultancy and Software as a Service (SaaS). We have described the revenue recognition for each of the revenue streams below using the 5-step model of IFRS 15 Revenue from Contract with Customers.

### Step 1 – Identify the Contract

For each service and thus for each revenue stream the company enters into a contract with a customer which outlines the performance obligation and the transaction price and our general terms and conditions. Our general conditions include a net 30 day payment term from invoice date and do not contain warranties or return obligations.

### Step 2 – Identify the Performance Obligations

#### License revenue

The company licenses certain products to its customers and are typically installed on the customer's server which is the company's performance obligation. Licensed products are the right to use software and to which the company has the Intellectual Property Rights. The life of the license is in principle indefinite and no updates are necessary for the proper operation of the license functionality.

#### Maintenance and Support revenue

The company provides, predominantly connected to License revenue, post-contract maintenance and support services. Maintenance services are tasks performed periodically in order to maintain, improve and secure the level of services and/or security. This performance obligation is considered to be a distinct performance obligation from the Licensing revenue.

#### Software as a Service revenue

The performance obligation 'SaaS' is the ongoing effort of TIE Kinetix to provide connectivity of the FLOW portal to the customers and its trading partners in order to allow the exchange of data between the customer and each trading partner. The connectivity is typically through the FLOW portal onto data networks. The FLOW portal is owned and controlled by TIE Kinetix and not transferred to a customer.

Through the SaaS contract the customer connects with the FLOW portal, either using his own VAN or through a closed network or through a VAN network controlled by TIE Kinetix. Once the customer is connected, the customer benefits directly from the service and will continue to benefit from the service until contract end.

#### Set-up activities

Our contracts may include non-refundable upfront fees for setting the customer up. Under set-up the customer is either connected to the FLOW platform, or to a VAN (value added area network) network or to a closed loop network. In principle, the Company may render set-up activities to connect a customer to a VAN network owned by the customer itself, or purchased from another supplier. Usually the setup phase for a customer project involves a consultant or a group of consultants in order to define, configure, implement, test and deploy the customer's contracted features before putting them in production in the (SaaS) environment. Usual work performed includes mappings, business processes, workflow configuration, notification setups, portal setup, business rules configuration, communication setup, trading partner setup, trading partners onboarding mechanism, landing pages built, partner onboarding, etc.

These services are not transferred to the customer separate from the SaaS performance. Since no good or service is transferred to the customer separately, the set-up is not considered to be a performance obligation. Rather, the setup fee is included in the revenue that is allocated to the SaaS performance obligation.

**Consultancy revenue**

The company provides consultancy services which comprise of various kinds of consulting, especially on how to increase revenue by using Cloud automation, through A/B Testing and Personalization, with Enterprise Search and by using Big Data / Machine Learning. These consultancy services are sold in hours or bundles of hours.

### Step 3 – Determining the Transaction Price and Step 4 – Allocating the Transaction Price to Performance Obligations

**Licenses, Maintenance and Support and Consultancy revenue**

The transaction prices of the revenue streams are based on internal price lists and agreed with the customer in a contract. The price is separately included in the contract and are considered to be the stand alone selling price. The transaction price is allocated over the single performance obligations which are described above.

**Software as a Service revenue**

Transaction price is stipulated in the contract and typically has a fixed component (monthly SaaS and if applicable a non-refundable set-up fee), plus a bundle of messages component plus pricing for additional messages sent beyond the contracted volumes. There are no volume discounts given when message levels exceed contracted volumes. Contract durations are between 1 to 5 years (on average 3 years) with payment for use of the FLOW portal (including data networks) occurring always upfront for the entire contract period or part of the contract period.

### Step 5 – Revenue recognition method

**License revenue**

License revenue is recognized at a point in time because the customer has the indefinite right to use the (software) license and control has been transferred.

### Maintenance and Support revenue

Maintenance and Support revenue is recognized over time over the contract period which is based on the output method.

### Consultancy revenue

Consultancy revenue is recognized over time (hours utilization) which is based on the input method.

### Software as a Service revenue

Software as a Service revenue is recognized over time over the contract period which is based on the output method.

## Contract balances

### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract asset becomes a receivable when the Group’s right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due.

The contract assets recognised by the company relate to both the right to consideration in exchange for goods or services transferred to the customer and costs to fulfil a contract. The amortisation period of the costs to fulfil a contract are based on the average customer (refer to Significant Accounting Judgements and Estimates on page 34).

### Contract liabilities (deferred revenue)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group satisfies the performance obligation. The contract liability recognised by the company relate to the company’s obligation to fulfil the contract.

## Costs to fulfill a contract

### Contract Cost Assets

In addition to the contract balances discribed above, the company has also recognised an asset in relation to costs to fulfil a contracts. The contract costs assets are capitalised in accordance with IFRS 15.95. The amortisation period of the costs to fulfil a contract are based on the average customer (refer to Significant Accounting Judgements and Estimates on page 35).

## Employee Benefits and Expenses

### Short term Employee Benefits

Short-term Employee Benefits entail salaries payable over past service, short-term compensated absences in which they are expected to occur within twelve months after the end of the period in which the employee renders the related service, profit sharing, or bonus arrangements. A liability is set up to the extent that amounts are due based on rendered services. WBSO (Wet Bevordering Speur- en Ontwikkelingswerk) received as a grant on wage tax has been deducted upon the employee benefits expenses.

### Termination Benefits

Termination Benefits are the result of the Company's decision to terminate an employee's employment before normal retirement date. Termination benefits are expensed immediately when the Company is demonstrably committed to terminate employment prior to normal retirement date. The termination benefits include all termination of employment related expenses.

### Post-Employment Benefits

The Company operates with insured defined contribution pension plans in the Netherlands and France. Under the terms and conditions of this plan, the Company has no obligation towards the employees covered under the plan, other than to pay a fixed contribution. The contributions payable are recognized as an expense in income. To the extent that the paid amount exceeds the amount due for services rendered, an asset is recognized. Plan contributions payable to a third-party insurer are recognized as a liability.

TIE Kinetix Germany has an arrangement resulting in a retirement bonus for one former employee, which qualifies as a Defined Benefit post- employment arrangement under IFRS. While the present value of this retirement bonus liability is recognized on the face of the Statement of Financial Position, movements in this liability are accounted for in income. The calculation of the defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

In the US, the Company staff participates in a corporate 401(k) savings plan with its discretionary contributions. These discretionary payments are recognized in income if and when they are paid into the plan.

### Share Based Payments

In prior years, the Company has issued stock options under a Stock Option Plan to TIE Kinetix staff that entitles staff members to receive equity instruments it has issued. These Stock Options Plans are classified as Equity Settled Instruments. Stock Options granted under the annual Stock Options Plan have a vesting period of three years after issuance. The expense resulting from the options is based on the fair value of the options at grant date. The expense is recognized in income, with the offsetting entry in Equity over the term in which the services are rendered, i.e. the vesting period of the options. The expense reflects management's best estimate of the number of Stock Options expected to vest. Any considerations received net of any directly attributable transaction costs are accounted for in Equity upon exercise of the options. When a Stock Option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the Stock Option is recognized immediately. However, if a new Stock Option is awarded in substitution of the cancelled Stock Option, the substitution is treated as if it is a modification of the original. An additional expense is recognized to the extent the modification results in an increased fair value of the modified Stock Options, compared to the original ones.

In 2016 the Company has implemented a Performance Share Plan. Under this Plan, certain members of the TIE Kinetix Management Team may be awarded shares, based on achievement of performance conditions tied to the company's operational performance and achievement of strategic goals. Shares issued under the Performance Share Plan are subject to transfer restrictions.

### Earnings per Share

Basic Earnings per Share are calculated by dividing net income from continued operations attributable to equity holders of TIE Kinetix after deduction of interest on Convertible Bonds, by the weighted average number of outstanding shares. Diluted Earnings per Share take into effect the dilutive effect of convertible instruments and stock options upon exercise or conversion. The dilutive effect of these instruments equals the number of shares issuable under the terms and conditions of these arrangements for no consideration. Stock Options are considered non-dilutive when the exercise price of the Stock Options is in excess of the average market price of the shares during the period. Convertible Bonds are considered non- dilutive when the related interest net of tax and other changes to income and expense, per ordinary share obtainable upon conversion, exceed the basic earnings per share.

### Statement of Cashflows

The statement of cash flows is presented in accordance with the indirect method. In this method, the income before tax is adjusted for items in the profit and loss account that do not influence income and expenditure during the year, movements in balance sheet items, and profit and loss account items not relating to operating activities. Transactions not involving a cash inflow or outflow are not included in the statement of cash flows. The cash position in the statement of cash flows consists of cash and cash equivalents. Exchange differences on cash flows are presented separately in the statement of cash flows. Interest income and expense, dividends received and corporation taxes are included in the cash flow from operating activities. Dividends paid are included in the cash flow from financing activities. The acquisition price of group companies acquired is presented in the cash flow from investing activities in so far as payment has been made in cash. Cash balances present in acquired group companies are deducted from the acquisition price. The selling price of divested group companies (divestments) is presented in the cash flow from investing activities in so far as payment has been made in cash. The cash balances present in divested group companies are deducted from the selling price.

### Post Balance Sheet Events

These financial statements include the effects of events occurring between balance sheet date and the date these financial statements are authorized for issue, to the extent that these events provide evidence of conditions that existed at the balance sheet date. While effects of events that arise post-balance sheet date are disclosed, they have not resulted in an adjustment of the financial statements.

### Risk Management

The Company's activities expose it to a variety of risks, including market (currency risk and interest rate risk), credit, and liquidity risks. Financial instruments are accounted for under Assets (Loans and Receivables) and Equity (Convertible Bonds). The Company neither holds nor issues financial instruments for trading or hedging purposes. The principal financial instruments, from which financial instrument risk arises, are trade receivables, cash and cash equivalents, trade and other payables, and bank overdrafts.

### Fair Value

The Company does not hold any financial assets or liabilities accounted for at fair value through the profit and loss. Fair values disclosed are calculated based upon current interest rates, taking into account the terms and conditions of the financial asset or liability. In most cases, fair values will equal the carrying value of the item.

### Derecognition of Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

### Derecognition of Financial Liabilities:

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### Reclassification of Financial Assets

No Reclassification of Financial Assets has been applied in 2020, however for comparison purposes the presentation of Contract Cost Assets is altered.

### Currency Risk

The Company operates across the globe in various currency environments and is exposed to foreign exchange risks, mainly with respect to the US dollar. To minimize the exposure, it is the intention to balance assets and liabilities in foreign currencies as much as possible. The local balance sheet contains no foreign currency other than the functional currency of the entity. Currency effect arising during the year are directly accounted for in the Consolidated Statement of (Comprehensive) Income, limiting the exposure for currency risk per balance sheet

(IFRS 7.35 and 42). Reference rates include 1.17 (2019: 1.09) for the year-end closing rate, USD against the Euro. For net income, the average rate of USD against the Euro was 1.12 (2019: 1.10). Currency exposure to date is limited to the US operations. The company assessed this is a naturally hedged position with no material residual currency exposure.

### Credit Risk disclosure

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities: primarily trade receivables, but also including its deposits with banks.

The Group applies IFRS 9. IFRS 9 establishes a three stage impairment model, based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition. These three stages then determine the amount of impairment to be recognized as expected credit losses (ECL) (as well as the amount of interest income to be recorded) at each reporting date:

» Stage 1: Credit risk has not increased significantly since initial recognition – recognize 12 months ECL (i.e., the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date), and recognize interest on a gross basis.
» Stage 2: Credit risk has increased significantly since initial recognition – recognize lifetime ECL (i.e., ECLs that result from all possible default events over the expected life of a financial instrument), and recognize interest on a gross basis.
» Stage 3: Financial asset is credit impaired – recognize lifetime ECL, and present interest on a net basis (i.e. on the gross carrying amount less credit allowance).

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is significant increase in credit risk the Group compares the risk of a default occurring on the asset at the reporting date with the risk of default as the date of initial recognition. For trade receivables and contract assets (with a maturity of 12 months or less), 'lifetime expected credit losses' are recognized (the 'simplified approach').

Please also refer to note 4 to the consolidated Financial Statements. The Company has assessed its credit risk. The Company has no significant concentrations of credit risk. The Top 100 customers account to 9.3% (2019: 18%) of total revenue, while no individual customers accounts to more than 1% (2019: 2.9%). The Company serves a number of verticals like Business Services, Industry & Home Improvement, Telecom, Insurance, Food Industry & Food Retail, Non Food, Consumer Electronics, Transport & Logistics, Office Supplies, Automotive, Medical and Others mitigating the risk of being dependent from one sector.

Management has policies in place to ensure that sales of products are made to customers with an appropriate credit history. In the event of collectability issues, the Company takes an impairment charge to cover the potential loss.

Summary of financial liabilities (including long term liabilities) based on contractual undiscounted payments per year-end 2020 and 2019:

| | Short term | | Long term | | |
|---|---|---|---|---|---|
| **Summary of Financial Liabilities** | > 0 months < 3 months | > 3 months < 12 months | > 1 year < 5 years | > 5 years | **Total 2020** |
| Lease Liabilities | 104 | 293 | 609 | | 1,005 |
| Trade Creditors | 702 | 103 | 52 | - | 857 |
| Other Payables | 527 | 1,612 | - | - | 2,140 |
| **Total** | **1,333** | **2,008** | **661** | **-** | **4,002** |

| | Short term | | Long term | | |
|---|---|---|---|---|---|
| **Summary of Financial Liabilities** | > 0 months < 3 months | > 3 months < 12 months | > 1 year < 5 years | > 5 years | Total 2019 |
| Trade Creditors | 651 | 92 | 54 | - | 797 |
| Other Payables | 352 | 1,055 | - | - | 1,407 |
| **Total** | **1,003** | **1,147** | **54** | **-** | **2,204** |

The maximum risk is the outstanding balance of Loans and Trade Receivables, for details see page 54. The Top 10 outstanding debtors amount to 34% (2019: 42%) of the outstanding receivables. Credit Risks from balances with banks relates to the risk that certain financial covenants are not met, which could trigger early termination resulting in redemption of the loan. Outstanding bank balances are recorded against their carrying amount. The Company has no derivative financial instruments in use.

