



# Annual

# Report 2019



*ORTEC*



# Annual Report 2019

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# 1 Message from the CEO

**2019 has been a remarkable year for ORTEC. For the first time in history, our revenues exceeded €100M! Annual growth was 15% compared to 2018, with even more recurring software revenues than planned. Next to that, we also managed to further increase our impact on the world, leveraging our passion for mathematics.**

In 2019 alone,

- we reduced the CO<sub>2</sub> footprint of 430 customers (+13% compared to 2018) by 680 kiloton CO<sub>2</sub> (+6%)
- we contributed to employee satisfaction of over 790.000 people (+44%) across our customer base
- we improved the financial performance of our customers by almost €920 million (+15%).

To me, these numbers represent the real value we create for businesses and society at large through the innovative solutions we deliver to our customers.

Our profitability has steadily improved since the start of our 'Fit for Growth' program in July. This Fit for Growth program consists of several initiatives and changes in 2020-2022 to improve and accelerate the performance of our organization.

Although the corona virus will have a significant impact on business and society at large, I am still excited and positive about the growing market for our company in the long run. Despite the uncertain outlook for 2020, we will continue to work hard and support our customers in dealing with the new dynamics of this crisis.

Stay effective, connected and healthy,  
Best regards,  
Michael van Duijn



## 2 The ORTEC story

### Our roots

The ORTEC journey started in the early 1980s. A few young Dutch students wanted to show the world the value of mathematics to secure long term sustainable growth for organizations and society at large. 39 years later, ORTEC is the world's leading supplier of mathematical optimization software and advanced analytics solutions with more than 1,000 employees and offices in 13 countries around the globe. Over the years, we have optimized business processes at more than 1,200 innovative companies, enabling us to make a significant contribution to a better world.



1981  
Foundation



1000  
Employees  
(headcount)



13  
Countries

## Our purpose

At ORTEC we do things for a reason. We are intrinsically motivated to improve the world using our passion for mathematics.

That is what drives us and is that is why we work hard every day to contribute to people's happiness at work, reduce the ecological footprint of organizations and improve their financial performance.

## Our ambition

Besides having a clear purpose, we know what we want to achieve. It is our ambition to increase our positive impact on the world year on year with our decision support solutions. This yearly increase of our impact on the world is expressed by KPI's showing our contribution to people, planet and profit. As far as people are concerned, this is our contribution to employee satisfaction of the people across our customer base. Regarding the planet, it is the reduction of our customers' CO<sub>2</sub> footprint. In terms of profit, our impact is measured by the improved financial performance of our customers.



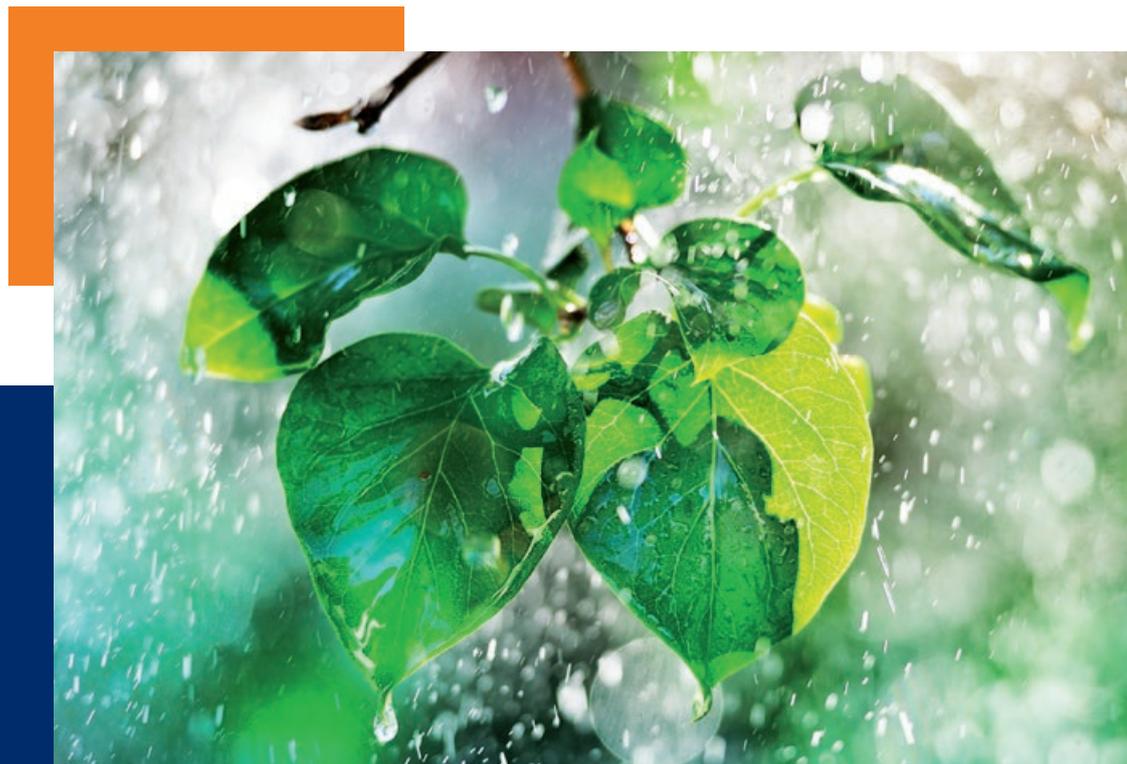
PEOPLE



PLANET



PROFIT





## Our company

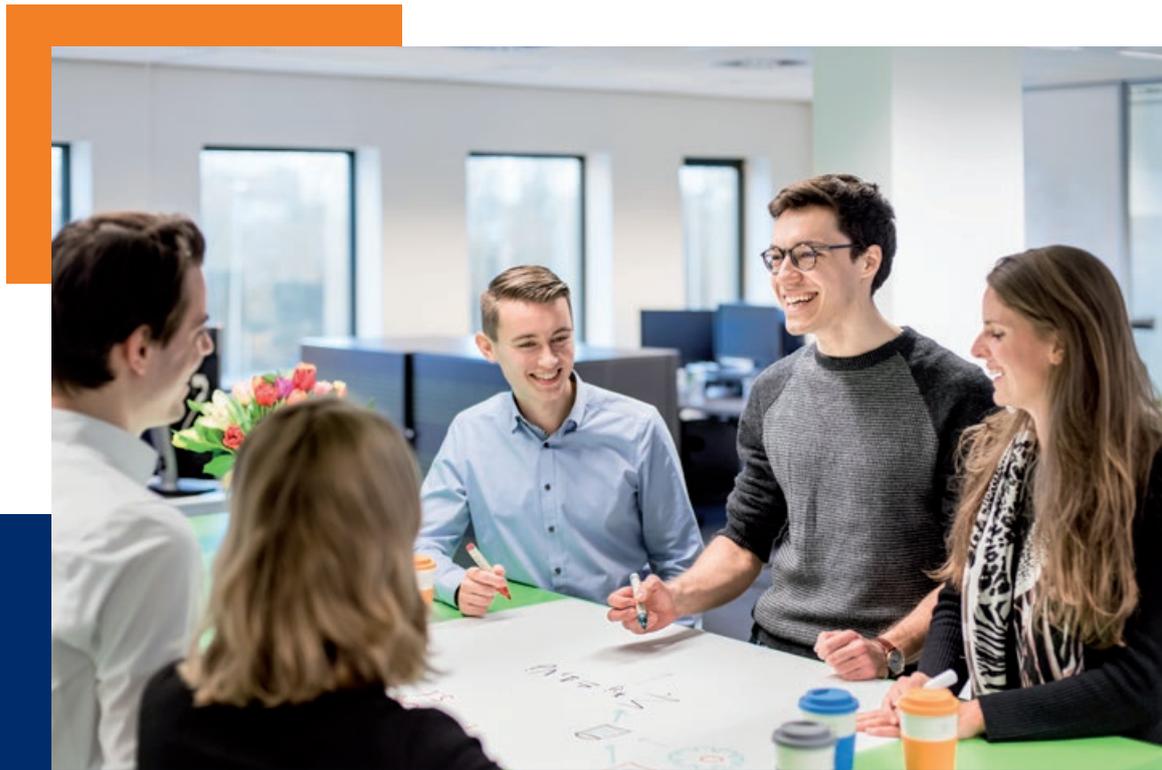
We are a purpose-driven company with ambitious, highly skilled people and an academic culture that we are proud of. We use our passion for mathematics to optimize organizations and with every solution we implement, we make the world a little better.

Since we're a data and technology-driven company that focuses on continuously improving our solutions for our customers, research and development is an important element in everything we do.

## Our core values

We cherish our expertise and are eager to apply it to the benefit of our customers and society. We are a family of smart, investigating minds, who are open, curious, versatile, eager and creative. We challenge ourselves to solve complex problems and deliver innovative solutions with measurable impact.

We go the extra mile to optimize the world, leveraging a performance-driven culture and showing a strong dedication and responsibility to customers, colleagues, our company and the world around us. No wonder we feel connected to each other and embrace authenticity. We give each other the freedom to excel and use our unique strengths and talents.





## 3 ORTEC at a glance

### The world around us

The world population will have grown to almost 10 billion by 2050. Without innovation and optimization, we would need three planets to handle this growth. We will therefore have to use our resources much more efficiently to keep the world 'livable'. At the same time, it is increasingly difficult for organizations to make the right decisions in today's rapidly changing, complex and data-driven world. The amount of variables and data that influence decision making increases exponentially, while the time to decide becomes shorter. Customers need to quickly adapt to these circumstances, and mathematics is an indispensable tool to achieve that.

### Our customers

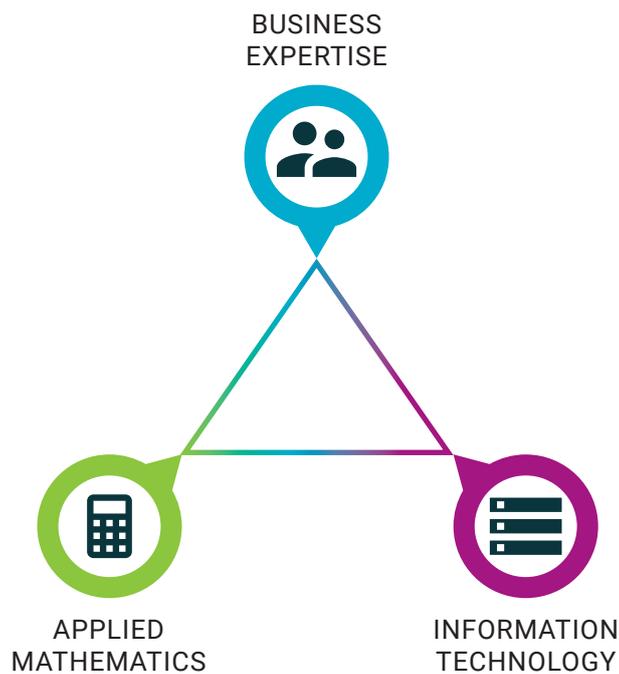
ORTEC is active in different industries, creating added value at strategic, tactical and operational level. Our target audience consists of senior and middle management in aspiring and market leading organizations all over the world, who are open for change to secure long-term sustainable growth and want to stay ahead of their game.

## How does optimization work?

The use of applied mathematics enables organizations to take fact-based management decisions, while taking the relevant factors into account. Via mathematical modeling and the use of smart algorithms, all objectives, restrictions, variables and relevant data are used to calculate the best option out of all feasible ones. This leads to optimized decision making, a better allocation of resources and thus to better and more sustainable performance in any situation.

## What makes us unique?

ORTEC generates the best results in optimizing decision making because we combine world-class mathematics with extensive IT and business knowledge, and a 'go the extra mile' mentality. These are the required elements that deliver added value to our customers.

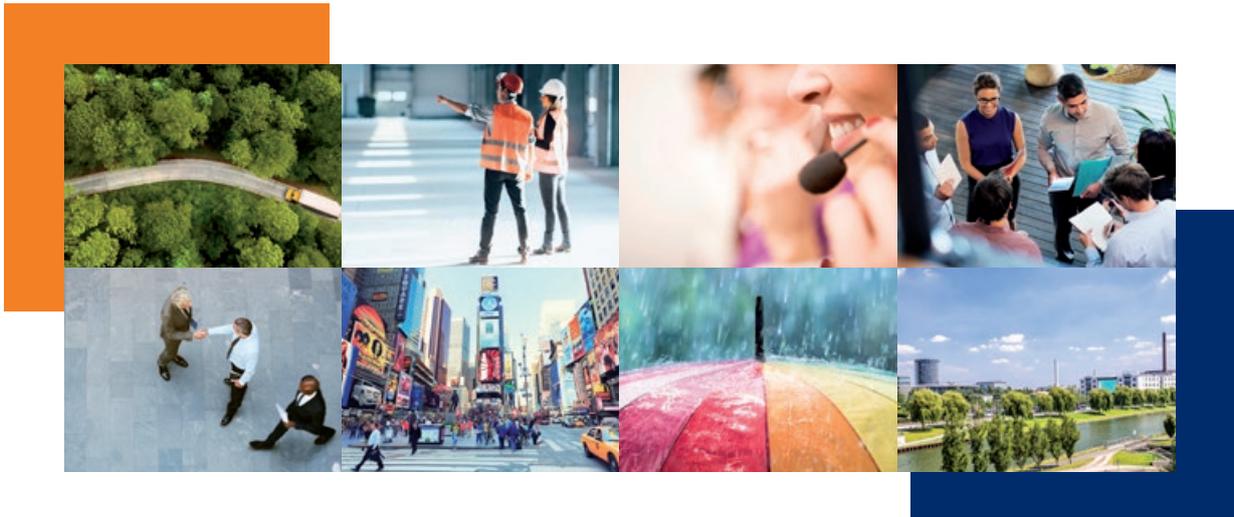


## Our target industries

ORTEC is active in different industries, making businesses more efficient, predictable and effective at strategic, tactical and operational level. Globally we set our focus on the following 6 key industries:

- Manufacturing (including Consumer Packaged Goods)
- Transportation & Storage
- Retail & Wholesale
- Energy
- Health
- Professional & Technical Services





## Our solutions

The decision support we offer to our customers consists of optimization technology and professional services in the area of advanced analytics, leveraging our deep expertise in data science, mathematics, artificial intelligence and machine learning. Although our first software solutions were primarily designed to optimize supply chain planning and execution, our decision support is now used in the following business domains:

- Marketing Analytics
- Demand Forecasting
- Revenue Management
- Asset Management
- Warehouse Optimization & Load Building
- Workforce Planning & Scheduling
- Vehicle Routing & Dispatch
- Customer Service
- Strategy & HR
- Employee Communication

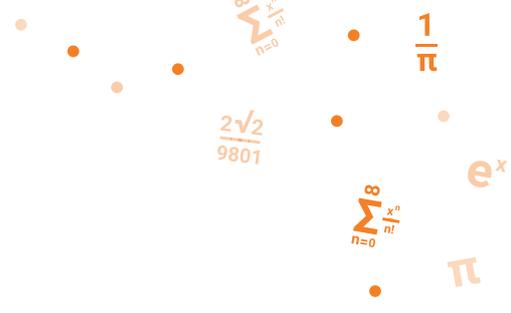
Next to this, we educate people and train organizations on advanced analytics and big data to become data-driven, both in-house and through an open program at “The Analytics Academy”.