## Liquidity Risk

The Company projects a cash flow positive business model. The Company's SaaS business is growing, and consequently the Company is becoming more resilient to cashflow seasonality. Occasionally, the Company engages in contracts with commercially dominant counterparties with whom extended payment terms are agreed. These payment terms put a strain on working capital balances.

The company has a working capital facility in place for working capital purposes. The Company's current liabilities consist for a substantial part out of deferred revenue, limiting the Liquidity Risk that may exist.

The remaining liquidity risk of the Company originating from financial instruments is limited. Management regularly assesses the outstanding debt position as well as the outstanding equity instruments. It also evaluates funding opportunities, like issuing new shares and/or Convertible Bonds and obtaining a new credit facility, further limiting the liquidity risk.

As in prior years the company was fully equity financed using net cash from operations. The company did not use any loans or debts from credit institutions. As at balance sheet date there is no short term debt or bank overdrafts.

## Interest Rate Risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The exposure of the Company to this risk is limited to the financial instruments with Rabobank (EURIBOR based). Management regularly assesses the outstanding debt position and evaluates funding opportunities. As at September 30, 2020, the Company held no (2019: no) short term (interest bearing) debt.

## COVID-19

COVID-19 and the government measures to contain the virus have impacted the TIE Kinetix operations in FY 2020 in a limited way. Our offices have been closed, and travel was suspended. Working from home obviously was more challenging for some than for others. The company is striving for a fair and flexible working environment offering its staff ample flexibility to maintain a healthy work-life balance. Some customers of the company suffered from the COVID-19 measures. As the case may be such customers have been granted extended payment terms or other mechanisms to help them through this difficult period. TIE Kinetix expects that more such customer situations will occur if the measures are prolonged in subsequent periods and governmental support programs are reduced. Potentially negative effects of decreasing GDP may hurt our customer's income and ability to pay our invoices or engage into new sales contracts. At the same time TIE Kinetix ackowledges that most of its customer base is in sectors that are robust in economically challenging times – such as retail, food, healthcare.

We have assessed that the first wave of COVID-19 has not effected the valuation of assets and did not lead to a significant deterioration of our receivables position. Sales to our large enterprise level customers may have been effected negatively by the travel and meeting restrictions imposed, although around year end we have seen some large sales opportunities materializing. If anything the first ramifications are that the effect of COVID-19 are neutral to positive through increased customer awareness on the need for 100% digitization driving sales in combination with cost savings in travel, marketing and office costs.

The impact of a variable interest rate on the liabilities are as follows:

| Liability | Interest rate | Outstanding 30-9-2019 | +10 basis points | -10 basis points |
|---|---|---|---|---|
| Rabobank | Euribor + 390bps | - | - | - |

## Business Combinations

### Acquisitions 2020

No acquisitions have been made in 2020.

### Divestitures 2020

The Company decided to strategically divest the business lines Demand Generation and Google Adwords for Channel. The divestiture of business line Demand Generation was an asset sale for which an Asset Purchase Agreement was made. These assets, staff and Intellectual Property Rights did not comprise a separate profit and loss account or balance sheet. The divestiture of Google Adwords for Channel was a share transaction covering the sale of TIE International BV.

The solutions, including Intellectual Property Rights, customer contracts and staff were sold for a consideration of € 6 million. The basis for this decision was the desire to free up resources to invest in our focus on 100% digitization of documents with EDI and e-Invoicing solutions. Financial close of the transaction was postponed twice due to the worldwide COVID-19 measures taken and associating insecurities affecting business outlooks worldwide. The transaction financially closed in August 2020 (effective date: 31 July 2020).

The consideration of € 6 million was paid with € 3 million in cash, and € 3 million in a one year 10% vendor loan. The vendor loan matures on the first anniversary of the transaction (August 22, 2021) and the interest due on the vendor loan is paid in 12 monthly installments. The loan is fully secured with first right pledges on the transferred business (TIE International BV, IP and customer contracts).

This tables depicts the proft and loss account of TIE international BV, divested in FY 2020.

| **Results from discontinued operation** | **2020** | **2019** |
|---|---|---|
| Sales | 1,579 | 971 |
| Cost | (1,239) | (508) |
| **Income before tax from discontinued operations** | 339 | 463 |
| | | |
| Results from discontinued operations, net of tax | 339 | 463 |
| | | |
| Gain on sale of discontinued operation | 6,243 | - |
| **Income from discontinued operations, net of tax** | **6,582** | **463** |

Transaction cost are included in the income from discontinued operations, net of tax, such as legal advisory expenses. Also references is made to note 'Key Management Personnel Compensation' on page 67.

This table depicts the balance sheet of TIE International BV per 31 July 2020, divested in FY 2020.

| **Assets** | | **July 31, 2020** |
|---|---|---|
| Trade Debtors | | 47 |
| Cash and Cash Equivalents | | 844 |
| Tax receivables (payroll tax) | | 14 |
| | **Current assets** | **905** |
| | | |
| **Equity and liabilities** | | |
| Share Capital (incl Surplus) | | 20 |
| Retained Earnings | | (581) |
| | **Equity** | **(561)** |
| | | |
| Trade creditors | | 175 |
| Deferred revenue (current) | | 1,277 |
| Other Payables and Accruals | | 14 |
| | **Current liabilities** | **1,466** |
| | | |
| | **Total Equity and Liabilities** | **905** |

This table depicts the cash flow statement of TIE International BV, divested in FY 2020.

| | **July 31, 2020** | **September 30, 2019** |
|---|---|---|
| Consideration received in cash | 3,000 | - |
| Cash disposed of | (844) | - |
| **Cashflow from investing activities** | **2,156** | **-** |
| Cashflow from operating activities | 603 | 197 |
| **Cashflow from discontinued operations** | **2,759** | **197** |

## 1) Intangible Fixed Assets

The movements in Intangible fixed Assets are summarized below:

| Intangible Fixed Assets | Goodwill | Customer Base | Software develop-ment costs | Purchased Software | Total |
|---|---|---|---|---|---|
| **Carrying value as per September 30, 2018** | **2,250** | 33 | **3,438** | **301** | 6,021 |
| Movements 2019; | | | | | |
| Additions | - | - | 1,083 | 17 | 1,100 |
| Amortization | - | (14) | (1,078) | (106) | (1,198) |
| Translation adjustments on Investments | 601 | - | 51 | 6 | 659 |
| Translation adjustments on Amortization | (573) | - | (51) | (4) | (628) |
| Translation adjustments on Impairments | - | - | - | (2) | (2) |
| **Carrying value as per September 30, 2019** | **2,278** | **19** | **3,443** | **211** | **5,951** |
| Accumulated Investments per September 30, 2019 | 4,165 | 849 | 9,859 | 947 | 16,156 |
| Accumulated Amortization per September 30, 2019 | (573) | (821) | (6,378) | (725) | (8,498) |
| Accumulated Impairments per September 30, 2019 | (1,314) | (9) | (38) | (11) | (1,706) |
| **Carrying value as per September 30, 2019** | **2,278** | **19** | **3,443** | **211** | **5,951** |
| Movements 2020; | | | | | |
| Additions | - | - | 1,021 | 2 | 1,023 |
| Amortization | - | - | (1,236) | (106) | (1,342) |
| Impairment | - | - | (298) | - | (298) |
| Translation adjustments on Investments | (706) | - | (60) | (3) | (769) |
| Translation adjustments on Amortization | 673 | - | 60 | 3 | 737 |
| **Carrying value as per September 30, 2020** | **2,245** | **19** | **2,930** | **106** | **5,300** |
| Accumulated Investments per September 30, 2020 | 3,459 | 849 | 10,820 | 945 | 16,073 |
| Accumulated Amortization per September 30, 2020 | 100 | (821) | (7,554) | (828) | (9,103) |
| Accumulated Impairments per September 30, 2020 | (1,314) | (9) | (336) | (11) | (1,670) |
| **Carrying value as per September 30, 2020** | **2,245** | **19** | **2,930** | **106** | **5,300** |
| Useful life | Indefinite | 5 - 10 years | 3 - 7 years | 3 - 5 years | |

| | | | | | **2020** |
|---|---|---|---|---|---|
| Goodwill | 2,245 | | | | 2,245 |
| Other Intangibles | | 19 | 2,930 | 106 | 3,056 |
| | | | | | **5,300** |

| | | | | | 2019 |
|---|---|---|---|---|---|
| Goodwill | 2,278 | | | | 2,278 |
| Other Intangibles | | 19 | 3,434 | 211 | 3,673 |
| | | | | | **5,951** |

EUR 298k relates to the impairment of the carrying value of Concept Digital Channel (CDC). The CDC is an interface for the front-end and back-end of the FLOW platform, which was in place for Google Adwords contracts. After the disposal of TIE International, this interface will no longer generate future cash flows for the group and as such is impaired in the financial year 2020.

With the introduction of FLOW in 2016, the company has re-assessed the useful life of the trademark CSP (from indefinite to 7 years) and amortizes this Intangible Asset accordingly. This asset was transferred in 2016 from the category trademark to software development costs. This asset has been sold as part of the divestiture of the TCMA business on August 22, 2020. Other movements consist of Foreign Currency movements for the North American CGU.

The movement of the software development costs predominantly consists of the year's capitalized development and the depreciation thereupon.

## Impairments

Cash generating units are identified in line with the way management monitors, and will continue to monitor, the business. This is based on the internal reporting to the Executive Board as main decision making body in the company. Our planning and reporting is based on country segments. All revenue, direct costs and fee earning staff are allocated to country operations (or holding functions). Country operations are the reporting segment for internal reporting and externally for statutory reporting purposes. In preparing the segment information, the accounting principles applied reflect the same as those in the preparation of the Consolidated Statement of Financial Position and Consolidated Statement of Income. Any transactions between reporting segments are accounted for at cost. These items are adjusted for the segment information presented under Eliminations.

TIE Kinetix has country operations in the Netherlands, in the US, in Germany, and in France. This leads to the following cash generating units:

» TIE Netherlands
» TIE France
» TIE US
» TIE Germany
» TIE Product Development

As in past years we used a discounted cash flow model to determine the value in use, based on a 12% post tax WACC (pre-tax WACC of 16%) and 10 years horizon. Management has assessed the assumptions used and has conducted sensitivity tests with post tax WACC of 13% and 14%. The company uses an impairment model with a 10 year horizon and without terminal value projections. This model aligns with industry developments.

Management has conducted annual impairment testing and assessed that for all cash generating units the Value in Use [IAS 36.30-57] exceeds Carrying Value [IAS 36.8-9]. Furthermore, management has no indications that individual assets of any cash generating units may be impaired.

## CGU TIE Germany

TIE Germany was acquired by TIE Kinetix in December 2013. As at acquisition date TIE Germany was acquired for a consideration including Goodwill. At year end 2017 management has assessed 10 year cumulative cash flow of CGU Germany and impaired 100% of the Goodwill of TIE Germany (amounting to € 2,282k), since the estimated future cash flows of TIE Germany, discounted at a WACC of 12% was insufficient to cover the carrying value of goodwill.
In FY 2020 the Company converted a German Holding company (TIE TFT Holding GmbH) into an Operating Company called TIE Kinetix DACH GmbH to house new contracts for the Integration business. CGU TIE Germany has no intangible assets for which impairment testing is applicable.

## CGU TIE Netherlands

In FY 2020 TIE has grown its coverage in the e-invoicing to government market in the Netherlands and in Germany. With our SaaS based service our clients, municipalities and banks, insurance companies and government bodies are able to receive electronic invoices from their suppliers through connecting with our portal on the FLOW platform. TIE receives revenue both for the onboarding of suppliers to our FLOW portal as well as a usage based fee per message sent over the portal. In FY 2020 the supplier onboarding program suffered from COVID-19 restrictions. Connecting, and actually sometimes, contacting, suppliers proved sometimes difficult with many companies closed down or working remotely. The use of the platform by suppliers depends on the suppliers' willingness to migrate from conventional billing towards e-invoicing. In FY 2020 the use of the platform is below our expectations and our revenue for e-invoicing to government is slightly below expectations. However, the Company intends to step up its supplier onboarding program and at the same time expects to win landmark contracts in the Netherlands and Germany in FY 2021. Management assesses that future revenue growth provides sufficient assurance to satisfy the impairment model. In FY 2021 more municipality contracts will be awarded in the German market and the Netherlands market may be expected to grow with more companies requiring e-invoicing capabilities. The company will further invest in marketing, sales and onboarding expenses to grow this business.

The future growth of the Business to Government operation is estimated to be around 50% in the period 2020-2022 and flat thereafter. It is assessed that the 10 Year Cumulative Cashflow includes sufficient headroom over the carrying value of Goodwill.

## CGU others:

For the other cash generating units TIE France, TIE US and TIE Product Development there are no specific topics to report on. They have all been accessed and 10 years Cumulative Cashflow includes sufficient headroom over the carrying value of goodwill.

Allocation of the carrying value of the Intangible Fixed Assets tested to the CGU's and segments for impairment per September 30, 2020 and comparative number per September 30, 2019 are as follows:

| **CGU** | NL | France | US | Prod. Dev. | **Total 2020** |
|---|---|---|---|---|---|
| Goodwill | 1,640 | 153 | 451 | - | **2,245** |
| Customer Base | 19 | - | - | - | **19** |
| Software Development Costs | - | - | - | 2,930 | **2,930** |
| Purchased Software | 106 | - | - | | **106** |
| **Total** | **1,765** | **153** | **451** | **2,930** | **5,300** |

| **CGU** | NL | France | US | Prod. Dev. | Total 2019 |
|---|---|---|---|---|---|
| Goodwill | 1,640 | 153 | 484 | - | **2,278** |
| Trademarks | - | - | - | 400 | **400** |
| Customer Base | 19 | - | - | - | **19** |
| Software Development Costs | - | - | - | 3,044 | **3,044** |
| Purchased Software | 211 | - | - | - | **211** |
| **Total** | **1,870** | **153** | **484** | **3,444** | **5,951** |

As in previous years the impairment test was based on a discounted cash flow model to determine the value in use.

For all Cash Generating Units modest annual growth rates have been applied (varying between 10-25% for all operations in line with our multi-year planning assumptions and based on market estimates of external advisory firms. These growth rates are used to extrapolate cash flow beyond budget 2021, as approved by the Executive Board and Supervisory Board, and the following nine years. After ten years no residual value is taken into account. A post tax WACC discount rate 12% has been used.

Growth Rate Estimates: Growth rates are based on published industry research and management's assessment of how the CGU develops in the forecast period. Residual Value: Our discounted cash flow calculation showed no residual value after 10 years; adding additional years to the cash flow calculation have limited effect under the applied discount rate and the residual value becomes less predictable. Discount Rate: The discount rate is based on the post tax WACC and reflects the current market assessment of the risks specific to each CGU. The discount rate used was estimated on the weighted average costs of capital for shareholders' equity and loan capital. The cost structure of shareholder's capital is determined on the basis of the interest rate adjusted for cyclical and market risks. The rate of loan capital is determined on the basis of an interest rate for long term state loans for business risks and also adjusted due by a reasonable risk premium for SME's. The assumptions have been used for the analysis of each CGU within the operating segment for Intangible assets and Goodwill as well as over the total Company. As in previous years, currency exchange results caused by the movement of the $ versus the € related to the $ denominated value of the goodwill in CGU TIE US, are accounted for in equity.

## Sensitivity analysis

With regard to the assessment of the recoverable amount of each CGU and the total Company, management believes that reasonably possible change in any of the above key assumptions could cause changes to the results of the executed impairment test.

## 2) Tangible Fixed Assets

### Property, Plant and Equipment

Movements in Property, Plant and Equipment are shown below:

| **Tangible Fixed Assets** | Leasehold improvements | Right-Of-Use Asset* | Hardware | Total |
|---|---|---|---|---|
| **Carrying value as per September 30, 2018** | 120 | - | 57 | 176 |
| | | | | |
| **Movements 2019** | | | | |
| Additions | 1 | - | 26 | 27 |
| Depreciation per Statement of ( comprehensive ) Income | (71) | - | (26) | (97) |
| Translation Adjustments Investments | 14 | - | 14 | 29 |
| Translation Adjustments Depreciation | (13) | - | (14) | (27) |
| **Carrying value as per September 30, 2019** | **50** | **-** | **57** | **107** |
| | | | | |
| Accumulated Investments per September 30, 2019 | 831 | - | 1,505 | 2,335 |
| Accumulated Depreciation per September 30, 2019 | (780) | - | (1,089) | (1,869) |
| Accumulated Disposals per September 30, 2019 | - | - | (359) | (359) |
| **Carrying value as per September 30, 2019** | **50** | **-** | **57** | **107** |
| | | | | |
| IFRS 16 adjustment | - | 803 | - | **803** |
| **Balance as of October 1, 2019** | **50** | **803** | **57** | **911** |
| | | | | |
| **Movements 2020** | | | | |
| Additions | - | 649 | 21 | 670 |
| Depreciation per Statement of ( comprehensive ) Income | (37) | (507) | (19) | (563) |
| Translation Adjustments Investments | 1 | - | (17) | (16) |
| Translation Adjustments Depreciation | - | - | 17 | 17 |
| **Carrying value as per September 30, 2020** | **15** | **945** | **59** | **1,019** |
| | | | | |
| Accumulated Investments per September 30, 2020 | 832 | 1,452 | 1,509 | 3,793 |
| Accumulated Depreciation per September 30, 2020 | (817) | (507) | (1,091) | (2,415) |
| Accumulated Disposals per September 30, 2020 | - | - | (359) | (359) |
| **Carrying value as per September 30, 2020** | **15** | **945** | **59** | **1,019** |

* The right of use assets relates to leased assets classified as Leasehold improvements.

At balance sheet date there are no restrictions on title. No items of Property Plant and Equipment have been pledged as security against liabilities. The fair value of the Property, Plant and Equipment is deemed to be a close approximation of the carrying value. The investments in Leasehold improvements and the Right of Use Assets predominantly relate to Leasehold and Office Equipment in the US; while Hardware relate to new computer equipment in all territories. The translation adjustment on Investments and Depreciation predominantly results from the fluctuation of the US Dollar.

## 3) Deferred Taxes

| Deferred Taxes | 2020 | 2019 |
|---|---|---|
| From US operations | 267 | 299 |
| **Balance as at September 30,** | **267** | **299** |

The deferred tax and movements thereupon are discussed below.

### United States

The carrying value of the Deferred Tax Asset in the US amounts to € 267k ($ 313k) and € 299k or $ 327k as at September 30, 2020 and 2019 respectively. The Deferred Tax Asset in the US pertains in full to the activities of the Company in the United States and represents temporary differences. A summary of the detailed breakdown of movements in the deferred tax amount is provided below:

| Temporary Differences (Asset) | 2020 | 2019 |
|---|---|---|
| Deferred Revenue | 1,232 | 1,337 |
| Acrrued vacation days | 84 | 143 |
| Bad debt impairments | 7 | 34 |
| Depreciation of fixed assets | 60 | 72 |
| Rent | 24 | 25 |
| Lease liability | 223 | - |
| **Total Temporary Differences (Asset)** | **1,630** | **1,611** |

| Temporary Differences (Liability) | 2020 | 2019 |
|---|---|---|
| Goodwill | (451) | (484) |
| Right-of-use assets | (180) | - |
| **Total Temporary Differences (Liability)** | **(631)** | **(484)** |

| | | |
|---|---|---|
| **Total Temporary Differences (Net position)** | **999** | **1,127** |

| Net deferred Tax Asset | 2020 | 2019 |
|---|---|---|
| Deferred Tax Asset at 27% on temporary differences | 267 | 299 |
| Deferred Tax Asset at 27% on loss carry forward | - | - |
| **Net deferred Tax Asset** | **267** | **299** |
| **Movements** | **2020** | **2019** |
| **Balance as at October 1,** | **299** | **372** |
| Debited to Income on temporary differences | (12) | (95) |
| Net Currency Translation Effect | (20) | 22 |
| **Balance as at September 30,** | **267** | **299** |

The principle item included in the temporary difference is the tax pertaining to the change in the temporary difference between the carrying value and the tax base of the Goodwill and deferred revenues. As at September 30, 2020 the company had fully utilized its tax loss carry forward position for US tax purposes.

### The Netherlands

In the Netherlands, the available but substantially unrecognized loss carry forward totals € 6,369k (2019: € 7,334k), which is available to offset future taxable income for a maximum period of 9 years. The total amount that lapsed in FY 2020 amounts to € 234k. It's expected that the subsidiary TIE Asia Pacific will be liquidated in the nearby future, for which a liquidation loss of EUR 1,487k will be available. This future deductible loss is not recognized as deferred tax asset. In 2016 the company applied tax planning structures to prevent the expiring of its available tax loss carry forward position. Although the Dutch Tax authorities have not yet reviewed this structure, the tax loss carry forward position includes the effects of this structure. A possible, adverse position taken by the Dutch Tax authorities will have no effect on the carrying value of the Deferred Tax assets since the carrying value of the Deferred Tax Asset in the Netherlands amounts to € 0k (2019: € 0k). Management has decided not to recognize the carrying value of the Netherlands Deferred Tax Asset because of low track record of cash flow against plan realization, and history of taxable income.

A Deferred Tax Liability has been created for temporary differences in the Netherlands amounting to € 176k (2019: € 199k) resulting from Goodwill CSP and Trademark CSP. Based on IAS 12.34 and in view of the available tax loss carry forward position a Deferred Tax Asset has been created for the same amount as it is expected that the temporary fiscal differences will be settled in the same period that unrecognised tax losses are available. Both amounts are offset against each other and therefore the net impact is nil.

| **Net deferred Tax Asset** | **2020** | 2019 |
|---|---|---|
| Deferred Tax Asset at 20/25% on temporary differences | (176) | (199) |
| Deferred Tax Asset at 20/25% on loss carry forward | 176 | 199 |
| **Net deferred Tax Asset** | **-** | - |

| **Temporary Differences** | **2020** | 2019 |
|---|---|---|
| Goodwill | (594) | (594) |
| Trade Mark | (286) | (400) |
| **Total Temporary Differences (Asset)** | **(880)** | **(994)** |
| **Total deferred tax liability for Temporary Differences at 20/25%** | **(176)** | **(199)** |

## 4) Current Assets

| Financial assets | Classification under IFRS 9 | Carrying amount |
|---|---|---|
| Cash and cash equivalents | Carried at (amortized) cost | 5,886 |
| Receivables | Carried at (amortized) cost | 1,470 |
| Other receivables | Carried at (amortized) cost | 346 |
| Loan Receivable | Carried at (amortized) cost | 3,000 |
| Contract Asset | Carried at (amortized) cost | 303 |

Management has assessed that the ECL on Financial Assets other than Trade Receivables and Contract Assets is close to nil, and therefore evaluated as nil. The loan receivable of € 3 million is fully secured with first right pledge. Further disclosure is given in the note of Divestitures 2020 on page 46. The fair value of the current loan granted of EUR 3 million is evaluated to be equal to the carrying value based on amortized costs.

| Current | Weighted-average loss rate | Gross carrying amount | Loss Allowance |
|---|---|---|---|
| 1-30 days past due | 0.0% | 1,399 | - |
| 31-60 days past due | 0.0% | 163 | - |
| 61-90 days past due | 0.0% | 178 | - |
| 91-360 days past due | (0.1%) | 53 | - |
| More than 360 days past due | (0.1%) | 7 | (1) |
| Additional stage 2 of ECL model | - | - | (25) |
| **Total** | | **1,800** | **(26)** |

### Trade Receivables and Other Receivables

| Trade Receivables and Other Receivables | 2020 | 2019 |
|---|---|---|
| Trade Receivables | 1,497 | 2,209 |
| Less: Valuation Allowance | (26) | (53) |
| **Trade debtors net of valuation allowance** | **1,470** | **2,156** |
| **Income Tax Receivable** | **43** | **46** |
| **Taxation and social security prepaid** | **63** | **66** |
| Security Deposits | 78 | 75 |
| Employees | 13 | 1 |
| Prepayments | 255 | 325 |
| **Other Receivables and Prepayments** | **346** | **400** |
| **Total** | **1,923** | **2,621** |

## Trade Receivables

The following table reflects the gross outstanding Trade Receivable balance as of September 30, broken down into 1) balances that have not passed their due dates and 2) balances that have passed their due dates. The latter category is further broken down into categories detailing the extent to which they have passed their due dates. The "less than 30 day" outstanding category represents receivables that have not yet passed their respective due dates and are not impaired. Trade receivables are pledged (refer to page 72).

| | | Past due not impaired | | | |
|---|---|---|---|---|---|
| Trade Receivables by region | Less than 30 days | 31 to 61 days | 61 to 90 days | In excess of 90 days | Total 2020 |
| The Netherlands | 318 | 35 | 4 | 16 | 373 |
| North America | 478 | 96 | 83 | 39 | 696 |
| France | 62 | 8 | 29 | 3 | 102 |
| DACH | 211 | 24 | 62 | 2 | 299 |
| **Total** | **1,069** | **163** | **178** | **60** | **1,470** |

| | | Past due not impaired | | | |
|---|---|---|---|---|---|
| Trade Receivables by region | Less than 30 days | 31 to 61 days | 61 to 90 days | In excess of 90 days | Total 2019 |
| The Netherlands + International | 685 | 66 | 74 | 44 | 868 |
| North America | 508 | 109 | 155 | 216 | 988 |
| France | 103 | 19 | 19 | 22 | 163 |
| DACH/TFT | 103 | 26 | 3 | 4 | 136 |
| **Total** | **1,399** | **220** | **251** | **286** | **2,156** |

Trade receivables from Tie Kinetix Nederland BV are pledged to RABO Bank as collateral for a working capital facility provided by RABO Bank. The fair value of trade Receivables amounts to € 1,470k (2019: € 2,156k). Details on the movements in the provision for doubtful debt (excluding recoverable VAT) are found below:

| **Movements in the provision of doubtful debt** | Individually Impaired | Total |
|---|---|---|
| **Balance as at September 30, 2018** | **13** | **13** |
| Charge for the year | 50 | 50 |
| Utilised | (13) | (13) |
| **Balance as at September 30, 2019** | **50** | **50** |
| Charge for the year | 26 | 26 |
| Utilised | (30) | (30) |
| Unused amounts reversed | (18) | (18) |
| Currency exchange rate differences | (1) | (1) |
| **Balance as at September 30, 2020** | **26** | **26** |

### Other Receivables and Prepaid Expenses

Other Receivables predominantly consist of security deposits for rental agreements. Prepayments include short term prepaid amount to suppliers (resulting from SaaS sales to customers < 1 year) prepaid rent, car lease, and insurance premiums.