To stimulate innovation, we also have small, dedicated teams working on smart bidding for online advertising space and sports statistics.

As technology advances and the immense amount of data continues to grow, the need for secure cloud storage and computing is eminent. In order to address this trend, we have set up a dedicated group to deliver managed services, hosting, SaaS and cloud solutions to our customers worldwide.

## Some of our customers







## 4 Looking back and ahead

### Performance 2019

Last year has been a remarkable year for ORTEC with record breaking revenues of €109M and a revenue growth of 15%. EBITDA increased to €14.1M, while EBIT and net profit were equal to 2018 at respectively €2.5M and €1.5M.

ORTEC is transitioning from one-time (perpetual) software licenses to recurring software revenues. We are pleased to see that recurring software revenues in 2019 increased more than planned (which was also the case in 2018). This transition has the effect that new software deals generate less revenues the first year, but more revenues in years to come. This also has an adverse impact on our short-term profitability, but this will be compensated in future years. Detailed financial results of the ORTEC group can be found in the attached financial statements.

The Executive Team and Board have reviewed and updated the strategic direction for the coming years. An extensive analysis of external market data has resulted in clear choices in terms of regions, industries and products to deliver future growth and improve our profitability. This has been described in detail in our 'Fit for Growth' strategy program. All initiatives are centered around our 3 key assets: people, portfolio and customers. The most important themes identified for us to work on in 2020 are:

- Performance culture
- Future proof portfolio
- Commercial effectiveness

From a business perspective, we have welcomed 98 new customers in 2019, completed hundreds of challenging but innovative projects around the globe, strengthened our US team, expanded the number of customers on our managed services infrastructure and released the first cloud-native product in the US. The average number of people (expressed as full-time equivalents) working for ORTEC increased from 858 to 962.

## 5 Key figures 2019

	Revenues	€109M
	EBITDA	€14.1M
	EBIT	€2.5M
	Netherlands	€45m - 540 FTE
	Rest of Europe	€31m - 331 FTE
	North America	€21m - 56 FTE
	Rest of the world	€12m - 35 FTE
	Employees	962 FTE
	Nationalities	26



## InnovationQuarter invests € 5 million in ORTEC to accelerate the expansion of our healthcare activities

The healthcare industry in the Netherlands is facing major challenges. Costs are rising every year due to increasing demand and many healthcare providers face staff shortages while patients expect quicker treatment. In ORTEC's view, data-driven healthcare solutions are required to tackle these challenges in an integrated manner. Such solutions can improve performance by ensuring a better patient flow through healthcare institutions and a more balanced workload among health professionals. InnovationQuarter has invested €5 million in ORTEC to accelerate the expansion of our healthcare activities.

ORTEC has developed innovative mathematical optimization and data analytics solutions that go far beyond simple statistical analysis. Menno Brandjes, director of ORTEC Healthcare, says, "We have been able to make hospitals 15% more productive in the areas where our solutions are applied. This means that 15% more patients are being treated using the same amount of resources. At the same time, employee satisfaction has also increased." With the support from InnovationQuarter, ORTEC will show this to more CEO's and CDO's at hospitals nationwide.

### Scaling up activities

InnovationQuarter's investment will help to accelerate the growth of ORTEC's new initiatives in the healthcare sector. Brandjes says ORTEC is very pleased with the extra capital: "InnovationQuarter's contribution to ORTEC's healthcare initiatives is helping us to scale up our activities more quickly. We are starting in the Netherlands and will eventually expand worldwide. In the Dutch healthcare sector, ORTEC has for

many years been the market leader in the field of advanced planning software. This investment will allow us to expand our offering in several areas, including integrated capacity management, support in clinical decision making, advanced data solutions for research, and the integration of our communications platform for patients and staff."



### Stimulating innovation

"Founded in the Rotterdam-The Hague area and now operating across the globe, ORTEC is an outstanding, innovative company that has successfully grown to over 1,000 employees," according to Liduina Hammer, head of Investments at InnovationQuarter. "With this investment, we can contribute to ORTEC's growth ambitions in healthcare, which is an important theme in society. InnovationQuarter will utilize its network and organization to accelerate ORTEC's expansion in this area, not only by linking with our shareholders, such as regional academic hospitals, but also by drawing on the commitment of the healthcare experts in our business development team. The investment also allows us to expand our SME portfolio and our role as a lifecycle investor in the region."

### Co-create social return

Pim Jansen, Senior Investment Manager at InnovationQuarter: “Our aim is to accelerate innovation and strengthen ecosystems. We invest in innovative companies in our region in themes that add value to relevant challenges in society, such as more cost efficiency and better and smarter use of data in healthcare. Although ORTEC was known to us, we were positively surprised by the broad range of its initiatives in healthcare. So far, we predominantly invested in start-ups and scale-ups. With the investment in ORTEC, we can immediately make more impact, in view of their broad range of initiatives in health. Together with ORTEC, we identified three relevant areas for our investment: integral capacity management, clinical decision support and ORTEC for communication. By not just investing, but also disclosing our broad network in healthcare, we can accelerate the market-adaptation to these important fields of innovation. More effective use of data in health is key to lower the overall costs of health in society. Since joining ORTEC as shareholder mid-2019, a great joint adventure has begun. We challenge the business plans and discuss progress on

new initiatives on a regular basis. Furthermore, we continue linking ORTEC with other portfolio companies and parties in our network. In close cooperation with ORTEC, we defined smart performance indicators for the new created business unit Health (active per 1st January 2020), to enable us to jointly focus on the dedicated growth of these activities.”

Lonneke Baas, Senior Business Developer Life Sciences and Health, adds: “By opening up our broad network in the health eco systems, we can add value to ORTEC’s ambitious plans in the field of clinical decision support and integral capacity management. Not only via our shareholders LUMC and Erasmus MC, but also by arranging introductions – for example to a fieldlab on metabolics where science and companies cooperate, or the regional innovation program to enhance adoption of technology in healthcare. Smarter applications using data is a major theme in health on both a national and a global scale, and it has enormous potential for improvement. We are really proud that ORTEC can add value to accelerate innovations and create new solutions in this field.”

InnovationQuarter is the regional economic development agency for the greater Rotterdam-The Hague area. InnovationQuarter finances innovative and fast-growing companies, assists international companies in establishing their businesses in this region, and facilitates (international) collaboration between innovative entrepreneurs, knowledge institutes and government. In this way, and in cooperation with the business community, InnovationQuarter supports the development of the greater Rotterdam The Hague area to become one of the most innovative regions in Europe.

InnovationQuarter is supported by the Ministry of Economic Affairs and Climate Policy, the Province of Zuid-Holland, Metropolitan region Rotterdam-The Hague (MRDH), the Cities of Rotterdam, The Hague, Leiden, Delft, Drechtsteden, Westland and Zoetermeer, Delft University of Technology (TU Delft), Erasmus University Rotterdam, Leiden University, the Leiden University Medical Center and Erasmus MC, and Foundation HEID (Holding Fund for Economic Investment The Hague) and the European Union.



## 6 Research and development

Modern society is characterized by rapid technological developments. As a data and technology-driven company that values continuous improvement of the solutions we offer our customers, research and development is an important element in everything we do. Our efforts in this field are focused on extending the functionality and user experience of our existing products, increasing scalability, incorporating new innovations and improving their performance.

## A year of exploration and innovation: Odyssey 2019

Odyssey is the ORTEC Innovation competition. For the 2019 edition, the assignment was to find and bring to market a new plug & play online offer that will build on our existing competencies and technology, while at the same time embracing the new.

Many enthusiastic employees entered great ideas in the Odyssey competition “to try out starting a business in a safe environment, based on what seemed to be a good idea”. And, after a preliminary selection round, 11 exciting and interesting projects were still in the race. Shortly after, 5 of these innovative projects, created by 26 people, won a spot in the 3-month Odyssey Intensive program. This year’s Grand Prize was the opportunity to transform the winning idea into a pilot in 2020. The 5 finalists were given the opportunity to win financial support from internal sponsors and the help of business savvy mentors to launch their product in the market.

### Winner

Tackling future challenges in the field of data science requires a powerful and innovative idea, which can be brought to light with the support of our people and team of coaches and experts. The Odyssey contestants were helped by both internal experts, as well as Timewalk, an external Innovation Management Agency. Our coaches and experts focused on validating the five ideas for market potential, making sure the required technology is available but also that each team can get it across the finish line. And that finish line was crossed by 4 teams on Demo Day, front lined by the winning team: ‘Carton Selection As A Service’. The Odyssey program will continue to nurture innovation and encourage involvement through a culture of exploration, celebrating both success and failure, and helping new prototypes find sponsors and their way to the market.



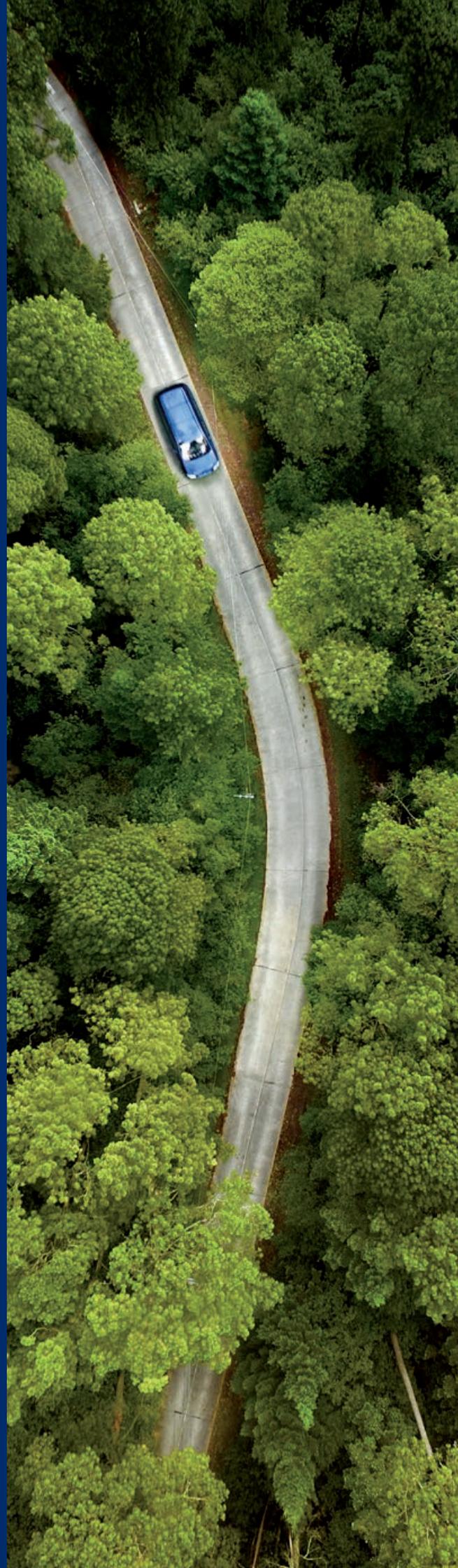
# Gartner Recognizes ORTEC in VRS Market Guide

ORTEC was cited in Gartner's 2019 Market Guide for Vehicle Routing and Scheduling for its Microsoft and SAP -embedded solution. ORTEC has been listed in previous Gartner Market Guides for VRS from 2015 to 2017.

The Market Guide includes information on VRS vendors that are considered "relevant in the market" based on criteria such as end-user interest, number of clients and revenue. When assessing VRS vendor solutions, Gartner recommends reviewing for functionality offered, industries covered and geographical presence. As one of the few vendors, ORTEC covers all functionality requirements in Gartner's assessment.

## Innovation

"Being recognized again by Gartner shows why leading businesses continue to rely on ORTEC solutions for value and capabilities in delivery visibility, operational efficiency and superior customer service," said Jeff Bailey, CEO North America at ORTEC. "Our route planning and scheduling technology uses advanced automation and real-time data to allow users to efficiently route and track their shipments. Items are delivered quickly and predictably, saving mileage, fuel costs and thereby reducing the carbon dioxide footprint." ORTEC's VRS solution provides supply chain leaders with "many different functionalities, including routing and dispatch optimization, network planning, 3D load building, and graphical and over-the-map visibility," cites Gartner. "It also offers a front-end time slot booking engine. This allows for a continuous optimization of routes and schedules based on new orders received directly from storefront portals or mobile applications and manages the available inventory and resources (e.g. trucks and drivers). Other innovations include enhancements to ORTEC's optimization module by avoiding undesirable U-turns during route calculation, AI and machine learning capabilities, and integrated route and resource planning for better utilization of resources within the same company network."



## Honorable Mention for Wouter Kool's paper on Stochastic Beam Search

Wouter Kool, OR Engineer at ORTEC in Zoetermeer and currently PhD candidate at University of Amsterdam (Amsterdam Machine Learning Lab), has written a paper titled 'Stochastic Beams and Where to Find Them: The Gumbel-Top-k Trick for Sampling Sequences Without Replacement'. At the International Conference on Machine Learning (ICML) in June 2019 in California, USA, this paper received a "Best Paper Honorable Mention".

The International Conference on Machine Learning (ICML) is one of the top two scientific conferences in machine learning, the popular branch of artificial intelligence that allows computers to learn from data. In June 2019, it gathered over 6000 participants from all over the world in Long Beach, California, USA. The Best Paper Honorable Mention ranks this paper within the top 10 out of 3424 submitted and 774 accepted papers.