### Cash and Cash Equivalents

Under this heading, the company only includes cash at banks, potentially short term deposits, and payments in transfer. The reported cash balance was available at balance sheet date; there were no restrictions with respect to availability. The Fair Value of Cash and Cash Equivalents approximate the nominal value of these items.

## 5) Equity

### Shareholders' Equity

Management policy with respect to managing Capital, consisting of all components of Equity, including the Convertible Bonds, is to maintain a positive Equity, while limiting funding through Debt as much as possible due to the liquidity risks attached to Debt. This implies that Business Combinations, Investments and Operations are funded primarily by issuing Equity Instruments, also in the event of a cash component payable arising from a Business Combination. For the appropriation of net result for the year FY 2020 reference is made to page 83.

### Share Capital

The company's authorized share capital amounts to € 500k (2019: € 500k), consisting of 5 million ordinary shares with a nominal value of € 0.10 each. In 2020 5,384 shares were issued, whereas the total number of issued and paid up shares amounts to 1,632,665 as at September 30, 2020. Shareholders' Equity amounts to € 9,873k (or € 6.05 per share) on September 30, 2020 (2019: € 3,490k, or € 2.14 per share). The movements in the number of Common Shares outstanding can be summarized as follows:

| **(number of shares)** | **2020** | 2019 |
|---|---|---|
| **Balance as of October 1,** | 1,627,281 | 1,617,281 |
| Issued | 5,384 | 10,000 |
| **Balance as at September 30,** | **1,632,665** | **1,627,281** |
| **In € (x 1,000)** | **163** | **163** |

Details on movements in Issued Capital in nominal values and Share Premium Account are found below:

| | **Share Capital** | | Share Premium Account | |
|---|---|---|---|---|
| **(€ x 1,000)** | **2020** | 2019 | **2020** | 2019 |
| **Balance as of October 1,** | 163 | 162 | 61,300 | 61,231 |
| Issue of new shares | 0.5 | 1 | 5 | 69 |
| **Balance as at September 30,** | **163** | **163** | **61,305** | **61,300** |

| **Foreign Currency Translation Reserve** | **2020** | 2019 |
|---|---|---|
| **Balance as of October 1,** | 76 | 53 |
| Currency translation movement | (31) | 23 |
| **Balance as at September 30,** | **45** | **76** |

## Equity Settled Share Based Payment

### Annual Stock Options Plan

The Stock Options granted under the Annual Stock Options Plan have a three-year vesting period and a subsequent exercise period of 7 years. Staff members leaving the Company within the vesting period loose their Stock Options. During 2020, no new Stock Options have been issued under the Annual Stock Option Plan. As at year end 2019 the weighted remaining average lifetime of all Stock Options was 1.17 years. In 2020 300 stock options have been exercised and converted into 300 shares for a consideration of € 3,000 in cash.

Movements in the number of Stock Options to staff members and management of the Company:

| **Movement of Stock Options** | **Excercise Price** | **2020** | Excercise Price | 2019 |
|---|---|---|---|---|
| **Options outstanding as of October 1,** | **15.65** | **15,737** | **16.05** | **46,237** |
| Options lapsed | 19.10 | (7,500) | 10.00 | (21,000) |
| Options forfeited | 12.60 | (7,936) | 10.00 | (9,500) |
| Options exercised | 10 | (300) | | |
| **Option outstanding at September 30,** | **-** | **-** | **15.65** | **15,737** |

| **Movement of Warrants** | **Excercise Price** | **2020** | Excercise Price | 2019 |
|---|---|---|---|---|
| **Warrants outstanding as of October 1,** | **7.00** | **320,276** | **7.00** | **330,276** |
| Warrants converted during the year | 7.00 | (1,684) | 7.00 | (10,000) |
| **Warrants outstanding at September 30,** | **7.00** | **318,592** | **7.00** | **320,276** |

For the acquisition of TFT in 2013, 388,846 warrants have been issued on December 2, 2013. Each warrant entitles to holder to purchase a newly issued TIE Kinetix share at a share price of € 7.00 until December 2, 2023.

In 2017, 8,570 warrants have been exercised against the issue of new shares at a share price of € 7.00 each. Total transaction amounted € 59,990 in cash. In 2018 no warrants have been exercised. In 2019, 10,000 warrants have been exercised against the issue of new shares at a share price of € 7.00 each. The total transaction amounted to € 70,000 in cash. In 2020, 1,684 warrants have been exercised and converted into 1,684 shares for a consideration of € 11,788 in cash.

The aforementioned balance reflects the future expense of outstanding Stock Options at balance sheet date, based on management's current best estimate of the number of Stock Options that will actually vest. This balance is not reflected on the face of the Statement of Financial Position. A Black & Scholes model was used to calculate the fair value of the Stock Option plans. Our model applies, amongst other volatility metric used and a risk free interest rate. The expected volatility is based on the historical share price over the past 5 years.

## Stock Options

The outstanding non-staff member Stock Options were issued in relation to credit facilities offered to the Company by the various lenders. It is the Company's policy and intention to issue new shares upon exercise of these Stock Options. Outstanding non-staff member Stock Options do not have vesting periods, but rather contain a one-year lock-up period and no requirement to be expensed. Considerations received for these Gross Equity Settled Instruments at issue were credited to equity. In 2020 3,700 stock options have been exercised and converted into 3,700 shares for a consideration of € 37,000 in cash, this includes the 300 options exercised under the Annual Stock Option Plan. As at September 30, 2020 no Stock options to third party investors are outstanding.

## Convertible Bonds

Convertible Bonds issued by the Company have been classified as Equity, based on the fact that under the terms and conditions of these bonds, there is evidence of a residual interest in the Company's assets after deducting all of its liabilities. The conversion rates are fixed, and all Convertible Bonds are non-interest bearing. Distributions to holders of Equity Instruments are recognized directly in equity net of tax. Upon maturity, the Company reached agreement with the (two) bondholders to cash settle the redemption of the bonds. In FY 2019, an amount of € 2k was paid to cash settle the redemption with one bondholder. As at September 30, 2019 the cash settlement with the other bondholder remained to be effected pending the provisioning of settlement details by the bondholder to the Company, for which an amount of € 16k is recorded under current liabilities. Upon redemption, an amount of € 26k was added to net income for the year. As at September 30, 2019 all convertible bonds have been redeemed.

## 6) Non Current Liabilities

| Long Term Liabilities | 2020 | 2019 |
|---|---|---|
| Deferred Revenue | 484 | 555 |
| Deferred Tax Liability | 10 | 5 |
| Pension Provisions | 170 | 184 |
| Lease Liability | 609 | - |
| **Total Long Term Liabilites** | **1,273** | **744** |

Deferred Revenue represents the long term part of the unearned portion of revenues earned and invoiced for contract lasting over 12 months.

The deferred tax liability is discussed on page 54.

| Movement of Pension Provisions | 2020 | 2019 |
|---|---|---|
| **Balance as of October 1,** | **184** | **184** |
| Charged to income | (15) | - |
| **Balance as at September 30** | **170** | **184** |

The defined benefit scheme does not entail plan assets. Therefore the carrying value equals the present value of the defined benefit obligation.

### Deferred tax Liabilities

The carrying value of the Deferred Tax Liability in Germany amounts to € 0k (2019: nil) and in the Netherlands € 5k (2019: € 5k).

| Deferred tax liability | Netherlands | DACH | Total |
|---|---|---|---|
| **Carrying value as per September 30, 2018** | **6** | **2** | **8** |
| **Movements 2019** | | | |
| Release to Statement of (Comprehensive) Income on amortisation | (1) | (2) | (3) |
| **Carrying value as per September 30, 2019** | **5** | **-** | 5 |
| **Movements 2020** | | | |
| Additions | 5 | - | 5 |
| **Carrying value as per September 30, 2020** | 10 | 0 | 10 |

## 7) Current Liabilities

| Financial liabilities | Classification under IFRS 9 | Carrying amount |
|---|---|---|
| Accounts Payable | Other financial liablities | 857 |
| Deferred Revenue | Other financial liablities | 3,374 |

### Short Term Debt

As at year end 2020, the short term debt position is nil (2019: nil). The fair value of Creditors amounts to € 857k (2019: € 797k). Current liabilities / other payables and accruals includes an amount of € 469k ($550k) as loan received by TIE Commerce Inc under the United States Payroll Protection Program. In future this loan may be converted into a grant if and when the conditions for such conversion are met. The fair value of the current loan of $ 550k in TIE Commerce Inc. is evaluated as equal to its carrying value based on amortized costs.

### Deferred Revenue

Deferred Revenue represents the unearned portion of revenues earned over a specific period. The maintenance and support agreement entitles the user to support and updates of the software. These maintenance contracts are deferred (100%) and recognized over the related contract period, usually 12 months. The deferred revenue is the difference between the amount invoiced and revenue recognized. In the event of overspending, the outstanding amount is expensed through the Comprehensive Statement of Income. SaaS contracts consist of subscription fee and setup fee which are deferred and recognized over the related contract period.

The amount EUR 4,807k included in deferred revenue balance as of September 30, 2019 has been recognized as revenue in financial year 2020.

### Taxation and Social Security

The Taxation and Social Security balance are detailed as follows:

| Taxation and Social Security | | 2020 | 2019 |
|---|---|---|---|
| Payroll tax* | | 229 | 176 |
| VAT/Sales tax US | | 250 | 177 |
| Income Tax payable | | 62 | - |
| | **Total** | **540** | **352** |

* Payroll tax includes also social security fees.

### Other Payables and Accruals

| Other payables and Accruals | | 2020 | 2019 |
|---|---|---|---|
| Accrued Expenses | | 1,126 | 1,029 |
| Other Accruals and Payables | | 1,007 | 365 |
| Pension Premiums | | 7 | 13 |
| | **Total** | **2,140** | **1,407** |

Other Accruals and Payables include accrual for holiday allowance, holiday days not taken, pension accrual, and accrued expenses.

## 8) Segment Information

Country operations are the primary reporting segment, and the company applies intercompany pricing to account for the various roles country operations have in developing, marketing, selling and delivering our products to the customers. As the case may be, the company identifies sales roles, product ownership roles and development roles, with each role rewarded commensurate with its place in the value chain. For statutory reporting and tax reporting country segments are used as well. For all segment reporting, the accounting rules as mentioned in our accounting policies. The Group evaluates segment performance on the basis of profit or loss from operations calculated in accordance with IFRS. Inter-segment sales are only monitored by the company on a CGU level and not for the purpose of business line segment reporting.

TIE Netherlands: in FY 2020, total revenue grew with 28% to € 7,048k, and SaaS revenue grew with 27% to € 5,104k. Total revenue includes revenue from customers in the Business to Business segment and the Business to Government Segment. In 2020 revenue growth was attributable to strong growth in the Business to Business Segment, and to a lesser extend growth  Business to Government segment. The Covid-19 pandemic and the government measures taken have impacted our ability to onboard government suppliers. In 2021 the Company is launching new onboarding programs. With new contracts in the pipeline we expect that 2021 revenue will show stronger growth in 2021. In 2020 TIE Netherlands reported a strong EBITDA growth to € 2,184k, achieving an EBITDA of 32%. In prior year TIE International BV was included in the Segment TIE Netherlands. In FY 2020 TIE International BV has been divested. TIE Netherlands includes TIE International up to the effective date of the Share Purchase Agreement July 31, 2020.

TIE France: in FY 2020, total revenue grew with 15% to € 1,492k, and SaaS revenue grew with 22% to € 805k. Revenue growth was achieved through strong order intake in prior periods plus an upgrade program to our SaaS FLOW proposition. In FY 2020 TIE France reported an EBITDA of € 415k or 87%, the result from higher revenue and cost reductions.

TIE Germany (DACH): revenue declined to € 2.268k (2019 € 2.583k), primarily caused by the turn around and focus on FLOW business. Staff levels have been reduced accordingly to 13 (2019: 17). Remaining staff is retrained to the FLOW proposition and products. The transition towards EDI/XML, pdf conversion and e-invoicing is in progress. The 2020 performance is on plan and for 2021 we have more projects in the funnel, contributing to a further revenue and bottom line growth. For 2021 the Company is planning for positive EBITDA for TIE Germany following more FLOW customer contracts.

TIE Commerce (US): in 2020, total revenue grew with 6% to $ 7,287k. Until July 31, 2020 the US operation comprised of both integration business and TCMA (Demand Generation) business. The divestiture of this business in August 2020 has diminished the Year on Year growth of TIE Commerce in 2020. US Integration revenue grew in on the back of a migration program replacing our legacy 'On premises' product called Evision with our worldwide SaaS application called FLOW. The migration program is expected to continue for at least another 2 years. In prior year the business line Demand Generation was included in the segment TIE Commerce (US). In FY 2020 the business line Demand Generation has been divested. TIE Commerce includes Demand Generation up to the effective date of the Asset Purchase Agreement July 31, 2020.

# Notes to the Consolidated Statement of Comprehensive Income



Segment items included in the Segment Statement of Financial Position as of September 30, 2020 or further details of items in the segment Statement of Income account are:

| **Revenues 2020** | TIE Nether-lands | TIE US | TIE France | TIE Germany | TIE Product Develop-ment | Holding and Elimi-nations | Total Con't Op | TIE Int. | Total 2020 |
|---|---|---|---|---|---|---|---|---|---|
| Licences | 39 | 537 | 47 | 23 | - | - | 646 | - | 646 |
| Maintenance and Support | 324 | 1,802 | 181 | 333 | - | - | 2,639 | 1 | 2,639 |
| Consultancy | 1,075 | 656 | 459 | 801 | - | - | 2,991 | 430 | 3,421 |
| Software as a Service | 3,956 | 3,402 | 805 | 1,112 | - | - | 9,275 | 1,148 | 10,423 |
| **Revenues** | **5,394** | **6,397** | **1,492** | **2,268** | **-** | **-** | **15,551** | **1,579** | **17,129** |
| Other Income | 1 | 2 | - | 1 | - | - | 4 | - | 4 |
| Intercompany Sales | 75 | 118 | - | 36 | 860 | (1,089) | - | - | - |
| **Total Revenue** | **5,470** | **6,517** | **1,492** | **2,305** | **860** | **(1,089)** | **15,555** | **1,579** | **17,134** |
| Cost of Sales | (1,509) | (3,011) | (364) | (1,481) | (869) | 1,098 | (6,136) | (788) | (6,924) |
| **Gross Margin** | **3,960** | **3,507** | **1,128** | **824** | **(9)** | **9** | **9,419** | **791** | **10,210** |
| **Operating Expenses** | | | | | | | | | |
| Employee Benefits | (832) | (704) | (340) | (426) | - | (1,554) | (3,856) | (268) | (4,124) |
| Other expenses | - | - | - | - | - | - | - | - | - |
| Other Operating expense | (1,280) | (1,982) | (373) | (544) | - | 924 | (3,255) | (187) | (3,442) |
| **Total Operating Expenses** | **(2,112)** | **(2,686)** | **(713)** | **(970)** | **-** | **(630)** | **(7,111)** | **(455)** | **(7,566)** |
| **EBITDA** | **1,848** | **821** | **415** | **(146)** | **(9)** | **(621)** | **2,308** | **337** | **2,645** |

| **Assets** | TIE Netherlands | TIE US | TIE France | TIE Germany | TIE Product Develop-ment | Holding and Elimi-nations | IFRS15 | Total 2020 |
|---|---|---|---|---|---|---|---|---|
| Intangible fixed assets | 618 | 451 | - | - | 2,931 | 1,300 | - | 5,300 |
| Tangible Fixed Assets | 98 | 186 | 37 | 7 | - | 690 | - | 1,019 |
| Financial Fixed Assets | - | 267 | - | 699 | - | (699) | 140 | 407 |
| Current Assets | 1,068 | 1,952 | 575 | 499 | 12 | 7,186 | - | 11,293 |
| **Total Assets** | **1,784** | **2,857** | **612** | **1,205** | **2,943** | **8,477** | **140** | **18,019** |
| **Liabilities** | | | | | | | | |
| Non Current Liabilities | (89) | 183 | 105 | 95 | - | 979 | - | 1,273 |
| Current Liabilities | (562) | (6,803) | 140 | 355 | 13,413 | 280 | - | 6,823 |
| **Total Liabilities** | **(651)** | **(6,620)** | **245** | **450** | **13,413** | **1,259** | **-** | **8,096** |
| **Other Selected Income Statement Items** | | | | | | | | |
| Capital Expenditure | - | - | - | - | 1,032 | 23 | - | 1,055 |
| | | | | | | | | |
| Impairment on fixed assets | - | - | - | - | (298) | - | - | (298) |
| Amortization and depreciation | (75) | (94) | (16) | (83) | (1,236) | (385) | - | (1,889) |
| | | | | | | | | |
| FTE at year end | 25 | 25 | 10 | 13 | 3 | 16 | - | 92 |

2019 for TIE Product Development has been adjusted to facilitate companability with 2020.

| Revenues 2019 | TIE Nether-lands | TIE US | TIE France | TIE Germany | TIE Product Develop-ment | Holding and Elimi-nations | Total Con't Op | TIE Int. | Total 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Licences | 18 | 218 | 67 | 47 | - | - | 350 | - | 350 |
| Maintenance and Support | 341 | 1,995 | 165 | 292 | - | - | 2,793 | - | 2,793 |
| Consultancy | 794 | 588 | 403 | 1,126 | - | - | 2,911 | 309 | 3,220 |
| Software as a Service | 3,352 | 3,138 | 660 | 1,118 | - | - | 8,267 | 662 | 8,929 |
| **Revenues** | **4,505** | **5,939** | **1,294** | **2,583** | **-** | **-** | **14,321** | **971** | **15,290** |
| Other Income | 1 | - | 3 | 12 | - | - | 16 | - | 16 |
| Intercompany Sales | 38 | 155 | - | 6 | 486 | (685) | - | - | - |
| Intercompany & Other Income | 39 | 154 | 3 | 19 | 486 | (486) | 16 | - | 15 |
| **Total Revenue** | **4,545** | **6,093** | **1,297** | **2,601** | **486** | **(486)** | **14,337** | **971** | **15,308** |
| Cost of Sales | (1,272) | (2,898) | (361) | (1,903) | (1,083) | 1,291 | (6,226) | (508) | (6,734) |
| **Gross Margin** | **3,273** | **3,195** | **936** | **699** | **(597)** | **606** | **8,111** | **463** | **8,574** |
| **Operating Expenses** | | | | | | | | | |
| Employee Benefits | (795) | (453) | (480) | (765) | (213) | (2,169) | (4,875) | (276) | (5,151) |
| Other expenses | - | - | (52) | - | - | 26 | (26) | - | (26) |
| Other Operating expense | (1,280) | (2,134) | (453) | (754) | 82 | 1,657 | (2,882) | (219) | (3,101) |
| **Total Operating Expenses** | **(2,075)** | **(2,587)** | **(985)** | **(1,519)** | **(131)** | **(486)** | **(7,783)** | **(496)** | **(8,279)** |
| **EBITDA** | **1,198** | **608** | **(49)** | **(820)** | **(728)** | **120** | **328** | **(33)** | **295** |

| Assets | TIE Netherlands | TIE US | TIE France | TIE Germany | TIE Product Development | Holding and Elimi-nations | Total 2019 |
|---|---|---|---|---|---|---|---|
| Intangible fixed assets | 620 | 485 | - | - | 3,444 | 1,403 | 5,951 |
| Tangible Fixed Assets | 1 | 15 | - | 2 | - | 90 | 107 |
| Financial Fixed Assets | - | 299 | - | - | - | - | 299 |
| Contract Asset | - | - | - | - | - | 139 | 139 |
| Current Assets | 1,300 | 1,668 | 333 | 363 | 12 | 1,425 | 5,100 |
| **Total Assets** | **1,921** | **2,467** | **333** | **366** | **3,456** | **3,056** | **11,596** |
| **Liabilities** | | | | | | | |
| Non Current Liabilities | 8 | - | 92 | 92 | - | 553 | 744 |
| Current Liabilities | (582) | (7,173) | 262 | (701) | 12,904 | 2,653 | 7,362 |
| **Total Liabilities** | **(573)** | **(7,173)** | **354** | **(609)** | **12,904** | **3,206** | **8,106** |
| **Other Selected Income Statement Items** | | | | | | | |
| Capital Expenditure | - | - | - | - | 1,183 | 46 | 1,229 |
| Impairment on fixed assets | - | - | - | - | - | - | - |
| Amortization and depreciation | (15) | (16) | (4) | (2) | (1,078) | (174) | (1,289) |
| FTE at year end | 27 | 26 | 11 | 17 | 4 | 16 | 103 |

* TIE International B.V. was part of the Cashflow Generating Unit of The Netherlands in the past. For the segment tables above, TIE International B.V. is presented separate as 'discontinuing operations'.

The actual geographical distribution of intangible assets differs from the intangible assets distribution displayed above as part of the segment information. The geographical distribution of intangible assets is displayed below:

| **Geographical distribution of intangible fixed assets** | **2020** | 2019 |
|---|---|---|
| The Netherlands and Product Development | 4,695 | 5,314 |
| North America | 451 | 484 |
| France | 153 | 153 |
| **Total** | **5,300** | **5,951** |

The assets in the Netherlands include 100% of the TIE Kinetix N.V. assets.

The breakdown shows the number of FTE per department at year-end:

| **FTE per department** | **2020** | 2019 |
|---|---|---|
| Research and Development | 8 | 8 |
| Sales and Marketing | 25 | 32 |
| Consulting and Support | 41 | 47 |
| General and Administrative | 18 | 16 |
| **Total** | **92*** | **103** |

* of which 47 are employed abroad

TIE Kinetix applies the practical expedient under IFRS 15.121b to recognise revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of TIE Kinetix's performance completed to date.

## 9) Operating Expenses

The Consolidated Statement of Comprehensive Income has been prepared using a classification based upon the nature of the expenses. The expense categories identified have been included below for further disclosure.

Direct Purchase Costs consist of expenses directly associated with revenue. This includes third party software licenses, consultant fees and hosting costs.

### Employee Benefits

Employee benefits can be broken down as follows:

| **Employee Benefits** | **2020** | 2019 |
|---|---|---|
| Salaries | 6,058 | 7,477 |
| Salaries variable component | 1,011 | 799 |
| Social Security Charges | 584 | 787 |
| Contributions to Post Employment arrangements | 238 | 254 |
| Other Employee Benefits | 756 | 864 |
| Capitalized R&D employee cost | (1,021) | (1,083) |
| **Total** | **7,625** | **9,098** |

In 2020 an ammount of € 1,026 in Other Operating Expenses has been reclassified from Employee Benefits

The WBSO grants received for FY 2020, amounting to € 208k (2019: € 204k), have been deducted from the social security charges. The contributions to Post Employment Arrangements include premiums payable with respect to the Netherlands operations' Defined Contribution Post Employment Plan as well as the discretionary employer contributions to the tax facilitated retirement plan (401k) in the United States. In FY 2020 TIE Germany has received an amount of € 34,547 under the Kug (Kurzarbeitergeld) program. This amount has been accounted for under salaries.

## Key Management Personnel Compensation

The total key management personnel compensation, including the remuneration of the Executive Board, amounted to € 1,028k (2019: € 722k).

Remunerations and expenses of Jan Sundelin are paid to his personal management B.V., CAPTA Management B.V.

The CEO received the following remuneration:

| Short Term employee Benefits | 2020 | 2019 |
|---|---|---|
| Remuneration | 250 | 250 |
| Variable | 288 | 125 |
| Total | 538 | 375 |

| Post employment Benefits | 2020 | 2019 |
|---|---|---|
| Contributions to Post Employment arrangements | - | - |

| Share Based payments | 2020 | 2019 |
|---|---|---|
| Stock Option Expense | - | - |

| Other employee Benefits | 2020 | 2019 |
|---|---|---|
| Company car | 18 | 17 |

Part of the variable compensation in the FY 2020 related to the divestment of TIE International B.V. for which the CEO received EUR 162.5k gross compensation. These expenses were treated as transaction cost for the transaction of the sale and classified as part of the gain on sale of discontinued operations of total EUR 6,243k. Refer to disclosure on page 46 for the disclosure on the divesture.

The CFO received the following remuneration:

| Short Term employee Benefits | 2020 | 2019 |
|---|---|---|
| Remuneration | 200 | 200 |
| Variable | 230 | 90 |
| Total | 430 | 290 |

| Post employment Benefits | 2020 | 2019 |
|---|---|---|
| Contributions to Post Employment arrangements | 25 | 25 |

| Share Based payments | 2020 | 2019 |
|---|---|---|
| Stock Option Expense | - | - |

| Other employee Benefits | 2020 | 2019 |
|---|---|---|
| Company car | 17 | 15 |

Part of the variable compensation in the FY 2020 related to the divestment of TIE International B.V. for which the CFO received EUR 130k gross compensation. These expenses were treated as transaction cost for the transaction of the sale and classified as part of the gain on sale of discontinued operations of total EUR 6,243k. Refer to disclosure on page 46 for the disclosure on the divesture.

The remuneration policy is discussed in detail on page 12.

## Remuneration of the Supervisory Board

The General Meeting of Shareholders sets the remuneration of the members of the Supervisory Board. All members are entitled to a remuneration of € 10k per year, the Chairman € 20k per year, plus travel expenses. In fiscal year 2020, we reimbursed € 3k of travel expenses.