### About the paper

Stochastic Beam Search is a principled method that allows to generate diverse, good quality sequences from sequence models: widely used machine learning models for sequences. For example, when considering sequences of words, this method can be used to automatically generate multiple possible translations for a sentence. At ORTEC we are specialized in optimizing sequences of deliveries, and this method could be used to generate different route options, such that the best one can be selected, following up on our recent research on learning how to quickly solve larger, more complex routing problems.





## 7 Education

**We have strong ties with the academic world and various ORTEC employees are closely involved in leading universities. They give lectures, supervise graduation projects and are committed to making the younger generation just as enthusiastic to improve the world with the help of mathematical solutions as we are. In addition, ORTEC works on projects that are aimed at developing new business models based on intensive cooperation with research bodies, the business community and government.**

### **Affiliation with universities**

We work together with top-performing universities (in the field of operations research, mathematics, data science, business analytics) and guide senior students in their graduation projects. In addition, ORTEC partners in projects that have the objective to design new business models through intensive collaboration of research, industry and governments, such as “Designing sustainable last mile delivery services in online retailing” led by Erasmus University Rotterdam, or “Managing Cash Supply Chains” led by VU University Amsterdam.

### **PHD research projects**

Several ORTEC people are working on PhD research projects, often in combination with research institutes such as CWI (Center for Mathematics and Computer Science), CHOIR (Center for Healthcare Operations Improvement & Research) or Dinalog (Dutch Institute for Advanced Logistics), and with innovative customers such as Coca Cola.

## Gerrit Timmer to become Chief Science Officer

On July 12 2019, Gerrit Timmer transferred his role as CFO to his successor Rik Boer and left the Executive Team. Timmer will continue serving on the ORTEC Board. He is now taking his 39 years of experience to the Education Factory and has become ORTEC's Chief Science Officer. In this role, he represents the company to the outside world as thought leader in Operations Research and Applied Mathematics.

***Gerrit Timmer: "I am very motivated to contribute in this way. I hope to ensure that ORTEC continues to deliver top quality and becomes an even stronger company. Besides that, I can also devote more time to work with clients. I truly enjoyed the position of CFO, but to be honest, I think the new role is even better."***

### Scientific perspective

As Chief Science Officer and director of the Education Factory, Timmer is working on the new educational program that ORTEC is offering and focuses on the content of the program. The Education Factory offers study programs

in Business, Data Science, Optimization and Technology, and its ambition is to become ORTEC's most important educational initiative. "I will also teach there," says Timmer, "just as I already teach at The Analytics Academy." Gerrit will also lead the Science Committee - an independent advisory body that takes a 'scientific perspective' when looking into opportunities to strengthen ORTEC's position in the market. The committee has already made proposals for a different setup of the educational program. Take for example the program to enable clients to make better use of our optimization solutions, or courses on how we stay on top of our game when it comes to new developments in data science.



## Education Factory

In the summer of 2019, ORTEC kicked off the first training of the Education Factory. An important milestone, as it is the next step in building a learning organization. After a successful pilot with 18 training modules, 170 participants and over 400 training days, it was obvious the Education Factory is here to stay and will continue to produce knowledge. ORTEC is dedicated to grow the Education

Factory by expanding the curriculum to cover all knowledge domains and to make it a fundamental part of our organization. The training courses are available to and valuable for all people at ORTEC, from starters to senior professionals.

We aim to grow the Education Factory as the single point of entry for education and development at ORTEC. Starting in the Netherlands/Belgium and ambitious to grow the initiative globally.

## MAI (Make an Impact) stream at EURO 2019

The MAI stream at EURO 2019 in Dublin was a great success. With more than a hundred attendees for some of the sessions, the attendance of this stream amongst the 50 parallel streams of the conference shows how eager our community is to share and learn from the experiences and successes on using OR techniques in business, governmental or environmental related challenges we face.

Prof. Joaquim Gromicho, of ORTEC, leads the team that organized this stream at this international congress with close to 3000 participants.

The stream included a one-on-one speed networking session that allowed people in the room to know each other and uncover synergies and a 'fast and furious session' that was highly rated in the stream surveys. It was facilitated by Ruth Kaufman with presentations on OR in the UK government, OR to support radiography, air traffic control, staff scheduling at airports, among other topics.

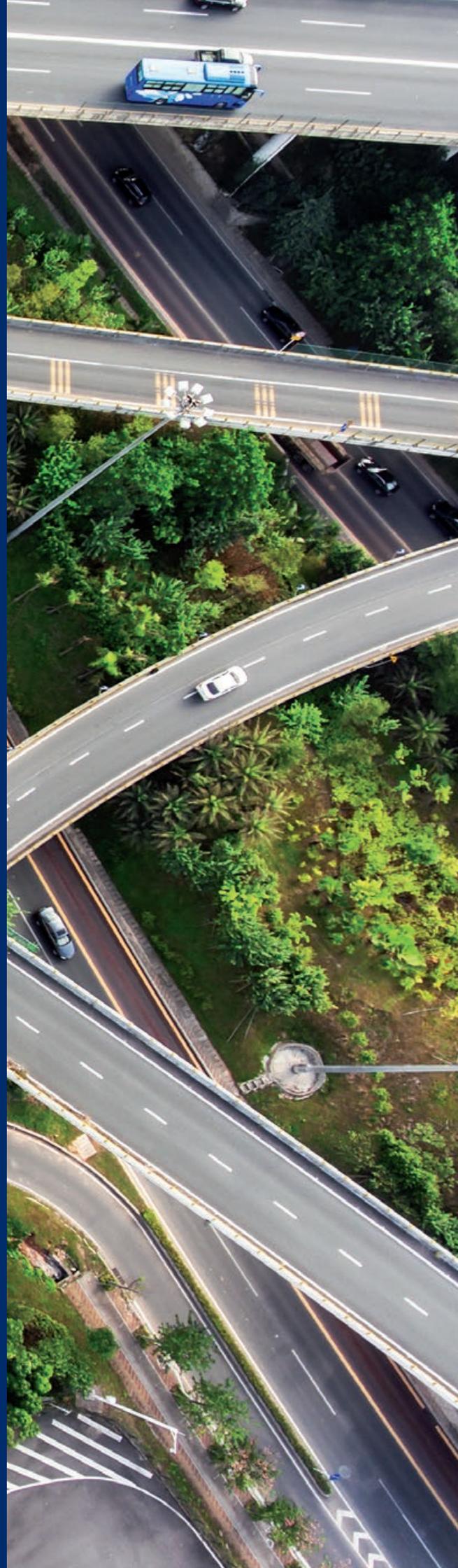


## VeRoLog Congress in Sevilla

The VeRoLog is the working group on Vehicle Routing and Logistics within EURO. EURO is the European society of national OR organizations, overarching 32 member organizations. VeRoLog is one of the oldest and largest groups, and its domain of interest largely relates to ORTEC.

Joaquim Gromicho, involved in R&D at ORTEC and Professor of Applied Optimization in Operations Research at VU Amsterdam, reports after returning from the latest conference:

“Since the third VeRoLog congress that was held in Oslo, part of the program now includes a solver challenge. The challenge is always organized in collaboration with a company that comes up with a problem, runs the challenge and awards the prizes. As active participant (organizing the challenge) and regular sponsor, ORTEC was very visible during the most recent Sevilla event: mentioned both in the opening and closing sessions as committed partner of VeRoLog, and hosting a brainstorm session, a scientific session (dedicated to the challenge) and awarding the prizes during the conference Gala dinner.



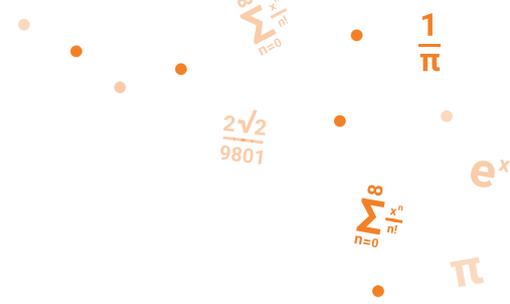


## 8 Outlook 2020

### Market perspective

We are confident about the future, while the market for advanced analytics and data driven decision making is growing rapidly and is benefiting from “Industry 4.0”. Compared to our competition, ORTEC has a strong track record of almost 40 years in ‘state-of-the-art’ applications of mathematical modelling. Besides that, we have an impressive base of highly loyal and satisfied customers around the globe. Also, our mature recruitment channel enables us to attract new talent from leading universities around the globe.

For our existing customers, there is still significant up and cross-sell opportunity for both our software solutions as well as our data science expertise. That is why we broaden our proposition towards them. Especially large and innovative customers are often looking for a combination of standard technology and dedicated solutions or data science expertise. For new customers, our global market presence and strong reputation will be leveraged to increase brand awareness and generate business in our target markets around the globe.



## Broaden our impact at customers

Our business development activities are focused on those regions and industries which hold most potential for us. That's why our growth initiatives are centered around expanding our US customer base and broadening our customer impact around the globe. Because of the identified market potential, we have extended our offering from consumer-packaged goods companies to other sectors within the manufacturing industry. We have also started an internal program to improve our commercial effectiveness via better account focus and more professionalized lead generation, while we are adjusting our positioning from "niche point solution(s) supplier" to broad analytics solution partner.

## Future-proof solutions portfolio

We will continue to significantly invest in accelerating the transition of our core solutions to the cloud and further improve the user experience. Next to that, we will invest to expand our portfolio for the health industry and further integrate and innovate our existing software solutions.

## Employee quality and engagement

Since people are our key asset, we will keep investing in training and development of our employees to drive high quality, engagement and business accountability within our organization. We will extend our management development program and offer various new training modules. ORBIT, our own internal communications platform, will be used as the main and easily accessible employee portal to communicate, engage, share and learn.

## Strategy 2020-2022

In our Fit for Growth program, we have outlined our 2020-2022 strategy. All initiatives are centered around our 3 key assets: people, portfolio and customers. The most important themes identified for 2020 to work on are performance culture and commercial effectiveness.

## Financial outlook & COVID-19

We plan to continue selling more software subscription deals, which has a damping effect on our short-term revenue growth. In our 2020 plan, and before the global disruption caused by COVID-19, we expected a revenue growth of 10%-15%, while improving profitability. The coronavirus is also impacting our business, because several of our customers are hit hard and some have paused their activities for an unknown period. Fortunately, we serve customers in a broad range of industries, and some of them (in food retail and health) experience increased levels of activity. Based on the latest status (early April), we expect the impact on our global revenues in 2020 to be limited. Our cash position is strong and can deal with the currently agreed and expected delay of customer payments in the coming months. In case of a longer downturn and for subsidiaries that are significantly impacted, we will request governmental support. The business impact and cashflow forecasts are monitored very closely.



## Interview Lineke Sneller, non-executive Board member

*'ORTEC is strong in data science and is therefore a relevant sparring partner in many different industries'*

**Lineke Sneller is professor IT Value at Nyenrode Business University. Apart from being non-executive Board member at ORTEC, she is a member of the Supervisory Board of – among others – Achmea and Prorail. Sneller has a master's degree in Econometrics and is a chartered controller. She used to work for ORTEC some 25 years ago. "You need to have good people that are able to not only link relevant technology to specific businesses, but also to explain the often difficult but very applicable content. ORTEC fortunately has those highly skilled people."**

From her professorship (officially: 'Internal control, specifically the added value of IT') Lineke Sneller follows ORTEC's discipline with extra interest. "We certainly don't have to be embarrassed when we look at the state of modern technology in the Netherlands. On the contrary, we should be proud. Some people say that Brainport Eindhoven beats Silicon Valley. Next to that, our telecom coverage is top of the bill, and our labor force is very well educated. The interest in data science has increased enormously over the past few years. Everybody now acknowledges the added value. This means that the market for ORTEC is growing."

### Monitoring the 'P' for Planet

ORTEC can take advantage of these developments, she thinks: "ORTEC is already well-known and recognized as data science partner at medium-sized and large Dutch enterprises. And the opportunities are everywhere and growing every day. Healthcare is a market where ORTEC has a strong foothold, especially in workforce planning at hospitals. But there is much more value to add. For example in the energy transition. It is important to look at long term, sustainable opportunities. As a board, we also stimulate that. Another example of this can be found in vehicle route optimization; ORTEC constantly calculates the impact of routes in terms of CO<sub>2</sub> emissions and monitor the 'P' for Planet in People, Planet, Profit."

### Highly qualified staff

When being asked about the risks and opportunities for the company in the near future, Sneller mentions that ORTEC is an extremely entrepreneurial organization. "By definition, entrepreneurship means discovering unexplored territories. Data is a source of opportunity, but we need to be careful with the risks of security

and privacy. There also is quite some public discussion about the ethical side of Artificial Intelligence. ORTEC needs to take these aspects into account, in both their customer approach and their projects. ORTEC needs to think through how to deploy AI as a company, and not just in terms of compliance. The more technology people develop, the more data becomes available, which makes this also more important." To be able to take advantage of future opportunities, the people at ORTEC are, of course, crucial. "You need to have good people that can both apply technology and explain their relevance for specific businesses. ORTEC is fortunate to have those people. A highly qualified group of employees is working at ORTEC. People that are being sought after in the job market. To retain talent, ORTEC offers their employees ample variety. Also, the employees feel very connected to ORTEC because the work climate and culture at ORTEC is pleasant, the work itself is challenging and fun, while it contributes to a better world"

ORTEC has been growing steadily for the last 30 years, Sneller reflects. "No explosive growth, but steadily growing year after year. In my time at ORTEC, I was the ninth employee. Now there are nearly 1000 employees. And ORTEC has built an impressive customer base around the globe. And if their employees are loyal, so are their customers."

***'You need to have good people that can both apply technology and explain their relevance for specific businesses. ORTEC is fortunate to have those people.'***

## Interview Herman Bol, new non-executive Board member

*'I admire ORTEC's people and the company's culture'*



**As of September 2019, we welcomed Herman Bol to the ORTEC board as non-executive member. Educated as an Economist, Bol brings a large professional network and has many years of experience in senior management and as board member – not only in financial services, but also in the healthcare industry.**

Herman Bol officially retired in 2013; besides spending more time with his wife, children and grandchildren, he still offers his knowledge to several supervisory boards. "I'm very proud, and it is really satisfying," he explains, "to be able to help grow ORTEC's impact on the world by asking the right questions and offering a wider view, based on situations I've dealt with before. ORTEC is unbeatable in what they do with applied mathematics. But I'm confident I can add value in terms of processes and seniority to the organization."