## Other Operating Expenses and Non-Recurring Expenses

| Other Operating Expenses | | 2020 | 2019 |
|---|---|---|---|
| Accomodation Expenses | | 183 | 622 |
| Professional Service | | 518 | 422 |
| Communications Expenses | | 454 | 535 |
| Marketing Expenses | | 341 | 469 |
| Travel | | 147 | 307 |
| Office & Computer Supplies | | 327 | 315 |
| General & Administration | | 201 | 432 |
| | **Total** | **2,171** | **2,883** |

### Research and Development Expenses

| | | 2020 | 2019 |
|---|---|---|---|
| Employee Benefits | | 1,005 | 1,296 |
| Other R&D related expenses | | 60 | 56 |
| Capitalized Development expenses | | (1,021) | (1,083) |
| Amortization of Capitalized Development expenses | | 1,236 | 914 |
| | **Total** | **1,280** | **1,183** |

## 10) Financial income and/or Expense

| Financial Income and/or Expense | 2020 | 2019 |
|---|---|---|
| Interest and Other Financial Income | 25 | - |
| Interest Expense | (33) | (15) |
| Exchange Rate Gain/(loss) | (30) | (42) |
| **Total** | **(37)** | **(57)** |

## 11) Corporate Income Tax

The company operates predominantly in the Netherlands, Germany, France and North America. Applicable tax rates are 25%/16.5% (2019: 25%/19%) for the Netherlands, France 31% (2019: 33%), for the US 21% (2019: 21%) for federal tax and 5% (2019: 5.5%) for state tax, and for Germany 32.2% (Körperschaftssteuer 15%, Gewerbesteuer 17.2%) (2019: 33% (Körperschaftssteuer 15.8%, Gewerbesteuer 17.2%)).These rates represent a weighted average rate as income tax returns are filed on a calendar year basis, whereas these financial statements have been drawn up to reflect the Company's financial year, which runs from October 1 through September 30. The effective tax rate based on income before taxes is 2,3% (2019: 31.7%); the weighted average tax rate amounts to 24,5% (2019: 25.2%).

Reconciliation between standard and effective income tax is as follows:

| Reconciliation between Standard and effective income tax | 2020 | 2019 |
|---|---|---|
| **Pre Tax Income** | **6,667** | **(1,061)** |
| Corporate Tax | (156) | (254) |
| **Net Income (loss) after tax** | **6,511** | **(1,315)** |
| | | |
| Weighted local statutory tax rate (20-33%) on pre tax income | 1,324 | (228) |
| Adjustment on (temporary) differences pre tax income and taxable income in fiscal books | (999) | (126) |
| Income tax per fiscal books using weighted local statutory tax rate (20-33%) | **325** | **(354)** |
| Utilisation of loss carry forward | (92) | - |
| Non-deductible costs as part of gain on sale disposed subsidiary (selling cost) | (46) | |
| Tax losses not recognised as deferred tax asset | - | 535 |
| Tax return previous years | - | (19) |
| **Current Income tax charge** | **188** | **162** |

| Income Tax reported in the Comprehensive Income Statement | 2020 | 2019 |
|---|---|---|
| Movement deferred taxes during the year | (32) | (92) |
| Current Income tax charge | 188 | (162) |
| Other tax items | - | - |
| **Income Tax reported in the Comprehensive Income Statement** | **156** | **(254)** |

| **Movement deferred taxes during the year** | **2020** | 2019 |
|---|---|---|
| Debited/(credited) to Income on temporary differences in the Netherlands (DTL) | - | (2) |
| Debited/ (credited) to Income on temporary differences in the US (DTA) | 32 | 95 |
| Debited/(credited) to Income on temporary differences in DACH (DTL) | - | (1) |
| **Movement deferred taxes during the year** | **32** | **92** |

The changes in the Deferred Tax Asset are discussed on page 54 in detail. The main item of the Deferred Tax Asset in FY 2020 are the timing differences in TIE Commerce as described in more detail on page 54.

All Dutch subsidiaries of TIE Kinetix N.V. and TIE Kinetix N.V. form a tax unit and are jointly and severally liable for all tax liabilities originating within the tax unit.

Summary of expiration of tax loss carry forward in years (in millions):

| **Overview on Tax Loss Carry Forward expiration** | 0 ≤ 5 years | 6 ≤ 10 years | ≥ 10 years | Total 2020 |
|---|---|---|---|---|
| TIE Kinetix N.V. | 4,507 | 1,862 | - | 6,369 |
| **Total** | **4,507** | **1,862** | **-** | **6,369** |

| **Overview on Tax Loss Carry Forward expiration** | 0 ≤ 5 years | 6 ≤ 10 years | ≥ 10 years | Total 2019 |
|---|---|---|---|---|
| TIE Kinetix N.V. | 5,502 | 1,832 | - | 7,334 |
| **Total** | **5,502** | **1,832** | **-** | **7,334** |

## 12) Earnings per Share

### Basic Earnings per Share

Basic Earnings per Share are calculated by dividing net income attributable to equity holders of TIE by the weighted average number of shares outstanding.

| **Basic Earnings per Share** | 2020 | 2019 |
|---|---|---|
| Net income from continued operation attributable to equity holders of TIE | (71) | (1,281) |
| Net income from discontinued operation attributable to equity holders of TIE | 6,582 | (33) |
| **Net Income adjusted for calculation of basic earnings per Share** | 6,511 | (1,315) |
| | | |
| Weighted average number of shares outstanding in thousands | 1,623 | 1,623 |
| | | |
| Continued | (0.04) | (0.79) |
| Discontinued | 4.06 | (0.02) |
| **Basic Earnings per Share (€ per Share)** | **4.01** | **(0.81)** |

## Diluted Earnings per Share

Diluted Earnings per Share take into effect the dilutive effect of convertible instrument and Stock Options upon exercise or conversion. The dilutive effect of these instruments amounts to the number of shares issuable under the terms and conditions of these arrangements for no consideration. The fair value of future service for (partially) unvested Stock Options has been taken into consideration by adjusting the exercise price for these Stock Options. Stock Options are considered non-dilutive when the exercise price of the options is in excess of the average market price of the shares during the period. Convertible Bonds are considered non-dilutive when the related interest net of tax and other changes to income and expense per ordinary share obtainable upon conversion exceeds the Basic Earnings per Share.

| **Diluted Earnings per Share continued operations** | **2020** | 2019 |
|---|---|---|
| **Net Income adjusted for calculation of basic earnings per Share** | **(71)** | **(1,282)** |
| | | |
| Weighted average number of shares outstanding | 1,623 | 1,623 |
| Dilutive effect of warrants outstanding at September 30, | 330 | 332 |
| **Weighted average number of shares adjusted for calculation of diluted earnings per Share** | **1,953** | **1,955** |
| | | |
| **Diluted Earnings per Share continued operations (€ per Share)** | **(0.04)** | **(0.66)** |
| | | |
| **Total net result per share - diluted (continued operations)** | **(0.04)** | **(0.66)** |

| **Diluted Earnings per Share - discontinued operations** | **2020** | 2019 |
|---|---|---|
| **Net Income adjusted for calculation of basic earnings per Share** | **6.582** | **(33)** |
| | | |
| Weighted average number of shares outstanding | 1,623 | 1,623 |
| Dilutive effect of warrants outstanding at September 30, | 330 | 332 |
| **Weighted average number of shares adjusted for calculation of diluted earnings per Share** | **1,953** | **1,955** |
| | | |
| **Diluted Earnings per Share discontinued operations (€ per Share)** | **3.37** | **(0.02)** |
| | | |
| **Total net result per share - diluted (discontinued operations)** | **3.37** | **(0.02)** |
| | | |
| **Cumulative Total net result per share – diluted (continued & discontinued operations)** | **3,33** | **(0.67)** |

The Stock Options have been excluded from the calculation of the Diluted Earnings per Share as the exercise price of these Stock Options exceeded the TIE Kinetix N.V. average share price over the period. The Convertible Bonds and warrants outstanding are considered dilutive and have been included from date of issue.

## Appropriation of Net Result

According to Article 26 of the Company's articles of association, the annual meeting of shareholders determines the appropriation of the company's net result for the year. The Management Board proposes that the net profit of € 6,511k will be added to retained earnings in Shareholder Equity.

## Commitments and Contingent Liabilities

### Collateral

The Company has a working capital facility with Rabobank amounting to € 1,250k. The facility includes a pledge on all trade debtors, has an indefinite term and bears interest at a rate of EURIBOR plus a margin. No drawings are scheduled. However, the Company intends to use any funds borrowed under the Credit Facility from time to time for general corporate purposes, which may include working capital needs, capital expenditures, and satisfaction of other obligations of the Company.

For the rent of the office in Breukelen the company issued a bank guarantee of € 69k.

## TIE Kinetix N.V. and subsidiaries

The consolidated financial statements include the financial data of TIE Kinetix N.V., Breukelen and its subsidiaries:

| Name | Statutory Seat | 2020 | 2019 |
|---|---|---|---|
| TIE Nederland B.V. | Amsterdam (Schiphol-Rijk), The Netherlands | 100% | 100% |
| TIE Product Development B.V. | Hoofddorp, The Netherlands | 100% | 100% |
| TIE International B.V.* | Hoofddorp, The Netherlands | - | 100% |
| TIE MamboFive B.V. | Utrecht, The Netherlands | 100% | 100% |
| TIE Europe B.V. | Amsterdam, The Netherlands | 100% | 100% |
| Gordian Investments B.V. | Hoofddorp, The Netherlands | 100% | 100% |
| Pingli B.V. | Hoofddorp, The Netherlands | 100% | 100% |
| TIE Commerce Inc. | Burlington, MA, USA | 100% | 100% |
| TIE France S.A.S. | Montpellier, France | 100% | 100% |
| TIE Asia-Pacific Ltd | Hongkong, People's Republic of China | 100% | 100% |
| TIE TFT Holding GmbH | Munchen, Germany | 100% | 100% |
| TIE Kinetix GmbH (TFT) | Munchen, Germany | 100% | 100% |
| TIE Ascention GmbH | St Gallen, Switzerland | 100% | 100% |
| TIE Kinetix LTD | Marlow, United Kingdom | 100% | 100% |

* The total shares of TIE International B.V. are divested per 31 July 2020. Further reference is made to disclosure note on page 46.

## Related Party Transactions

| | September 30, 2020 | | | | September 30, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| **Name** | **Position** | **Shares** | **% of Shares** | **Options** | Position | Shares | % of Shares | Options |
| Jan Sundelin | CEO | 34,704 | 2.1% | - | CEO | 34,404 | 2.1% | 12,800 |

Stock option expenses are included in note 9 under Key Management Personnel Compensation.

The company applies an intercompany pricing mechanism to account for the various roles the respective country operations have in the value chain towards the customers. As the case may be the company identifies sales roles, product ownership roles and development roles, with each role rewarded commensurate with its place in the value chain.

## Out-of-court Settlement

In 2020 TIE Kinetix reached an out of court settlement with a third party software provider. The settlement provided for compensation of costs related to prior years payable by TIE Kinetix amounting to €85k ($100k). Such costs have been included under Cost of Goods Sold in FY 2020.

## Performance Share Plan

The 2016 Performance Share Plan has expired and no new plan has been put in place. Hence, no shares have been issued (2019 no shares issued).

## Subsequent events

As at balance sheet date the effects of the second wave of COVID-19 are yet unknown. An impact on the group’s financial instruments (mainly on accounts receivables and contract assets) and revenue and/or intake signed proposal position could be effected, however, given the limited impact of the first wave on the group’s overall performance and the valuation of its assets, management does not expect a significant impact of the second wave.

# Dutch GAAP TIE Kinetix N.V. Balance Sheet as at September 30, 2020



(Before proposed appropriation of results)

**Assets**

| (€ x 1,000) | Notes | **2020** | | 2019 | |
|---|---|---|---|---|---|
| **Non Current Assets** | *13* | | | | |
| **Intangible fixed assets** | | | | | |
| Goodwill | | 1,046 | | 1,046 | |
| Other Intangible Fixed Assets | | 101 | | 203 | |
| | | | 1,147 | | 1,249 |
| Tangible Fixed Assets | | | | | |
| Property, Plant and Equipment | | 690 | | 90 | |
| | | | 690 | | 90 |
| **Financial Fixed Assets** | | | | | |
| Subsidiaries | | 13,494 | | 13,003 | |
| | | | 13,494 | | 13,003 |
| **Total Non Current Assets** | | | **15,331** | | **14,342** |
| | | | | | |
| **Current Assets** | *14* | | | | |
| Trade Debtors | | 235 | | 184 | |
| VAT/Sales tax US | | 106 | | 81 | |
| Intercompany debtor | | - | | 847 | |
| Loan receivable | | 3,000 | | - | |
| Cash and Cash Equivalents | | 3,771 | | 1,096 | |
| **Total Current Assets** | | | **7,112** | | **2,207** |
| | | | | | |
| **Total Assets** | | | **22,443** | | **16,549** |

**Liabilities and Equity**

| (€ x 1,000) | Notes | 2020 | | 2019 | |
|---|---|---|---|---|---|
| **Shareholders' Equity** | *15* | | | | |
| Issued and paid-up share capital | | 164 | | 163 | |
| Share premium | | 58,304 | | 58,256 | |
| Legal reserves | | 2,931 | | 3,044 | |
| Foreign Currency Translation Reserve | | 45 | | 76 | |
| Retained earnings | | (58,053) | | (56,733) | |
| Net Result | | 6,827 | | (1,315) | |
| | | | **10,217** | | **3,490** |
| **Total Equity** | | | **10,217** | | **3,490** |
| | | | | | |
| **Non Current Liabilities** | *16* | | | | |
| Lease Liability | | 428 | | - | |
| Provisions | | - | | 903 | |
| **Total Non Current Liabilities** | | | **428** | | **903** |
| | | | | | |
| **Current Liabilities** | *17* | | | | |
| Trade Creditors | | 9,508 | | 12,068 | |
| Other Payables and Accruals | | 1,993 | | - | |
| Lease Liablitiy (current) | | 205 | | - | |
| Taxation and Social Security, Income Tax | | 92 | | 88 | |
| **Total Current Liabilities** | | | **11,797** | | **12,156** |
| | | | | | |
| **Total Equity and Liabilities** | | | **22,443** | | **16,549** |

# Dutch GAAP TIE Kinetix N.V. Income Statement for the year ending September 30, 2020



| Operating Expenses | Note | | 2020 | | 2019 |
|---|---|---|---|---|---|
| Employee Benefits | | 2,191 | | 1,734 | |
| Depreciation and amortization | | 385 | | 174 | |
| Other Operating Income | | (3,019) | | (2,882) | |
| Other Operating Expense | | 1,444 | | 1,660 | |
| **Total Operating Expenses** | | | **1,001** | | **686** |
| **Operating Income/(loss)** | | | **(1,001)** | | **(686)** |
| Interest and Other Financial Income | | | 25 | | - |
| Interest and Other Financial Expense | | | (98) | | (11) |
| **Income/(loss) before Tax** | | | (1,074) | | (697) |
| Result shares in subsidiaries | *13* | | 7,901 | | (618) |
| **Gain from sale of discontinued operation** | | | **6,827** | | **(1,315)** |

## Notes to the Company Financial Statements

### Corporate Information

The Company financial statements for the year ended September 30, 2020 are authorized for issue through a resolution of the Management Board dated December 24, 2020. The General Meeting of Shareholders, to be held on March 26, 2021, will be requested to approve the Company financial statements.

### Basis of Preparation

These Financial Statements have been prepared in accordance with accounting principles, generally accepted in the Netherlands, as embodied in Title 9 of Book 2 of the Dutch Civil Code. Based on article 2:362(8) of the Dutch Civil Code, the valuation principles applied are based on International Financial Reporting Standards (IFRS), as applied in the preparation of the consolidated financial statements of the Company. Companies are allowed to apply IFRS valuation principles in their financial statements prepared under Title 9 of Book 2 of the Dutch Civil Code. Subsidiaries and associates are accounted for at net asset value determined on the basis of IFRS, as applied in the Consolidated Financial Statements. For details on the accounting policies applied in the Consolidated Financial Statements, please refer to the Notes to the Consolidated Financial Statements, starting on page 33.

# Notes to the Company Balance Sheet

## 13) Fixed Assets

### Intangible Fixed Assets

| **Intangible Fixed Assets** | Goodwill | Software | Total |
|---|---|---|---|
| **Carrying value as per September 30, 2018** | **1,046** | **290** | **1,336** |
| **Movements 2019** | | | |
| Additions | - | 17 | 17 |
| Amortization | - | (103) | (103) |
| **Carrying value as per September 30, 2019** | **-** | **(86)** | **(86)** |
| Accumulated Investments per September 30, 2019 | 1,046 | 712 | 1,758 |
| Accumulated Amortization per September 30, 2019 | - | (398) | (398) |
| Accumulated Impairments per September 30, 2019 | - | (110) | (110) |
| **Carrying value as per September 30, 2019** | **1,046** | **204** | **1,250** |
| Useful life | Indefinite | 3-7 years | - |
| **Movements 2020** | | | |
| Additions | - | 2 | 2 |
| Amortization | - | (104) | (104) |
| **Carrying value as per September 30, 2020** | **-** | **(102)** | **(102)** |
| Accumulated Investments per September 30, 2020 | 1,046 | 714 | 1,760 |
| Accumulated Amortization per September 30, 2020 | - | (398) | (218) |
| Accumulated Impairments per September 30, 2020 | - | (214) | (394) |
| **Carrying value as per September 30, 2020** | **1,046** | **101** | **1,147** |
| Useful life | Indefinite | 3-7 years | - |

Purchased Software consists of purchased third party software used of the My-TIE internal support system.
For the purpose of impairment tests the Companies assets are allocated to Cash Generating Units.

## Tangible Fixed Assets

| **Tangible Fixed Assets** | Leasehold | Right-Of-Use Asset* | Hardware | Total |
|---|---|---|---|---|
| **Carrying value as per September 30, 2018** | **90** | **-** | **42** | **132** |
| **Movements 2019** | | | | |
| Additions | 1 | - | 28 | 29 |
| Depreciation per Statement of (Comprehensive) Income | (56) | - | (15) | (71) |
| **Carrying value as per September 30, 2019** | **35** | **-** | **55** | **90** |
| Accumulated Investments per September 30, 2019 | 397 | - | 191 | 588 |
| Accumulated Amortization per September 30, 2019 | (362) | - | (136) | (498) |
| **Carrying value as per September 30, 2019** | **35** | - | **55** | **90** |
| IFRS 16 adjustment | - | 201 | - | 201 |
| **Carrying value as per October 1, 2019** | - | 201 | - | 256 |
| **Movements 2020** | | | | |
| Additions | 1 | 657 | 21 | 680 |
| Depreciation per Statement of (Comprehensive) Income | (30) | (233) | (17) | (281) |
| **Carrying value as per September 30, 2020** | **6** | **625** | **59** | **891** |
| Accumulated Investments per September 30, 2020 | 398 | 858 | 212 | 1,469 |
| Accumulated Amortization per September 30, 2020 | (393) | (233) | (153) | (779) |
| **Carrying value as per September 30, 2020** | **6** | **625** | **59** | **690** |
| Useful life | 4 to 10 years | 2 - 5 years | 3 - 5 years | |

*The Right of Use assets relates to leased assets classified as Leasehold Improvements. The investments in Leasehold Improvements and the Right of Use Assets predominantly relate to Leasehold and Office Equipment.

## Financial Fixed Assets

Financial Fixed Assets relate to the Company's share in subsidiaries. The movements are summarized below:

| | 2020 | 2019 |
|---|---|---|
| **Total subsidiaries as per October 1,** | **13,003** | **15,420** |
| Share in Net income | 7,901 | (618) |
| Movements of IC funding | (8,313) | (1,161) |
| Transfer to (from) provision for Equity Deficit | 903 | (638) |
| **Total subsidiaries as per September 30,** | **13,494** | **13,003** |
| **Total Financial Fixed Assets** | **13,494** | **13,003** |

The total IC receivable is netted with the negative, carrying value of the subsidiaries for which the Company provided a 403-statement (refer to page 82). Per September 30, 2020 the IC loan provided is € 14,470k (2019: 6,157k). During the year the company paid € 8,313k on behalf of its subsidiaries. These payments were done for TIE Product Development B.V., Gordian Investments B.V., TIE MamboFive B.V. and TIE Light & Plingi B.V. The remaining balance on IC loans provided after netting with the negative equity value is nil.

Next, a release of the provision on subsidiaries took place in FY 2020 after the disposal of TIE International B.V. per 31 July 2020. Management estimated that the  outflow of cash for its negative subsidiaries for which the Company provided a 403-statement (refer to page 82) is nil.

| **Final Movement schedules for FY2020 - Participation income** | | |
|---|---|---|
| Net income on participations (continuing operations) | | 1,319 |
| Net income on participation (discontinuing operations) | 339 | |
| Gain on sale of discontinued operations | 6,243 | |
| Net income from discontinued operations | | 6,582 |
| | | |
| Total net income on participations | | 7,901 |

Funding to subsidiaries is in principle interest bearing with interest rates varying between 0% and 5.5% (2019: 0% and 5.5%). This funding is accounted for as part of the net investment in subsidiaries. There are currently no repayment schedules, nor does management have the intention to recall these funds. If the subsidiary has a negative investment value, the intercompany receivable provided by the parent company is allocated to this amount and, if necessary, fully impaired and presented as nil.

Since 2010 the Capital Contributions, resulting from the stock options, have been booked directly within TIE Kinetix N.V. as this is the issuing Company. The stock option costs over previous periods have been recharged through the intercompany accounts to the relevant subsidiaries.

Direct subsidiaries of the Company are:

| **Name** | **Statutory Seat** | 2020 | 2019 |
|---|---|---|---|
| TIE Nederland B.V. | Amsterdam (Schiphol-Rijk), The Netherlands | 100% | 100% |
| TIE Product Development B.V. | Hoofddorp, The Netherlands | 100% | 100% |
| TIE International B.V.* | Hoofddorp, The Netherlands | - | 100% |
| TIE MamboFive B.V. | Utrecht, The Netherlands | 100% | 100% |
| TIE Europe B.V. | Amsterdam, The Netherlands | 100% | 100% |
| Gordian Investments B.V. | Hoofddorp, The Netherlands | 100% | 100% |
| Pingli B.V. | Hoofddorp, The Netherlands | 100% | 100% |
| TIE Commerce Inc. | Burlington, MA, USA | 100% | 100% |
| TIE Asia-Pacific Ltd | Hongkong, People's Republic of China | 100% | 100% |

* 100% of the shares of TIE International BV are divested per 31 July 2020. Reference is made to page 46.

The deferred tax asset is discussed on page 54 onwards.

## 14) Current Assets

### Other Receivables

Taxations and Social Security Contributions relate to VAT recoverable.

## 15) Shareholders' Equity

In 2020 in total 5,384 shares have been issued, bringing the total number of issued shares to 1,632,665 as at September 30, 2020. Shareholders' Equity amounts to € 9,973k (or € 6.05 per share) on September 30, 2020 (2019: € 3,490k, or € 2.14 per share). The Company's authorized share capital amounts to € 500k, consisting of 5 million ordinary shares with a nominal value of € 0.10 each.

Shareholders' Equity is broken down as follows:

| Shareholders' Equity | Share Capital | Paid in Surplus | Foreign Currency Translation Reserve | Other Legal Reserves | Retained Earnings | Share-holders Equity |
|---|---|---|---|---|---|---|
| **Balance per September 30, 2018** | **162** | **58,307** | **53** | **2,924** | **(56,574)** | **4,871** |
| Shares issued and Share Premium | 1 | 69 | - | - | - | 70 |
| Foreign Currency Translation Reserve | - | - | 23 | - | - | 23 |
| Shares Based Payments | - | - | - | - | - | - |
| Transfers to (from) legal reserve | - | (120) | - | 120 | - | - |
| IFRS 15 adjustment openings balance | - | - | - | - | (159) | (159) |
| Net Income 2019 | - | - | - | - | (1,315) | (1,315) |
| **Balance per September 30, 2019** | **163** | **58,256** | **76** | **3,044** | **(58,049)** | **3,490** |
| IFRS 16 adjustment openings balance | - | - | - | - | (4) | (4) |
| **Balance per October 1, 2019** | **163** | **58,256** | **76** | **3,044** | **(58,053)** | **3,486** |
| Shares issued and Share Premium | 1 | 48 | - | - | - | 49 |
| Foreign Currency Translation Reserve | - | - | (31) | - | - | (31) |
| Transfers to (from) legal reserve | - | - | - | (113) | - | (113) |
| Net Income 2020 | - | - | - | - | 6,827 | 6,827 |
| **Balance per September 30, 2020** | **164** | **58,304** | **45** | **2,931** | **(51,226)** | **10,217** |

For the movement in shares, we refer to page 58.

#### Legal reserves:

The Foreign Currency Translation Reserve represents the foreign currency exchange differences from the translation of the financial statements of the foreign subsidiaries. The Other Legal Reserves pertain to the capitalized software development costs.

### Equity Settled Share Based Payments

#### Annual Stock Options Plan

For the Annual Stock Option Plan for staff members, we refer to page 59, Note 5 of the Consolidated Statement of Financial Position under Annual Stock Options Plan.

### Other Stock Options

For the Other Stock Options, we refer to page 60, Note 5 of the Consolidated Statement of Financial Position under Other Stock Options.

### Convertible Bonds

For the Convertible Bonds, we refer to page 60, Note 5 of the Consolidated Statement of Financial Position under Convertible Bonds.

### Reconciliation of equity Company Only to Group Equity

The company is not jointly and severely liable for non-Dutch subsidiaries with negative equity. The company has assessed to which extent cash out-flow is foreseeable for Dutch subsidiaries for which a so-called 403 guarantee is in place.

| **Reconciliation of equity Company to Group Equity** | 2020 |
|---|---|
| Group Equity | 9,922 |
| Subsidiary with negative equity without provision | 295 |
| Company-Only Equity | 10,217 |

### Appropriation of Net Result

According to Article 26 of the Company's articles of association, the annual meeting of shareholders determines the appropriation of the company's net result for the year. The Management Board proposes that the net profit of € 6,827k will be added to retained Earnings in Shareholders' Equity.

## 16) Non-Current Liabilities

### Provision for Equity Deficit Subsidiaries

| **Provision for Equity Deficit Subsidiaries** | 2020 | 2019 |
|---|---|---|
| **Opening Balance as per October 1,** | **903** | **265** |
| Movements from (to) Financial Fixed Assets | (903) | 638 |
| **Closing Balance as per September 30,** | **-** | **903** |

In prior years some subsidiaries held a negative net investment value. For these subsidiaries, a provision for Equity Deficit was established as the Company intends to cover all debts arising from legally conducted transactions.

## 17) Current Liabilities

| **Current Liabilities** | 2020 | 2019 |
|---|---|---|
| Trade creditors | 258 | 240 |
| Taxations and social security contributions | 92 | 88 |
| Inter-company payable | 9,250 | 11,223 |
| Other payables and accruals | 1,993 | 605 |
| Lease Liability | 205 | - |
| **Total** | **11,797** | **12,156** |

The inter-company payable is an outstanding balance with TIE Nederland B.V. and TIE Commerce Inc. No interest is due on this balance.

# Notes to the Company Income Statement



No revenue is included in 2020 (2019: € 0).