### **Ahead of time**

Sustainability has been a recurring theme throughout his long career, and one of growing importance to Bol himself. "Yes, I definitely will mention sustainability, or Corporate

Social Responsibility, whenever applicable. ORTEC is a solid company: I can say so by simply looking at ORTEC's purpose, 39 years of existence and loyal employees. ORTEC is truly a positive example. And the company also faces some interesting challenges: to stay ahead of competition and keep attracting the workforce of the future. It's these kind of topics that get me energized, and I'm very excited to serve on the board of ORTEC." Asked about his first impressions of ORTEC, Herman is crystal clear: "I really admire ORTEC's people and the company culture: everyone is friendly on the one hand, but on the other hand not afraid to argue. I think this speaks to why people work for ORTEC. It isn't about making as much money as possible, but it truly is about impacting the world."



# 9 Sustainability

## People | Planet | Profit

### Sustainability

#### **A strong commitment**

ORTEC is aware that as a business enterprise it is a member of society and can contribute to creating an environment in which we, as a world, can thrive. To realize that, we need to address issues like climate change, social responsibility, poverty and financial performance out of moral considerations, and to survive as a human race.

ORTEC has a strong commitment to its employees and customers, as well as to the future of society and the world we live in. Using our passion for mathematics, ORTEC truly has a sustainable impact across the globe. All activities ORTEC undertakes contribute to one of the three pillars of sustainability: People, Planet and Profit.



### **Optimize our world**

As the core of our work is to optimize our customers' worlds, our main contribution can be found in the increase of their sustainability along the three pillars People, Planet, and Profit. By optimizing our customers' world, we increase their efficiency, reduce their costs and enable them to positively influence their environmental impact. More specifically, they reduce their energy, materials and water use. This reduces greenhouse gas emissions as well as other harmful emissions: for example, reducing NO<sub>x</sub>, SO<sub>x</sub> and fine dust emissions, which significantly improves air quality.



In addition to optimizing the world of our customers, we also want to optimize our own world. Therefore, we carefully monitor and optimize our progress using these same three pillars, albeit with more KPIs using the Global Reporting Initiative (GRI) standards. In GRI terms: People, Planet, and Profit relate to the social, environmental and financial indicators.

Every year we describe our actions to continually improve the integration of the United Nations Global Compact (the world's largest corporate sustainability initiative) and its principles into our business strategy, culture and daily operations. Later this year, a separate Sustainability Report will be published with more details and updated figures. Below we share more details about how we've managed to improve our own backyard, and how we are collaborating internationally to optimize beyond what we can do in a commercial setting. We will continue to explore and implement initiatives to further improve our sustainability performance.

# 790.000 People

we contributed to employee satisfaction of over 790.000 people (+44%) across our customer base



# €920M Profit

we improved the financial performance of our customers by almost €920 million (+15%).



# 680 kton CO<sub>2</sub> Planet

we reduced the CO<sub>2</sub> footprint of 430 customers (+13% compared to 2018) by 680 kiloton CO<sub>2</sub> (+6%)



## ORTEC receives EcoVadis Gold Rating

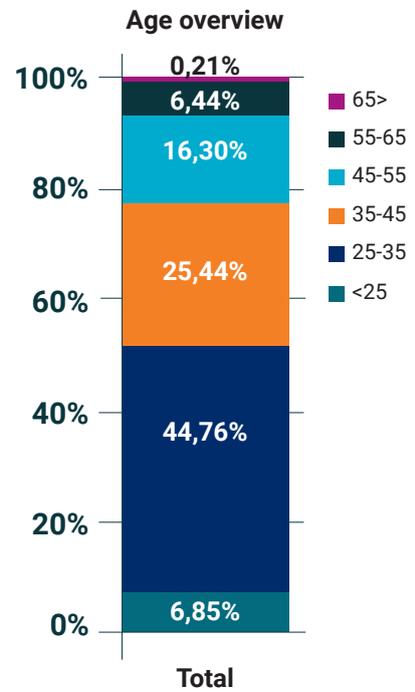
Our activities in the field of sustainability are assessed biannually by EcoVadis. In 2018, EcoVadis completed their fourth assessment on ORTEC's sustainability and awarded us with a Gold rating. ORTEC's corporate social responsibility status now belongs to the top 1% of all our rated peers (computer programming, consultancy and related activities), and to the top 4% of all the thousands of companies assessed by EcoVadis every other year.



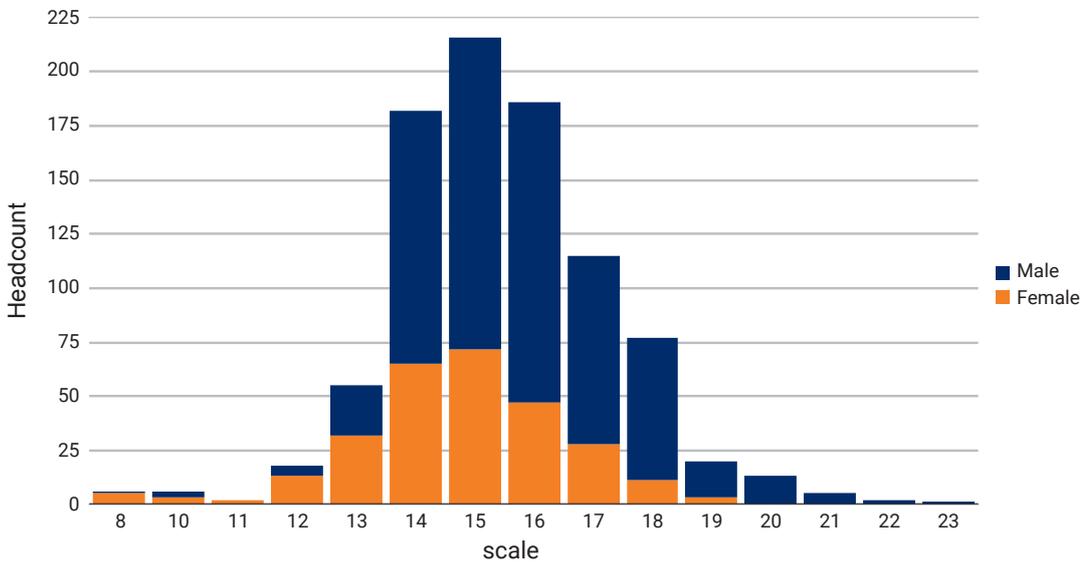
# People

Our people make ORTEC unique and distinguish us from other companies. We are not your regular IT company, not a typical consultancy firm, or only a data science specialist; ORTEC is all of that and more. Naturally, we continuously do our best to maintain our people's happiness and health. We foster an open and informal culture, stimulate a healthy work-life balance, and ensure a solid remuneration with plenty of development opportunities.

Employees at ORTEC get access to the most passionate powerhouse in applied mathematics, with a drive to use our skills to improve the world, from the world at large to our own backyard. As a part of that last ambition, and because we have strong ties with the academic world, we welcome students by offering them supervision during their graduation project and a possibility to work as a student assistant next to that.



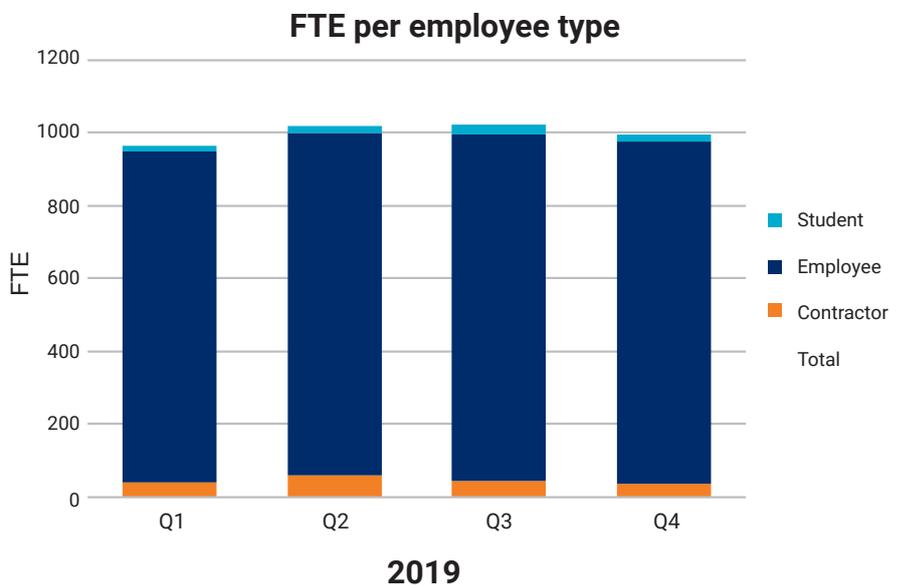
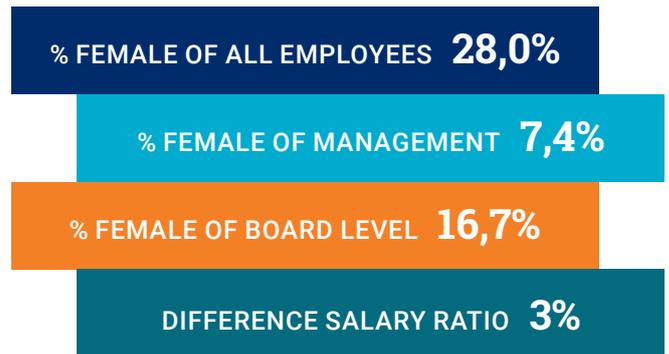
Headcount per scale; M/F





In addition, young employees become part of an open and friendly culture, with an active employee association (Young ORTEC) for fun activities with colleagues, and content-driven events that they can join. Young employees can also become a member of the student group, which organizes activities for graduate students at ORTEC, like Friday afternoon drinks at our own 'ORTAP'.

Since people are ORTEC's most important asset, we offer flexible ways of working ('Het Nieuwe Werken'). We actively stimulate employees to broaden their skills through education and continuous development. Sports activities are regularly being organized to support healthy living, and healthy food such as free fruit is available in all offices. The results of our quarterly employee satisfaction surveys allow us to quickly adapt to any input from our employees and are a source for development of our educational offer.



## Planet

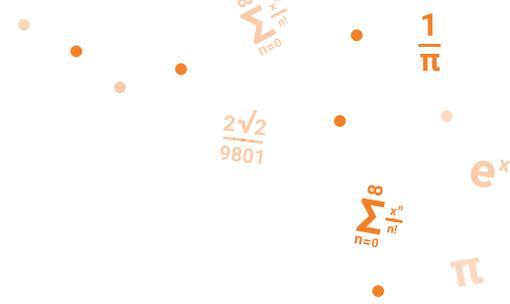
'Having a successful business' is no longer the point of focus in this day and age. The contribution to the planet and society at large becomes ever more important. As the core of our work is to optimize our customers' worlds, our main environmental contribution can be found in the reduction of our customers' environmental footprints. Even so, we also enjoy optimizing our own energy, water, and material use.

In 2014, ORTEC started with its first environmental reporting, determining the energy use of our Dutch headquarters. Since then, the depth and width of reporting have expanded. In our annual report, we can show data of the majority of ORTEC's operations (>95% based on FTE). Our account on the use of energy has been expanded to a GHG Protocol aligned reporting of our energy use and relating CO<sub>2</sub> emissions. In addition, we can also report on water usage and waste generation (and recycling!) at more and more offices.

Among these different factors, our CO<sub>2</sub> footprint has the largest impact. That is why we aligned individual country goals to set a global ORTEC goal to reduce this footprint by 20% in 2020 (vs 2014). This year, we are working to further reduce that in several ways. Sustainable transportation is further stimulated in several ways. For example, in the Netherlands an NS business card is now a standard travel option, we are expanding the biking facilities (sheds and showers) and continue increasing the EV charging stations. Moreover, besides the continued reduction of our greenhouse gas emissions, ORTEC will start looking for a company-wide program to compensate the remaining emissions.

### Global greenhouse gas emissions progress





## Profit

ORTEC is thoroughly committed to its support of humanitarian aid organizations and provides resources, knowledge and expertise to optimize the logistics aid network of supplies. For instance, we have assisted the World Food Program by optimizing the routes to deliver food, and have developed software for North Star Alliance to share health & patient information between roadside wellness centers in Africa to fight aids.

Today, we support '510', an initiative of the Dutch Red Cross that wants to shape the future of humanitarian aid by converting data into information. We train their employees across the globe to improve data literacy, and we collaborate on researching the use of text mining.

Amref Flying Doctors, owned by Amref Health Care Africa, are working on a healthy, strong Africa by educating medical professionals, offering basic care and counseling. ORTEC helps Amref to improve African health care by optimizing their business processes, making their projects quantifiable and the outcome of these projects visible.

### Supporting education and knowledge competitions

In addition, we sponsor recurring events which relate strongly to ORTEC and its employees, including the Mathematical Olympiad, the Dutch Sudoku & Puzzle Championships, and different econometrics, mathematics, and programming competitions.



#### Collaboration ORTEC and Amref

## Every country should have a strong health system

**Last year ORTEC started a relationship with Amref Flying Doctors, owned by Amref Medical & Research Foundation. Amref is working on a healthy, strong Africa by educating medical professionals, offering basic care and counseling. ORTEC helps Amref, as part of our Corporate Social Responsibility policy, to increase their impact on African health care by optimizing their business processes, making their projects quantifiable and the outcome of these projects more visible. Patricia Vermeulen, CEO at Amref Flying Doctors NL: “There are many parties that offer their help, but they don’t always fit.”**



In ORTEC, Amref saw a partner that would be able to add real value to their organization. “We will always need strategic partners” stresses the Amref CEO. “With government and with companies. But for the long term, not just for one or two years.” You need to strengthen each other leveraging your core business and share an overall goal, she states. “And it is important to communicate about such a partnership to inspire people. Therefore, I’m also glad that this annual report pays attention to our collaboration.”



### Bring healthcare closer

“In Africa, we are called ‘Amref Health Africa’”, explains Vermeulen. “For more than 63 years, Amref has been active in Africa – on the ground – to make sure that everyone gains access to good and affordable healthcare. We are Africa’s largest health organization. People in the Netherlands don’t usually know this; they still associate us with flying doctors. But nowadays, we reach people in other ways. By radio, by road, by mobile phones and by computers. One of the core tasks since the foundation of Amref is educating local people. There is a huge shortage of health staff on the African continent. Amref is supportive to what a government tries to achieve in its country. We do

try to have local health caretakers acknowledged in the health system by governments. In a lot of African countries, they are seen as volunteer workers. Of course, we don’t do all this from our Dutch office: that’s what our African organization is for, with about 1500 employees in the different country offices. In the Netherlands, we mainly try to raise funds as well as awareness.”

### Part of African communities

Data is crucial for the organization, especially in Africa. “In Kenya, we introduced the mobile platform ‘Leap’, which offers opportunities to educate and train health workers, giving peer support to each other, and contacting doctors. All the data that is submitted is important for governments on an aggregated level. When a mass cholera outbreak took place in a slum in Nairobi some years ago, the government asked us to inform all health workers involved to mitigate the risk for the rest of the over three million people in the city. Amref really is a part of the communities in Africa; we work with locals who know exactly how to address sensitive topics, like female genital mutilation. Even in Masai communities. But it is a test of endurance.” As part of its campaign to stop this practice, Amref has worked with communities in Kenya and Tanzania to develop alternative rites of passage



– for example, baths of milk and honey. Some 16,000 girls have undergone these alternative rites, according to Amref.

### **Creating value together**

Since last year, ORTEC collaborates with Amref. Vermeulen: “ORTEC was looking to support an organization where they could add value leveraging their core business, with direct impact and where a difference could be realized for people. ORTEC doesn’t bring in money, but knowledge and expertise that we don’t possess. If there truly is a good match, you can create so much value together without money. It is a labor intensive process, because you need to search for that added value together. But if you find it, you can easily translate it into money: the expertise you gain, the costs you are going to save because of better processes and the improved efficiency in our organization. We have made the choice to start out in a country where the local Amref board was interested in the cooperation with ORTEC. This turned out to be Ethiopia. But hopefully, in the future more offices can benefit: Tanzania, Uganda and Kenya could also really use this type of support. In Ethiopia, we are engaged in a project where we follow 500 women; annually we receive data from them. Do they have access to potable water? To clinical help when giving birth?

In the few years we have been doing this, we should have organized the data collection better than we did. Because we need to be able to show what impact we have – on these women, and in general. These facts are going to assist us to plan the right interventions. ORTEC really helped us in organizing and analyzing all the data.”

### **Workforce effectiveness**

The first project was completed in the Netherlands; for the second project about workforce effectiveness three ORTEC employees visited the Ethiopian office in March of this year. “Our Ethiopia office receives money from countries like the Netherlands, Germany and Sweden, but also from donors like the US government and the Gates Foundation. But project planning is quite difficult: they are constantly worrying how to deploy their teams as effectively as possible, because the budgets can fluctuate. ORTEC has already been offering advice to our local management team and suggested a forecasting model that gives insight in how many people per project are needed (based on available budgets, partners, and the amount of time) and how to allocate different roles and responsibilities. The Ethiopian management team is really happy with this tool and it is only a first step: ORTEC will finetune things in the Netherlands.”

The first project Amref and ORTEC started was in 2019, after Noud Gademann and Ineke Meuffels performed an assessment on selected project to point out the most relevant project for both parties. It was about research on the impact of the Amref Ethiopia program and a project to perform data analytics on the outcome of questionnaires completed by residents of regions where Amref is active.



Collaboration ORTEC and 510

**When a disaster strikes, you want to be prepared.**

**Every year, nearly 160 million people worldwide are affected by natural disasters such as earthquakes, hurricanes, and floods. Thanks to data, an increasing number of natural disasters can be predicted, enabling people to safely evacuate in time. This way, data can make an enormous difference in the impact of disasters on the lives of many. Also, funds are often distributed only after a disaster occurs and the impact is assessed. If the impact of a disaster can be predicted, funding and humanitarian aid can be provided in advance to the people most in need. ORTEC contributes by cooperating with a Dutch data initiative of the Red Cross.**

The International Federation of Red Cross and Red Crescent Societies (IFRC) has started to introduce more data driven methods to their daily work. To explore opportunities to continue this path, 510 - a data initiative of the Netherlands Red Cross – and ORTEC have partnered up. '510' refers to the total surface area of the earth in million km squared. The purpose of the 510 initiative is to improve speed, quality, and cost-effectiveness of humanitarian aid by using and creating data and digital products. The collaboration involves a joint research into the use of text mining for disaster response and funding, thereby collectively creating a larger impact on the humanitarian sector.

### **Faster and better help worldwide**

Maarten van der Veen founded 510 in 2016. "We are a data and digital team that helps Red Cross associations worldwide delivering faster, better and more cost-efficient help. Momentarily we support 36 Red Cross associations. Our teams also act in big humanitarian programs. A lot of our fellow workers are volunteers and students. A number of products we made are up and running; e.g. a forecasting model for the impact of typhoons in the Philippines. Models like that are operational in other countries that are having trouble with floods. We are busy increasing the data literacy of Red



Cross employees. We help associations to collect risk data, so they can visualize where their most vulnerable clients are located and where people are most exposed to disasters or conflicts."

### **Partnership with ORTEC**

The partnership with ORTEC 'fortunately isn't being made very complicated', says Van der Veen. "And there is an intrinsic motivation at ORTEC's part: the initiative wasn't started to be able to communicate externally using the name 'Red Cross' in ORTEC's interest." In 2019, 510 and ORTEC mentored graduates together (see: 'How we worked together'). Also, trainers from ORTEC



helped train foreign data teams in data analytics and data science. Both organizations try to inspire each other. According to 510's founder: "We work in a field with relatively little data, so we need to be pragmatic. We can't get some big, ponderous file from our web shop and start analyzing it. We start by looking for data and trying to find smart alternatives. It makes you creative – and humble. It helps to reflect with people from the industry, such as people from ORTEC. In the nonprofit sector there is an evident lack of data literacy. We are the largest data team of the Red Cross, so the options to reflect within our own network are scarce."

### More specific goals

ORTEC and 510 want to strengthen their co-operation in 2020 to have more impact. Van der Veen: "We have set up a clear plan for 2020, with more support from ORTEC focused on accompanying students and deploying experts."

We also formulated more specific goals. While accompanying students, you're mostly gathering knowledge; but we also have some essential bottlenecks that need to be fixed. For instance: a data warehouse should be set up. We already started making a measuring instrument to see where Red Cross associations stand in the digital transformation. My hope for the future co-operation with ORTEC is that we can roll out a data curriculum for Red Cross volunteers worldwide and that we can solve our bottlenecks together, one by one."



## How we worked together: Text mining to predict the impact of disasters

Part of the data can be found by using text mining: a process by which a large set of existing information is examined to generate new knowledge. For the 510 initiative, Luisa Baeskow and Annelies Riezebos, two Master of Science graduate students, have been investigating the application of text mining techniques to specific Red Cross documents: The Vulnerability & Capacity Assessment (VCAs) reports and documents relating to the Disaster Relief Emergency Fund (DREFs). These documents contain data on both vulnerability and historical events. Through data and text mining, the application scope of these documents can be widened for disaster response and preparedness (the measures taken to prepare for and reduce the effects of disasters) in order to better shape and target future interventions.



## 10 Organization and Corporate Governance

The legal structure did not significantly change in 2019. Group activities are performed out of entities in the Netherlands, Germany, United States, Belgium, France, United Kingdom, Romania, Italy, Australia, Brazil, Poland, Denmark and Singapore.

The average number of Full Time Equivalents (FTE), working for all entities, that take part in the consolidation, increased from 858 to 962.

The development and maintenance of the ORTEC products is organized in ORTEC Optimization Technology B.V., which is 100% owned by ORTEC International B.V. Next to its commercial role related to the ORTEC Products, ORTEC Optimization Technology B.V. also holds the interest in most other entities of the ORTEC Group. It is anticipated that in 2020 ORTEC Optimization Technology B.V. will retain the R&D function, but that the holding function of the subsidiaries will move to ORTEC International B.V.

The increasing complexity of international business (e.g. MNC customers, legal and fiscal compliancy), information security and the need to optimize the use of scarce resources within the Group made us further centralize our strategy execution and budget control. Due to a changed intercompany transfer pricing methodology last year, new metrics are defined to monitor business performance. ORTEC has an Advanced Pricing Agreement with the Dutch tax authorities.

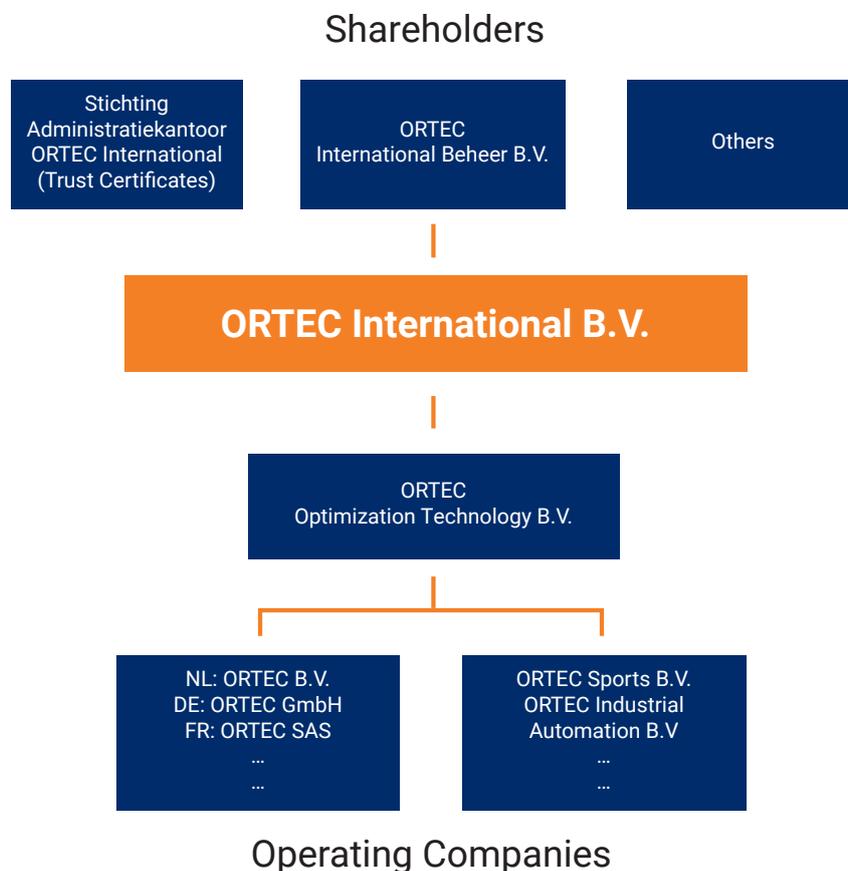
Within ORTEC International B.V., a works council (“ondernemingsraad”) is operational, that represents the employees of the Dutch entities, and meets periodically with the Executive Team over strategic topics and important developments.

In 2018, a pension scheme for the Dutch employees moved from the ‘Stichting ORTEC Pensioen Fonds’ to the APF Volo Pensioen. This fund will unfortunately end in the near future, for which we expect to move to another fund in the second half of 2020.

## Shares and certificates

To increase innovation related to our Health activities, the Dutch ‘Innovation Quarter B.V.’ has become a shareholder of ORTEC since July 2019.

The number of shares in ORTEC International B.V. remained unchanged at 1,000,000. The number of issued shares (319,613) did not change during the year. The number of shares owned by the company itself has been reduced from 31,174 to 16,752. All employees have the opportunity to purchase certificates of ORTEC International B.V. This allows them to benefit from the growth in value of the company and it creates a stronger bond between the employees and the company. This has led to more than 200 employees owning a total of 7% of ORTEC International B.V. (indirectly).





*Executive Team*

## Senior Management

The Board of ORTEC International B.V. has two executive and four non- executive members. Due to expiring terms and some functional modifications, several changes took place in the Board and Executive Team per July 2019.

The Board of Directors values diversity and would prefer to have more women in senior management of the ORTEC Group. The company will continue to focus on the competences of new Board members bearing in mind the added value of diversity.

### **Board first half of 2019**

Aart van Beuzekom	Chairman
Michael van Duijn	CEO
Gerrit Timmer	CFO
Goos Kant	Member
Lineke Sneller	Member
Jac Braat	Member

### **Board second half of 2019**

Aart van Beuzekom	Chairman
Michael van Duijn	CEO
Rik Boer	CFO
Gerrit Timmer	Member
Lineke Sneller	Member
Herman Bol	Member (per September 2019)

*31 December 2019*

### **Executive Team**

Michael van Duijn	CEO
Gerrit Timmer	CFO (up to June 2019)
Rik Boer	CFO (per July 2019)
Marco Lock	COO
Wouter Luijten	CPO (Chief Product Officer)
Edgar Benschop	CMO (Chief Marketing Officer)

*31 December 2019*



## New CFO: Rik Boer

**Per July 2019, Rik Boer started as the new CFO at ORTEC. He began his career at NS (“Dutch Railways”) and worked for various companies before he joined ORTEC in 2001. Recently he was secretary of the Executive Team and responsible for Corporate Control, covering Finance, Legal and Governance. Rik firmly believes in reducing complexity.**

Rik Boer has a bachelor’s degree in Traffic Engineering and Logistics, and a master’s degree in Economical Geography, with a specialization in Traffic, Logistics and Geographical Information Systems. How did his path lead to ORTEC? “The first PCs for general use became available during my study and I built (Pascal) applications for almost everything. Ranging from a cashier system for school events, solving the Travelling Salesman and Chinese Postman problem, to a generic GIS application. I developed quite some business applications as hobby next to my career. I paused my career for a 6-month backpacking trip around the world 20 years ago. After that, a friend suggested that ORTEC would be a great match if both Logistics and IT were my passion.”

### **New ways of working**

Interestingly, Boer didn’t start at ORTEC as a developer. “My interest shifted towards optimizing and standardizing internal processes and I really liked management. I started at our (ex) subsidiary TMS in the South of the Netherlands. Since then, I’ve been responsible for several businesses in the Netherlands and abroad. Of late, I’ve been working on topics such as finance, reporting, governance, compliance, legal, administration, and tax projects. I discovered that I really like working in complex organizations, as well as



working on business continuity topics. As CFO, I would like to strive for more standardization and reducing complexity. It’s not only essential to stay in control in a growing organization, but also to become more scalable and thus successful. Also, increasing laws, regulations and requirements from stakeholders (such as audit firms or tax agencies) pushes us to challenge our way of working. Compliance is becoming more important for a company of our size. This sometimes requires new ways of working that may not be popular at first sight - such as more registration, less exceptions, more budget control and reliable financial forecasts (‘promises’). But the changes do result in benefits: not only more compliance, but also more transparency for everyone, less hassle, faster processes and increased business performance.”