### The Companies Expenses

Expenses accounted for consist of the ones related to the Companies activities of TIE Kinetix N.V, including allocated employee benefits. TIE Kinetix N.V. had 15 employees during 2020 (2019: 16). The remuneration of the Supervisory Board amounting to € 10k for members and € 20k for the chairman is included in the company's expenses. For a detailed description of the remuneration of the Management Board, we refer to page 67 of the Notes to the Consolidated Financial Statements. Included are Legal and Consultancy fees amounting to €49k (2018: € 58k) as well as a Stock Option expense, listing fee and amortization charges pertaining to assets. The audit fees from BDO Audit & Assurance B.V. relating to the audit of the financial statements amount to € 200k (2019: € 180k). Other audit related fees from BDO amount to € 14k (2019: € 0). No fees have been paid to BDO for other non audit related services.

### Income Tax

The Company holds unrecognized deferred tax assets with respect to past tax losses amounting to approximately € 6,671 mln. All Dutch subsidiaries of TIE Kinetix N.V. and the Company form a tax unit and are jointly and severally liable for all tax liabilities originating within the tax unit.

## Commitments and Contingent Liabilities

### Taxes

The Company has formed a fiscal unit for corporate income tax and VAT with TIE Nederland B.V., TIE Product Development B.V., TIE MamboFive B.V., TIE Kinetix Europe B.V. and Gordian Investments B.V. Based on this, TIE Kinetix N.V. is jointly and severally liable for the corporate income tax liabilities of the fiscal unit as a whole.

### Other

The Company has no issued guarantees. Pending litigations and subsequent events are disclosed on page 73.

In respect of Dutch subsidiaries the Company has issued written guarantees as referred to in Art. 403, Title 9 Book 2 of the Dutch Civil Code. As a consequence it is a legal requirement to produce but not file the annual report of these companies in conformity with the article of the law mentioned.
These liability-statements refer to the following companies:
* TIE Product Development B.V.
* TIE MamboFive B.V.
* TIE Nederland B.V.
* Gordian Investments B.V.
* TIE Kinetix Europe B.V.
* Plingli  B.V.

Breukelen, December 24, 2020

J.B. Sundelin
CEO, TIE Kinetix N.V.

M. Wolfswinkel
CFO, TIE Kinetix N.V.

# Other Information



## Appropriation of Net Result

Article 26 of the Articles of Association reads as follows:

1. The General meeting of shareholders determines the appropriation of the company's net results.
2. The company can only make payments in as much as its shareholders' equity is greater than the paid-up and called-up part of the issued capital, plus the reserves, which must be maintained by law.
3. Payment of profits shall not take place until after adoption of the annual accounts, showing that this is authorized.
4. Shares or depositary receipts on shares held by the company and shares or depositary receipts on shares which the company holds in usufruct shall not be taken into account in the calculation of the profit distribution.
5. The General Meeting can only decide to make interim payments at the proposal of the Supervisory Board. A decision to pay an interim dividend from the profits in the current financial year can be taken by the Executive Board only with the prior approval of the Supervisory Board. Payments as referred to in this paragraph may only be made if the provision of par. 2 of this article has been met.
6. The General Meeting can decide that dividends shall be paid fully or partially in the form of shares in the Company's capital.
7. Unless the General Meeting sets a different term, dividends are paid within fourteen days of being set. Claims for payments in cash shall lapse, in as much as these payments have not been collected within five years and one day of the date on which they became payable.
8. A deficit may only be offset against the reserves prescribed by law, if and to the extent permitted by law.

## Dividend policy

Over the past financial years, TIE Kinetix has not declared or paid dividends to its shareholders. The Executive Board carefully balances the use of future earnings for investment in product development, in the expansion of the Company and for dividend payments. Holders of Ordinary Shares will be fully entitled to any dividends in future financial years.

Payment of dividends can be made either in cash or in stock.

# Independent auditor's report



To: the shareholders and Supervisory Board of TIE Kinetix N.V.

## A. Report on the audit of the financial statements 2020 included in the annual report

### Our opinion

We have audited the financial statements 2020 of TIE Kinetix N.V. (the company) based in Breukelen. The financial statements comprise the consolidated financial statements and the company financial statements.

| WE HAVE AUDITED | OUR OPINION |
|---|---|
| The consolidated financial statements comprise:<br>1. the consolidated statement of financial position as at September 30, 2020;<br>2. the following statements for the year ended September 30, 2020: the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and<br>3. the notes comprising a summary of the significant accounting policies and other explanatory information. | In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of TIE Kinetix N.V. as at September 30, 2020 and of its result and its cash flows for the year ended September 30, 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code. |
| The company financial statements comprise:<br>1. the company balance sheet as at September 30, 2020;<br>2. the company income statement for the year ended September 30, 2020; and<br>3. the notes comprising a summary of the accounting policies and other explanatory information. | In our opinion, the accompanying company financial statements give a true and fair view of the financial position of TIE Kinetix N.V. as at September 30, 2020 and of its result for the year ended September 30, 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code. |

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of TIE Kinetix N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 300,000. The materiality is based on revenues (representing 1.75% of reported revenues), which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the group. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 15,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of the group audit

TIE Kinetix N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of TIE Kinetix N.V.

Our group audit mainly focused on significant group entities. We consider an entity significant when:

- it is of individual financial significance to the group; or
- the component, due to its specific nature or circumstances, is likely to include significant risks of material misstatement, whether due to fraud or error of the group financial statements.

To this extent we:

- performed audit procedures at group entities TIE Kinetix N.V. (Netherlands), TIE Kinetix Nederland B.V. (Netherlands), TIE Product Development B.V. (Netherlands), TIE International B.V. (Netherlands), TIE Commerce Inc. (United States), TIE Kinetix S.a.S. (France), TIE TFT Holding GmbH (Germany) and TIE Kinetix GmbH (Germany);
- performed review procedures or specific audit procedures at other group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

### Our key audit matters

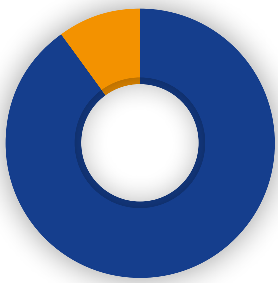
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Two out of three key audit matters are consistent with prior year. One new key audit matter compared to our prior year audit is applicable for the discontinued operations with regard to the sale of TIE International B.V. In prior year, we reported a key audit matter related to the impairment assessment of goodwill and other intangible assets. Given the available headroom in the group's impairment assessment in previous and current year, it no longer is a key matter to our audit.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

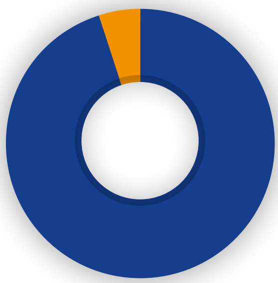
For clarification purposes we hereby present our scope coverage:

**Group Audit - divided into REVENUE**




**Group Audit - divided into ASSETS**


**Group Audit - divided into RESULT**



| REVENUE RECOGNITION, INCLUDING TIMING OF REVENUE RECOGNITION | OUR AUDIT APPROACH |
|---|---|
| The company's businesses continue to evolve with new revenue arrangements. This results in circumstances which require careful consideration which multiple performance obligations exist and what revenue recognition pattern is appropriate.<br><br>Refer to the accounting policy Revenue recognition on page 40.<br><br>Revenue arrangement are material and require management's judgement in respect of revenue recognition, combined with the fact that revenue is the key business driver for this company we considered revenue recognition to be a key audit matter. | For each source of income we have tested whether revenue is recorded when the applicable criteria for revenue recognition under IFRS 15 – Revenue from Contracts with Customers are met. Our main audit procedures for these sources of income are as follows:<br>» Regarding Consultancy services, we tested whether the related revenues are recorded when the performance obligations are satisfied.<br>» For SaaS fees we tested whether revenue recognition takes place over the contract period in accordance with the underlying contracts and that the prices which are invoiced are in line with these contracts.<br>» Set-up fees are not considered to be a distinct performance obligation under IFRS 15 and are consequently recognised over the SaaS contract period. We tested the reliability of the financial data used for determining the adjustments for deferred revenue and contract assets. We challenged management's assumptions including, amongst others, the average SaaS contract term and estimated customer life.<br>» Additional procedures are also performed for (less significant) Software licence fees: we tested, based on the underlying contract and delivery of the licence to the customer, whether revenue was recorded in the correct period for the price which was agreed in the contract between the company and the client.<br>» Additional procedures are also performed for (less significant) for Maintenance and Support fees: we tested whether revenue recognition takes place over the contract period in accordance with the underlying contracts and that the prices which are invoiced are in line with these contracts.<br><br>Furthermore we evaluated and tested processes, procedures and controls regarding the accounting for the various sources of income the company has. For all types of revenue, we performed various substantive testing, including detailed contract reviews, revenue cut-off procedures, journal entry testing and data- and logging analyses. Additionally, we performed analytical procedures. |

| INTERNALLY GENERATED INTANGIBLE ASSETS | OUR AUDIT APPROACH |
|---|---|
| The company capitalizes internal development costs if it can demonstrate the technical feasibility of completing the intangible asset, reliably measure costs attributable to the intangible fixed asset during its development and estimate future economic benefits. During the financial year € 1.0 million development costs was capitalized in respect of development hours with respect to the FLOW proposition.<br><br>Refer to note 1 Intangible fixed assets on page 49.<br><br>We consider the carrying value of internally developed intangible assets to be a key audit matter due to the significant judgement involved in determining if the recognition criteria are met in accordance with IAS 38 – Intangible assets | Our audit procedures included, amongst others:<br>» We reconciled capitalized hours to internal time registration and determined adequate distinction in research and development stages.<br>» We evaluated and tested internal control procedures relating to the recognition of development costs.<br>» We reconciled the hourly rates used with payroll outputs and other source documents.<br>» We challenged management's assessment as to whether the development costs meet the recognition criteria. To this extent we inquired at appropriate management levels within the company, reviewed development projects and reviewed sales forecasts.<br>» We assessed the adequacy of the disclosures. |

| DISCONTINUED OPERATIONS WITH REGARDS TO THE SALE OF TIE INTERNATIONAL B.V. | OUR AUDIT APPROACH |
|---|---|
| During financial year 2020, subsidiary TIE International B.V. was sold. We consider this sale as a significant transaction outside the normal course of business.<br><br>Management evaluated the sale as a 'discontinued operation' as defined in IFRS 5. The effective date of the sale was 31 July 2020, the Share Purchase Agreement (SPA) and Asset Purchase Agreement (APA) were finalized on 22 August 2020.<br><br>Refer to the note Divestures 2020 on page 46.<br><br>We consider the presentation & disclosure requirements for discontinued operations to be a key audit matter as this is a significant transaction outside the normal course of business and the impact on group's financial statements is material. As a result we consider the presentation and disclosure requirements under IFRS 5 – Discontinued operations to be a key audit matter. | Before year-end, we performed the following audit procedures on the closing balance:<br>» We performed cut-off testing on the revenue of TIE International B.V.;<br>» We performed cut-off testing on the contract assets as recognized in the closing balance sheet;<br>» We performed substantive audit procedures on other significant balance sheet items.<br><br>As per our year-end audit, we have performed the following audit procedures:<br>» We performed a detailed review on the underlying signed contracts (SPA and APA) and reconciled the amounts to cash receipts and the granted loan agreement;<br>» We performed substantive audit procedures on financial instruments and intangible assets to identify any potential impairment triggers;<br>» We determined the accuracy of the gain-on-sale as prepared by management, combined by data analytics and journal entry testing procedures;<br>» We assessed the proper classification of the individual income and expense items as part of the transaction;<br>» We performed completeness testing procedures on transaction costs as part of the gain of sale; |

| DISCONTINUED OPERATIONS WITH REGARDS TO THE SALE OF TIE INTERNATIONAL B.V. | OUR AUDIT APPROACH |
|---|---|
| | » We performed other test of detail procedures on transaction costs as part of the gain of sale, including approval of the Supervisory Board on management's variable compensation;<br>» We performed substantive procedures on the complete and accurate presentation of continued and discontinued operations in both the consolidated statements of comprehensive income and consolidated cash flow statement and agreed with underlying documents;<br>» We performed other substantive audit procedures on disclosure notes in the consolidated and company only financial statements, including the underlying disclosure notes and other information and agreed with underlying documents. |

### Emphasis of matter paragraph related to the uncertainty and the effect of the COVID-19 virus

We draw attention to the Going Concern Considerations as described on pages 34 and 35, COVID-19 as part of the risk disclosure on page 45, as well as the Subsequent events disclosure on page 73 of the financial statements in which management has described the possible impact and consequences of the COVID-19 (Corona) virus on the group and the environment in which the group operates, as well as the measures taken and planned to address these events and circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

## B. Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Report from the Supervisory Board;
- Report from the Executive Board;
- the other information on page 83;
- the Letter from the Chief Executive Officer, Jan Sundelin, Our Corporate Story, Important Information, Corporate Sustainability and Corporate Governance.

Based on the following procedures performed, we conclude that the other information:

» is consistent with the financial statements and does not contain material misstatements;
» contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the report from the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## C. Report on other legal and regulatory requirements

### Engagement
We were engaged by the Supervisory Board as auditor of TIE Kinetix N.V. on 27 May 2014, as of the audit for the financial year ended 30 September 2014 and we have been engaged  as statutory auditor ever since that financial year.

### Non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

## D. Description of responsibilities regarding the financial statements

### Responsibilities of management and the Supervisory Board for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

### Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit was performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.
Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding 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 entity'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 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 a company to cease to continue as a going concern;

» evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
» evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

As we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determine the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicated with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determined the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amstelveen, 24 December 2020

For and on behalf of BDO Audit & Assurance B.V.,

sgd.
A.P. van Veen RA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TIE KINETIX
total integrated e-commerce