# 11 Risk management

## Strategic and operational risks

The group revenues come from a wide variety of small to large companies, out of different industries, with a broad range of products and services, from all over the world. The retention rate of ORTEC's customers is very high, and the current market share is small compared to the market potential. The competition is known and relatively limited due to the 39 years of experience in a niche market.

The expected growth in both revenue and profit depends on a number of uncertain circumstances. The most important uncertainty is the economic climate and the related interest from companies in ORTEC target markets to invest in software and services. An overall world economy downturn would affect the growth ambition of ORTEC, and new competition in a specific area can change our profits and strategy. But the variety of the business activities, as well as the option to reduce innovations when needed, make the business risk fairly low.

Future success will also depend on the ORTEC capabilities to develop its products to be sufficiently generic to cover a large number of market segments, while at the same time sufficiently specific to match specific customer or market requirements. Moreover, the success depends on the ability of ORTEC to reduce the required expertise to sell and implement the ORTEC products to grow this capability in each region faster.

The majority of the activities use state-of-the-art technology to offer customers stable, sustainable, functional rich and innovative solutions. Nevertheless, the speed of technology evolution and related customer expectations is high and forms a potential threat on both the R&D and Sales and implementation activities.

ORTEC tackles this ongoing need for improvements by reviewing existing techniques and platforms and change or adapt where needed. This requires significant ongoing development investments, but it's also ORTEC's promise to customers to protect their investments. Hence, the risk that technology would eliminate ORTEC's solutions on the short run is considered to be fairly low.

### Compliance risks

The growing complexity of doing business internationally leads to an increased risk of legal or regulatory sanctions, material financial loss and reputation damage. Risks are identified, monitored and mitigated by intensifying the corporate control functions. The company has a corporate Quality, Risk and Compliance team that further standardizes business processes and organizes company-wide Information Security awareness trainings.

### Financial risks

During the normal course of business, the company uses various financial instruments that expose it to market, currency, interest, cash flow, credit and liquidity risks. To control these risks, the company has instituted a policy including a code of conduct and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the financial performance of the company.

The company does not apply derivatives, including interest rate swaps, forward exchange contracts, or purchased options to control its risks. The company does not trade in financial derivatives.

**Credit risk** - This arises principally from the Group's loans and receivables presented under financial fixed assets, trade and other receivables and cash. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The vast majority of the receivables is related to large internationally operating companies that have a low credit risk. Historically the percentage of the receivables that were not received, because the customer was in default, is very low. In order to provide the necessary working capital for all entities, the group has an agreement with RABO. The company also has loan agreement with the RABO that facilitated buying own shares in earlier years.

**Interest rate risk and cash-flow risk** - The company runs an interest rate risk on interest bearing assets and liabilities and on the refinancing of existing loans. For assets and liabilities with variable interest rate agreements, the Group runs a risk of future cash flows and for fixed interest rate loans a fair value risk.

**Currency risk** - The group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the euro. The currencies in which these transactions primarily are denominated are EUR and USD.

**Liquidity risk** - The Group monitors its cash position by using successive liquidity budgets. The management ensures that the cash position is sufficient to meet the company's financial obligations towards creditors and to stay within the limits of its loan covenants.

Board ORTEC International B.V.



# Financial statements

Consolidated balance sheet  
as at 31 December 2019

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

(before profit appropriation)

		2019		2018	
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
<b>Fixed assets</b>					
• Intangible fixed assets:	1				
• Software		<b>14,774</b>		14,837	
• Goodwill		<b>666</b>		824	
		<hr/>		<hr/>	
		<b>15,440</b>		15,661	
Tangible fixed assets:	2				
• Computer hardware and software		<b>1,763</b>		1,541	
• Office furniture and equipment		<b>992</b>		954	
		<hr/>		<hr/>	
		<b>2,755</b>		2,495	
Financial fixed assets:	3				
• Participating interests		<b>240</b>		175	
• Other receivables		<b>299</b>		392	
		<hr/>		<hr/>	
		<b>539</b>		567	
			<b>18,734</b>		18,723
<b>Current assets</b>	4				
• Projects in progress		<b>715</b>		2,054	
• Trade receivables		<b>22,489</b>		20,009	
• Receivables from shareholder		<b>1,079</b>		722	
• Receivables from participating interests		<b>504</b>		418	
• Taxes and social security contributions		<b>3,443</b>		4,033	
• Other receivables, prepayments and accrued income		<b>2,828</b>		3,964	
		<hr/>		<hr/>	
			<b>31,058</b>		31,200
Cash and cash equivalents	5		<b>3,656</b>		1,841
			<hr/>		<hr/>
			<b>53,448</b>		51,764
			<hr/> <hr/>		<hr/> <hr/>

		2019		2018	
		EUR 1,000	EUR 1,000	EUR 1,000	EUR x 1,000
<b>Group equity</b>	6				
Shareholders' equity		<b>29,241</b>		22,752	
Minority interest		<b>6</b>		74	
		<hr/>		<hr/>	
			<b>29,247</b>		22,826
<b>Provisions</b>	7				
Deferred taxes		<b>3,065</b>		2,868	
Participating interests		<b>0</b>		0	
		<hr/>		<hr/>	
			<b>3,065</b>		2,868
<b>Long-term liabilities</b>	8				
Financial Institutions		<b>550</b>		1,650	
Debts to third parties		-		-	
Prepayments		<b>1,019</b>		758	
		<hr/>		<hr/>	
			<b>1,569</b>		2,408
<b>Current liabilities</b>	9				
Turnover invoiced in advance		<b>2,428</b>		2,111	
Debts to credit institutions		<b>1,100</b>		6,472	
Trade payables		<b>3,214</b>		3,191	
Debt to participating interest		<b>178</b>		195	
Taxes and social security contributions		<b>4,815</b>		4,487	
Other liabilities, accruals and deferred income		<b>7,832</b>		7,206	
		<hr/>		<hr/>	
			<b>19,567</b>		23,662
			<hr/>		
			<b>53,448</b>		51,764
			<hr/> <hr/>		<hr/> <hr/>

## CONSOLIDATED INCOME STATEMENT FOR 2019

		2019		2018	
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
<b>Net turnover</b>	10		<b>109,047</b>		94,798
Costs of outsourced work and other external costs		<b>11,410</b>		9,726	
Wages and salaries		<b>57,189</b>		49,956	
Social security and pension charges		<b>11,045</b>		9,890	
Amortisation of intangible fixed assets		<b>10,604</b>		9,662	
Depreciation of tangible fixed assets		<b>968</b>		1,132	
Other operating expenses		<b>25,642</b>		21,349	
Capitalised costs of software development		<b>-10,297</b>		-9,391	
<b>Total operating expenses</b>	11		<b>106,561</b>		92,324
<b>Operating result</b>			<b>2,486</b>		2,474
Financial income	12		<b>652</b>		496
Financial expenses			<b>-588</b>		-539
<b>Result from ordinary activities before tax</b>			<b>2,550</b>		2,431
Corporate income tax	13	<b>-1,065</b>		-897	
Share of result of participating interests		<b>-18</b>		27	
<b>Consolidated profit after tax</b>			<b>1,467</b>		1,561
Share of consolidated profit (loss) attributable to minority interest			<b>-8</b>		12
<b>Net profit for the year</b>			<b>1,475</b>		1,549

## CONSOLIDATED CASH FLOW STATEMENT FOR 2019

	2019		2018	
	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000
<b>Operating activities</b>				
Operating result		2,486		2,474
Adjustments for:				
• Amortisation of intangible fixed assets	10,604		9,662	
• Depreciation of tangible fixed assets	968		1,132	
• Changes in provisions	0		0	
• Changes in working capital	921		-2,574	
		<b>12,493</b>		8,220
		<b>14,979</b>		10,694
Share of result of participating interests	0		0	
Interest received	52		37	
Others financial income received	0		0	
Interest paid	-288		-250	
Corporate income tax paid	-411		-1,041	
Other financial expenses paid	0		0	
		<b>-647</b>		-1,254
<b>Cash flow from operating activities</b>		<b>14,332</b>		9,440
<b>Investing activities</b>				
Investments in intangible fixed assets	-10,297		-9,393	
Investments in tangible fixed assets	-869		-648	
Change in other receivables classified as financial fixed assets	0		6	
Investments in participations	-100		-100	
		<b>-11,266</b>		-10,135
<b>Cash flow from investing activities</b>		<b>-11,266</b>		-10,135
<b>Carry forward</b>		<b>3,066</b>		-695

	2019		2018	
	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000
<b>Brought forward</b>		<b>3,066</b>		-695
<b>Financing activities</b>				
Selling of own shares	<b>5,000</b>		0	
Other changes in equity	<b>0</b>		0	
Changes in long-term liabilities	<b>-1,085</b>		-1,213	
		<hr/>	<hr/>	
<b>Cash flow from financing activities</b>		<b>3,915</b>		-1,213
		<hr/>	<hr/>	
		<b>6,981</b>		-1,908
Translation differences		<b>307</b>		214
<b>Net cash flow</b>		<b>7,288</b>		-1,694
		<hr/> <hr/>	<hr/> <hr/>	

	2019		2018	
	EUR x1,000	EUR x1,000	EUR x 1,000	EUR x 1,000
<b>Movements in cash and cash equivalents</b>				
Cash and cash equivalents at the start of the year		<b>1,841</b>		3,454
Cash and cash equivalents deconsolidated participation at the start of the year		<b>-102</b>		0
Credit to financial institutions at the start of the year		<b>-5,372</b>		-5,291
		<hr/>	<hr/>	
		<b>-3,633</b>		-1,837
Cash and cash equivalents at the end of the year		<b>3,656</b>		1,841
Credit to financial institutions at the end of the year		<b>0</b>		-5,372
		<hr/>	<hr/>	
		<b>3,656</b>		-3,531
		<hr/>	<hr/>	
Increase/decrease cash and cash equivalents		<b>7,288</b>		-1,694
		<hr/> <hr/>	<hr/> <hr/>	

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2019

	2019		2018	
	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000
<b>Consolidated net profit attributable to the legal entity</b>		<b>1,475</b>		1,549
Purchases of own shares	<b>0</b>		0	
Translation differences on foreign participating interests	<b>14</b>		9	
Realised value adjustment charged to equity	<b>0</b>		0	
	<hr/>		<hr/>	
<b>Net change directly recognised in the equity of the legal entity</b>		<b>14</b>		9
		<hr/>		<hr/>
<b>Total comprehensive income of the legal entity</b>		<b>1,489</b>		1,558
		<hr/> <hr/>		<hr/> <hr/>



# Notes to the consolidated financial statements for 2019

## **General**

### **Relationship with parent company and principal activities**

ORTEC International B.V., hereafter to be referred to as 'the company', having its legal address at Houtsingel 5 in Zoetermeer and its statutory seat at the Chamber of Commerce in Gouda with registration number 29047703, is a private limited liability company under Dutch law and a 46,4% owned subsidiary of ORTEC International Beheer B.V. The other shares and depositary receipts for shares are held by third parties and staff members. The company's principal activities are providing advice and training in the area of planning, policy and financial issues, as well as developing, implementing and selling systems supporting decision-making. The company is also a holding company.

### **Group structure**

ORTEC International B.V. in Zoetermeer is the parent of the ORTEC group.

### **Basis of preparation**

The financial statements have been prepared in accordance with part 9 of Book 2 of the Netherlands Civil Code. The accounting policies applied are based on the historical cost convention.

### **Going concern**

These financial statements have been prepared based on the going concern assumption.

## **Accounting policies**

### **General**

Unless stated otherwise, assets and liabilities are carried at nominal value.

An asset is recognised in the balance sheet when it is probable that the future economic benefits that are attributable to the asset will flow to the company and their value can be measured reliably. A liability is recognised in the balance sheet if it is likely that its settlement will result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably.

Income is recognised in profit or loss when an increase in future economic potential related to an increase in an asset or a decrease in a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase in a liability has arisen, the size of which can be measured reliably.

If a transaction results in the transfer of all or substantially all future economic benefits and of all or substantially all risks relating to an asset or a liability to a third party, the asset or liability is no longer recognised in the balance sheet. Furthermore, assets and liabilities are no longer recognised in the balance sheet as soon as the conditions of the probability of the future economic benefits and/or the reliability of their value measurement are no longer met. Income and expenses are allocated to the period to which they relate. Income is recognised when the company has transferred the significant risks and rewards of ownership of the goods for resale to the buyer.

The financial statements are presented in euros, the company's functional currency. All financial information in euros has been rounded to the nearest thousand.

### **Use of estimates**

The preparation of the financial statements requires that management make judgements, estimates and assumptions that influence the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimates are revised and in any future periods affected.

## **Consolidation principles**

The consolidated financial statements include the financial information of the company and its group companies and other legal entities over which that company can exercise control or which are under its centralised management. The consolidated participating interests are listed in the notes to the company balance sheet and income statement. Group companies are entities in which the company has a majority share or where it can otherwise exercise significant influence over the business and financial policy. In assessing whether there is significant influence over the business and financial policy, financial instruments containing directly exercisable potential voting rights are taken into account. Participations held for disposal are not consolidated.

Newly acquired participating interests are consolidated from the moment that significant influence can be exercised over the business and financial policy. Disposed participating interests are deconsolidated from the moment that such influence ends.

In preparing the consolidated financial statements, intra-group debts, receivables and transactions are eliminated. The group companies are consolidated in full and the minority interest is disclosed separately.

## **Principles for the translation of foreign currency**

Transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency on the balance sheet date at the exchange rate prevailing on that date. Non-monetary assets and liabilities denominated in foreign currency and stated at historical cost are translated to euros at the exchange rate prevailing on the transaction date. Foreign currency translation gains and losses are recognised in profit or loss under financial income and expenses. Non-monetary assets and liabilities denominated in foreign currency and valued at fair value are translated to euros at the rate prevailing on the date the fair value was determined.

## **Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into euros at the exchange rate applying on the balance sheet date. Income and expenses of foreign operations are translated to euros at the exchange rates forecast on a quarterly basis.

Translation gains and losses are taken to the reserve for translation differences. If a foreign operation is sold in whole or in part, the relevant amount in the reserve for translation differences is transferred to profit or loss.

## **Financial instruments**

### ***General***

Financial instruments comprise investments in shares and bonds, trade and other receivables, cash, loans and other financial obligations, and trade and other payables. The financial statements include the following financial instruments: trading portfolio (financial assets and financial liabilities), loans extended and other receivables, and debts.

The company does not use derivatives.

After initial recognition, financial instruments are valued as described below.

### ***Loans extended and other receivables***

After initial recognition, loans extended and other receivables are valued at amortised cost using the effective interest method, less any impairment losses.

### ***Long-term and current liabilities and other financial obligations***

After initial recognition, long-term and current liabilities and other financial obligations are measured at amortised cost based on the effective interest rate method.

The redemption obligations payable for long-term liabilities in the coming year are presented under current liabilities.

### ***Impairment of financial assets***

A financial asset that is not stated at (1) fair value with value changes reflected in the profit and loss account, or at (2) amortised cost or lower market value, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortised cost (loan and receivables and financial assets that are held to maturity) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the company uses historical trends of the probability of default, the timing of collections and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. An impairment loss in respect of a financial asset stated at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in the profit and loss account and reflected in an allowance account against loans and receivables or investment securities held to maturity. Interest on the impaired asset continues to be recognised by using the asset's original effective interest rate.

Impairment losses below (amortised) cost of investments in equity instruments that are stated at fair value through profit or loss, are recognised directly in profit or loss.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

## **Intangible fixed assets**

### **Software**

Software development costs are capitalised in so far as incurred in respect of potentially profitable projects. The development of an intangible fixed asset is considered commercially profitable if the following conditions are met: the completion of the asset is technically feasible, the company has the intention of completing the asset and then of using or selling it (including the availability of adequate technical, financial and other resources to achieve this), the company has the ability to use or sell the asset, it is probable that the asset will generate future economic benefits, and the costs during the development phase can be determined reliably. Development costs are stated at production cost, less accumulated amortisation and impairment losses. These costs mainly comprise the cost of direct labour. Upon termination of the development phase, the capitalised costs are amortised over their expected useful life, determined at three years. Amortisation takes place on a straight-line basis.

Fully amortised are disposed of after their expected useful life.

The costs of research and other development costs are charged to the result in the period during which they are incurred.

A legal reserve is formed for the capitalised development costs that have not yet been amortised.

### **Goodwill**

Goodwill represents the excess of the cost of acquisition of the participating interests and the group's interest in the net fair value of the acquired identifiable assets and the 'contingent' liabilities of the acquired participating interests, less accumulated amortisation and impairment losses.

Goodwill paid upon the acquisition of foreign group companies and participating interests is translated at the exchange rate applying on the transaction date. The capitalised goodwill is amortised on a straight-line basis over the estimated useful life, determined at five years.

## **Tangible fixed assets**

Computer hardware and software, office furniture and equipment and vehicles are valued at cost of acquisition less accumulated depreciation and impairment losses.

The costs consist of the price of acquisition, plus other costs that are necessary to get the assets to their location and condition for their intended use.

Depreciation is calculated as a percentage of the cost of acquisition according to the straight-line method on the basis of useful life.

The following depreciation rates are applied:

- computer hardware and software: 20% - 35%;
- office furniture and equipment: 10% - 16.67%.

## **Financial fixed assets**

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. Net asset value is calculated based on the company's accounting policies. Equity investments with a negative net asset value are valued at nil. If the company guarantees the debts of the relevant participating interest, a provision is formed. This provision is recognised primarily to the debit of the amount receivable from the participating interest, with the remainder, comprising either the company's share of the losses incurred by the participating interest or the expected payments to be made by the company on behalf of the participating interest, being presented under provisions.

Participating interests where no significant influence is exercised are valued at cost of acquisition or permanently lower value in use.

Loans to non-consolidated participating interests are included at amortised cost using the effective interest method, less any impairment losses.

The accounting policies for other financial fixed assets are included under the heading 'Financial instruments'.

Dividends are accounted for in the period in which they are declared. Interest income is recognised in the period to which it relates using the effective interest rate method. Any profit or loss is recognised under financial income or expenses.

## **Impairment**

For tangible and intangible fixed assets an assessment is made as of each balance sheet date as to whether there are indications that these assets are subject to impairment. If there are such indications, then the recoverable value of the asset is estimated. The recoverable value is the higher of the value in use and the net realisable value. If it is not possible to estimate the recoverable value of an individual asset, then the recoverable value of the cash flow generating unit to which the asset belongs is estimated.

If the carrying value of an asset or a cash flow generating unit is higher than the recoverable value, an impairment loss is recorded for the difference between the carrying value and the recoverable value. In case of an impairment loss of a cash flow generating unit, the loss is first allocated to goodwill that has been allocated to the cash flow generating unit. Any remaining loss is allocated to the other assets of the unit in proportion to their carrying values.

In addition an assessment is made on each balance sheet date whether there is any indication that an impairment loss that was recorded in previous years has decreased. If there is such indication, then the recoverable value of the related asset or cash flow generating unit is estimated.

Reversal of an impairment loss that was recorded in the past only takes place in case of a change in the estimates used to determine the recoverable value since the recording of the last impairment loss. In such case, the carrying value of the asset (or cash flow generating unit) is increased up to the amount of the estimated recoverable value, but not higher than the carrying value that would have applied (after depreciation) if no impairment loss had been recorded in prior years for the asset (or cash flow generating unit).

An impairment loss for goodwill is not reversed in a subsequent period, unless the previous impairment loss was caused by an extraordinary specific external event that is not expected to recur and if there are successive external events that undo the effect of the earlier event.

As a departure from the above, on each balance sheet date the recoverable value is determined for the following assets (regardless of whether there are indications of impairment):

- intangible fixed assets that have not yet been taken into use;
- intangible fixed assets that are amortised over a useful life of more than 20 years (starting from the time when they are taken into use).

### **Disposal of fixed assets**

Fixed assets available for sale are valued at the lower of their carrying amount and net realisable value.

### **Projects in progress**

Projects in progress that are invoiced by the hour are valued based on the number of hours worked but not yet invoiced times the agreed hourly rate. Projects in progress performed for a fixed price are valued by dividing the number of hours already worked by the expected total number of hours needed, multiplying this ratio with the agreed fixed price, and then deducting prepayments. Provisions are formed for anticipated losses on projects in progress.

The net amount of projects in progress is presented under current assets if it is a debit balance, and under current liabilities if it is a credit balance.

### **Inventories**

Inventories are valued at the lower of cost and net realizable value. The cost is based on the first-in-first-out principle. This lower net realizable value is based on basis of individual assessment of the recoverability of the inventories.

### **Receivables**

The principles for the valuation of receivables are described under the heading 'Financial instruments'.

### **Shareholders' equity**

Financial instruments that are designated as equity instruments by virtue of their economic substance are presented under shareholders' equity. Payments to holders of these instruments are deducted from shareholders' equity after having first deducted any related income tax gain.

Financial instruments that qualify as financial liabilities by virtue of their economic substance are presented under liabilities. Interest, dividends, income and expenditure relating to these financial instruments are recognised in the income statement as income or expenses.

### **Minority interest**

The minority interest is measured at the third-party share in the net asset value, as determined in accordance with the company's accounting policies.

## **Provisions**

Provisions are measured at the nominal value of the expenses expected to be incurred in settling the liabilities and losses.

A provision is recognised if the following applies:

- the company has a legal or constructive obligation arising from a past event; and
- its amount can be estimated reliably; and
- it is probable that an outflow of economic benefits will be required to settle the obligation.

## **Long-term liabilities**

The valuation of long-term liabilities is explained under the heading 'Financial instruments'.

## **Current liabilities**

The valuation of current liabilities is explained under the heading 'Financial instruments'.

## **Income recognition**

### ***Rendering of services***

Income from services rendered is recognised in the income statement as net turnover in proportion to the stage of completion of the transaction as at reporting date. The stage of completion is assessed by reference to surveys of the work performed.

### ***Projects in progress***

As soon as the outcome of a project in progress can be estimated reliably, income from projects and costs associated with projects are recognised as income and expenses in profit or loss in proportion to the amount of work performed as at balance sheet date. Income from projects includes the contractually agreed amount plus any revenues from variations in contract work, claims and reimbursements, insofar as it is probable that these revenues will be realised and can be estimated reliably.

The extent to which work has been completed under a project in progress is determined by comparing the project costs incurred as at balance sheet date to the estimated total contract costs. If the outcome of a project in progress cannot be reliably estimated, contract revenues should only be recognised up to the amount of contract costs incurred likely to be recovered. Expected losses on projects in progress are immediately recognised in profit or loss.

### ***Licences***

The company receives licence fees in exchange for providing software. Turnover is recognised as soon as the rights to licences have been transferred.

### ***Subscription based revenues***

Subscription based revenues, including managed services and cloud offerings, are generally recognized during the term of the arrangement.

### ***Costs of outsourced work and other external costs***

This concerns costs that are directly attributable to net turnover.

### ***Share of result of participating interests***

The share of the result of participating interests concerns the group's share of the income or losses of companies in which it has a participating interest. Gains or losses on transactions involving the transfer of assets and liabilities between the group and the non-consolidated participating interests and between non-consolidated participating interests themselves are not recognised insofar as they can be deemed unrealised.

The income or losses of participating interests acquired or sold during the financial year are recognised in consolidated profit or loss from the date of acquisition or until the date of sale, respectively.

## **Pensions**

### ***Dutch pension plans***

The main principle is that the pension charge to be recognised for the reporting period should be equal to the pension contributions payable to the pension fund over the period. In so far as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments and it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the staff and other (explicit or implicit) commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date.

For any surplus at the pension fund as at balance sheet date, a receivable is recognised if the company has the power to withdraw this surplus, if it is likely that the surplus will flow to the company and if the receivable can be reliably determined.

### ***Foreign pension plans***

Pension plans that are comparable in design and function to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (company, fund and members) are treated and valued in line with Dutch pension plans (see previous section).

For foreign pension plans that are not comparable in design and function to the Dutch pension system, a best estimate is made of the liability as at balance sheet date. Such liabilities are measured on the basis of an actuarial valuation principle generally accepted in the Netherlands.

### **Corporate income tax**

Corporate income taxes comprise the current and deferred income tax payable and recoverable for the reporting period. Corporate income tax is recognised in the income statement, except where it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the reporting year, using tax rates enacted or substantively enacted at reporting date, and any adjustment to the tax payable in respect of prior years. If the carrying values of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences.

A provision for deferred tax liabilities is recognised for taxable temporary differences.

For deductible temporary differences, unused loss carry forwards and unused tax credits, a deferred tax asset is recognised, but only in so far as it is probable that taxable profits will be available in the future for offset or compensation.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For taxable temporary differences related to group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is recognised unless the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences regarding group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is only recognised in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference.

Deferred tax assets and liabilities are stated at nominal value.

### **Cash flow statement**

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated into euros using the average weighted exchange rates at the dates of the transaction. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities.

### **Determination of fair value**

The fair value of a financial instrument is the amount for which an asset could be traded or a liability settled between knowledgeable and willing parties in an arm's-length transaction.

- The fair value of listed financial instruments is measured based on the bid price.
- The fair value of non-listed financial instruments is measured based on their expected future cash flows, calculated using a discount rate that reflects the risk-free market interest rate applicable to the residual term of the instrument plus credit and liquidity risk premiums.

# Consolidated balance sheet as at 31 December 2019

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

### 1 Intangible fixed assets

Changes in intangible fixed assets were as follows:

	<b>Software</b>	<b>Goodwill</b>	<b>Total</b>
	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>
Balance at 1 January 2019:			
• Cost of acquisition	<b>54,090</b>	<b>2,071</b>	<b>56,161</b>
• Accumulated amortisation and impairment	<b>-39,253</b>	<b>-1,247</b>	<b>-40,500</b>
	<hr/>	<hr/>	<hr/>
• Carrying amount	<b>14,837</b>	<b>824</b>	<b>15,661</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Changes in carrying amount:			
• Deconsolidated since 2019	<b>0</b>	<b>-14</b>	<b>-14</b>
• Investments	<b>10,297</b>	<b>100</b>	<b>10,397</b>
• Amortisation	<b>-10,358</b>	<b>-246</b>	<b>-10,604</b>
• Cost of Disposals	<b>-22,675</b>	<b>-</b>	<b>-22,675</b>
• Accumulated amortisation of Disposals	<b>22,675</b>	<b>-</b>	<b>22,675</b>
	<hr/>	<hr/>	<hr/>
• Net change	<b>-61</b>	<b>-160</b>	<b>-221</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 31 December 2019:			
• Cost of acquisition	<b>41,712</b>	<b>2,157</b>	<b>43,869</b>
• Accumulated amortisation and impairment	<b>-26,936</b>	<b>-1,493</b>	<b>-28,429</b>
	<hr/>	<hr/>	<hr/>
• Carrying amount	<b>14,776</b>	<b>664</b>	<b>15,440</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The capitalised software development costs relate to the development of key ORTEC products,

## 2 Tangible fixed assets

Changes in tangible fixed assets were as follows:

	<b>Computer hardware and software</b>	<b>Office furniture and equipment</b>	<b>Total</b>
	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>
Balance at 1 January 2019:			
• Cost of acquisition	8,697	4,253	12,950
• Accumulated depreciation and impairment	-7,156	-3,299	-10,455
	<hr/>	<hr/>	<hr/>
• Carrying amount	<b>1,541</b>	<b>954</b>	<b>2,495</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Changes in carrying amount:			
• Deconsolidated since 2019	-3	-	-3
• Exchange results	1	22	23
• Investments	913	295	1,208
• Depreciation	-689	-279	-968
	<hr/>	<hr/>	<hr/>
• Net change	<b>222</b>	<b>38</b>	<b>260</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 31 December 2019:			
• Cost of acquisition	9,610	4,569	14,179
• Accumulated depreciation and impairment	-7,845	-3,578	-11,423
	<hr/>	<hr/>	<hr/>
• Carrying amount	<b>1,763</b>	<b>992</b>	<b>2,755</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 3 Financial fixed assets

Changes in financial fixed assets were as follows:

	<b>Participating interests</b>	<b>Other receivables</b>	<b>Total</b>
	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>
Balance at 1 January 2019:			
• Cost of acquisition	<b>175</b>	<b>392</b>	<b>567</b>
• Accumulated depreciation and impairment	-	-	-
	<hr/>	<hr/>	<hr/>
• Carrying amount	<b>175</b>	<b>392</b>	<b>567</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Changes during the financial year:			
• Release loan	<b>0</b>	<b>-133</b>	<b>-133</b>
• New loan	<b>0</b>	<b>40</b>	<b>40</b>
• Deconsolidation	<b>83</b>	<b>0</b>	<b>83</b>
• Share of result of participating interests	<b>-18</b>	<b>0</b>	<b>-18</b>
	<hr/>	<hr/>	<hr/>
• Net change	<b>65</b>	<b>-93</b>	<b>-28</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 31 December 2019:			
• Cost of acquisition	<b>240</b>	<b>299</b>	<b>539</b>
• Accumulated depreciation and impairment	-	-	-
	<hr/>	<hr/>	<hr/>
• Carrying amount	<b>240</b>	<b>299</b>	<b>539</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The group has the following participating interests:

<b>Name</b>	<b>Registered office</b>	<b>Share in issued capital %</b>
IQ-TEC B.V.	Zoetermeer, The Netherlands	<b>51</b>
Rhythm B.V.	Zoetermeer, The Netherlands	<b>50</b>
Incatrec B.V.	Zoetermeer, The Netherlands	<b>50</b>
ORTEC Logiqcare Holding B.V.	Capelle, The Netherlands	<b>50</b>
Digital Shapers B.V.	Amsterdam, The Netherlands	<b>25</b>

## 4 Current assets

	2019 EUR x 1,000	2018 EUR x 1,000
Projects in progress	715	2,054
Trade receivables	22,489	20,009
Receivables from shareholder	1,079	722
Receivables from participating interests	504	418
Taxes and social security contributions	3,443	4,033
Other receivables	1,422	2,072
Prepayments and accrued income	1,406	1,892
	<hr/>	<hr/>
	<b>31,058</b>	31,200
	<hr/> <hr/>	<hr/> <hr/>

### **Projects in progress**

	2019 EUR x 1,000	2018 EUR x 1,000
Projects in progress still to be invoiced	4,670	4,872
Projects in progress invoiced in advance	-3,919	-2,782
Provision for projects in progress	-36	-36
	<hr/>	<hr/>
	<b>715</b>	2,054
	<hr/> <hr/>	<hr/> <hr/>

### **Trade receivables**

	2019 EUR x 1,000	2018 EUR x 1,000
Amortised cost of outstanding receivables	23,399	20,255
Less: bad debt provision	-910	-246
	<hr/>	<hr/>
	<b>22,489</b>	20,009
	<hr/> <hr/>	<hr/> <hr/>

The trade receivables are all due within one year.

Trade receivables totalling EUR 19.2 million (2018: EUR 15.9 million) have been pledged as collateral for short-term debts to credit institutions.

### **Taxes and social security contributions**

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Deferred tax asset	<b>1,734</b>	1,993
Withholding tax	<b>231</b>	232
Value-added tax	<b>462</b>	333
Wage taxes and social security contributions	<b>108</b>	377
Other taxes	<b>908</b>	1,098
	<hr/> <b>3,443</b> <hr/>	<hr/> 4,033 <hr/>

At the end of 2019, an amount of EUR 0.6 million of the deferred tax assets is expected to be deductible within one year (end of 2018: EUR 1.3 million).

For compensable losses for an amount of € 4,8 million no deferred tax asset is recognised.

### **Other receivables**

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Licence fees to be invoiced	<b>956</b>	1,764
Staff loans	<b>0</b>	0
Deposits	<b>0</b>	31
Other receivables	<b>466</b>	277
	<hr/> <b>1,422</b> <hr/>	<hr/> 2,072 <hr/>

Other receivables includes an amount of EUR 0.2 million (2018: EUR 0.3 million) not due within one year.

### **Prepayments and accrued income**

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Prepaid rent	<b>0</b>	7
Other prepayments and accrued income	<b>1,457</b>	1,885
	<hr/> <b>1,457</b> <hr/>	<hr/> 1,892 <hr/>

## 5 Cash and cash equivalents

	2019	2018
	EUR x 1,000	EUR x 1,000
Cash and cash equivalents	2	2
Bank overdrafts	3,654	1,839
	<u>3,656</u>	<u>1,841</u>

Cash and cash equivalents only include deposits that are available on demand.

## 6 Group equity

### *Statement of changes in legal entity's share of group equity*

	2019		2018	
	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000
Legal entity's share of group equity as at 1 January		22,752		21,194
Consolidated net profit after tax attributable to the legal entity	1,475		1,549	
Other changes in equity	5,000		0	
Translation differences on foreign participating interests	14		9	
		<u>6,489</u>		<u>1,558</u>
Total comprehensive income of the legal entity				
Legal entity's share of group equity as at 31 December		<u>29,241</u>		<u>22,752</u>

## **Minority interest**

*Minority interest in participating interest*

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Danafuture B.V.	<b>-18</b>	-16
IQ-TEC B.V.	<b>0</b>	77
ORTEC Logistica America Latina Ltda	<b>24</b>	13
Balance at 31 December	<b>6</b>	74

The balance sheet item 'Minority interest' concerns the total share of third parties in the equity of group companies.

## **7 Provisions**

### **Deferred taxes**

	<b>2019</b>
	<b>EUR x 1,000</b>
Balance as at 1 January	<b>2,868</b>
Addition charged to profit and loss	<b>197</b>
Balance as at 31 December	<b>3,065</b>

The provision for deferred taxes is formed for temporary differences between the carrying amounts of software for financial reporting purposes and the carrying amounts used for tax purposes. The provision for deferred tax liabilities is expected to be mostly long-term.

## 8 Long-term liabilities

	<b>Debt to Financial Institution</b>	<b>Prepayments</b>	<b>Total long term liabilities</b>
	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>
Carrying amount at 1 January 2019	2,750	758	3,508
Payment debt	-1,100	-	-1,100
	<hr/>	<hr/>	<hr/>
	1,650	758	2,408
Addition	-	339	339
Reduction prepayments	-	-78	-78
Repayment next year	-1,100	-	-1,100
	<hr/>	<hr/>	<hr/>
Carrying amount at 31 December 2019	550	1,019	1,569
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Term of more than 5 years	-	458	458
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### **Prepayments**

The prepayments concern leases on an office building and inventory and a rent free period which are periodically credited to the income statement from 2019 until 2029. No collateral has been furnished. An amount of € 78,000 is short-term and is incorporated in the above mentioned carrying amount as at 31 December 2019.

### **Debts to financial institutions**

The debts to financial institutions includes a loan for an amount of € 5.5 million. The monthly redemption will be € 91,667. The duration of the loan will be until the year 2021. Interest rate of 1,90% per year have been agreed. The receivables arising from business and trade and tangible assets have been pledged as security.

## 9 Current liabilities

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Turnover invoiced in advance	<b>2,428</b>	2,111
Debts to credit institutions	<b>0</b>	5,372
Repayment loan credit institutions	<b>1,100</b>	1,100
Trade payables	<b>3,214</b>	3,191
Debt to participating interests	<b>178</b>	195
Other taxes and social security contributions	<b>4,815</b>	4,487
Other liabilities	<b>184</b>	455
Accruals and deferred income	<b>7,648</b>	6,751
	<b>19,567</b>	23,662

In the trade payables an amount of € 351,000 due to a pension fund is included.

All current liabilities fall due in less than one year.

### ***Debts to credit institutions***

ORTEC International B.V., has agreed the following lines of credit with its banker:

- A credit facility with a maximum of EUR 9 million for financing the group's normal business activities. This credit facility has an indefinite term. The interest payable is based on the average 1-month EURIBOR plus margin. In 2019 a bankguarantee of EUR 1,360,000 is diminished from the maximum credit facility.
- A Guarantee Facility Agreement concerning the guarantee facility with a maximum amount of EUR 700,000. The guarantee facility may only be used for issuing bank guarantees, discount bills of exchange and open letters of credit. For bank guarantees a fee is charged of 1.00% per annum. The guarantee facility has an indefinite term.

### **Turnover invoiced in advance**

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Turnover on maintenance invoiced in advance	<b>2,428</b>	2,111
	<hr/>	<hr/>
	<b>2,428</b>	2,111
	<hr/> <hr/>	<hr/> <hr/>

### **Other taxes and social security contributions payable**

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Wage tax and social security contributions	<b>2,076</b>	1,987
Value-added tax	<b>2,590</b>	2,365
Other taxes	<b>149</b>	135
	<hr/>	<hr/>
	<b>4,815</b>	4,487
	<hr/> <hr/>	<hr/> <hr/>

### **Accruals and deferred income**

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Wage costs	<b>6,183</b>	5,316
Invoices to be received	<b>1,465</b>	1,435
	<hr/>	<hr/>
	<b>7,648</b>	6,751
	<hr/> <hr/>	<hr/> <hr/>

## Financial instruments

### General

During the normal course of business, the company uses various financial instruments that expose it to market, currency, interest, cash flow, credit and liquidity risks. To control these risks, the company has instituted a policy including a code of conduct and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the financial performance of the company.

The company does not apply derivatives, including interest rate swaps/forward exchange contracts/purchased options to control its risks. The company does not trade in financial derivatives.

### Credit risk

Credit risk arises principally from the Group's loans and receivables presented under financial fixed assets, trade and other receivables and cash, with a total amount of EUR 35.0 million (2018: EUR 33.5 million).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The vast majority of the receivables is related to large internationally operating companies that have a low credit risk. Historically the percentage of the receivables that were not received, because the customer was in default, is very low.

### Interest rate risk and cash-flow risk

The company runs an interest rate risk on interest bearing assets and liabilities. For assets and liabilities with variable interest rate agreements, the Group runs a risks of future cash flows and for fixed interest rate loans a fair value risk. The effective interest rate of the short term bank facility is 1.4%.

### Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the euro. The currencies in which these transactions primarily are denominated are EUR and USD.

### Liquidity risk

The Group monitors its cash position by using successive liquidity budgets. The management ensures that the cash position is sufficient to meet the company's financial obligations towards creditors and to stay within the limits of its loan covenants.

### *Liquidity risk mitigating measures*

The company has the following line of credit available:

- A facility with a maximum of EUR 9 million to cover the companies short term financing needs. This credit facility has an indefinite term. The interest payable is based on EURIBOR plus margin.

## Off-balance sheet assets and liabilities

### Liabilities

#### Rental and lease costs

The rental and lease costs are recognised in profit and loss on a straight-line basis over the term of the lease. The residual terms can be specified as follows:

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Not more than 1 year	<b>6,237</b>	5,566
Between 1 and 5 years	<b>10,975</b>	14,599
More than 5 years	<b>1,896</b>	3,110
	<hr/> <b>19,108</b> <hr/>	<hr/> 23,275 <hr/>

The rental agreements, totalled € 12,200,000 have residual terms ranging from one to ten years. There are two liabilities with a term of more than five years, which amount to EUR 1,896,000.

The company uses 213 cars under an operating lease. At balance sheet date, the lease obligation totalled EUR 3,802,000. The residual terms of the lease obligation range from one to four years. The other commitments concern software and total approximately EUR 3,116,000.

The accounts receivable and furniture and equipment have been pledged to credit institutions as collateral for credit facilities. The credit facility made available to the legal entity and its Dutch subsidiaries comprise a total maximum amount of EUR 9,000,000.

In addition, group companies have issued EUR 2,028,000 in deposits.

#### Fiscal unity

The company forms a tax entity for corporate income tax purposes together with ORTEC Optimization Technology B.V., ORTEC B.V., ORTEC Sports B.V., Facts First Media B.V., ORTEC USA B.V. and ORTEC Industrial Automation B.V. Each of the companies recognises the portion of corporate income tax that the relevant company would owe as an independent taxpayer, taking into account the tax facilities applicable to the company. Each company is joint and several liable for the total debt of the tax entity.

The company forms a tax entity for VAT together with ORTEC B.V., ORTEC Sports B.V., ORTEC Optimization Technology B.V. and ORTEC Industrial Automation B.V. Each company is joint and several liable for the total debt of the tax entity.

## CONSOLIDATED INCOME STATEMENT FOR 2019

### 10 Net turnover

The geographical breakdown of net turnover was as follows:

	2019 EUR x 1,000	2018 EUR x 1,000
Netherlands	44,573	41,074
Rest of Europe	31,636	32,230
North America	20,794	14,341
Rest of the world	12,044	7,153
	<hr/> <b>109,047</b> <hr/>	<hr/> 94,798 <hr/>

Breakdown of net turnover by revenue type:

	2019 EUR x 1,000	2018 EUR x 1,000
Licenses	7,522	8,719
Recurring	39,318	33,069
Services	59,549	49,650
Other	2,658	3,360
	<hr/> <b>109,047</b> <hr/>	<hr/> 94,798 <hr/>

### 11 Total operating expenses

#### **Personnel costs**

The defined benefit scheme is based on a career-average system. The old-age pension taking effect from age 68 had an annual accrual pension rate of 1.875% (2018: 1.875%).

There is no obligation to index pension entitlements already accrued during past service years. There is no obligation to index currently payable or contributory pensions.

At 31 December 2019, Volo pensioen had a coverage ratio of 100.4% (31 December 2018: 103.6%). The current administration agreement with the pension fund has been in effect since 1 January 2018 and has been concluded for five years. Based on the administration agreement, the maximum pension contribution for 2019 is 17.5%.

### **Social security and pension charges**

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Pension charges	<b>3,564</b>	3,148
Social security charges	<b>7,481</b>	6,742
	<b>11,045</b>	9,890

### **Staffing level**

During the 2019 financial year the average number of staff members, converted into full-time equivalents (FTEs), was 962 (2018: 858).

This staffing level (average number of staff members) can be broken down into staff categories as follows:

Average number of staff members (FTEs) by region

	<b>2019</b>	2018
Netherlands	<b>540</b>	478
Rest of Europe	<b>331</b>	306
North America	<b>56</b>	41
Rest of the world	<b>35</b>	33
	<b>962</b>	858

### Average number of staff members (FTEs) by function

	2019	2018
Internal support	113	102
Sales	83	92
R&D	178	180
Implementation, consultancy and support services	588	484
	<u>962</u>	<u>858</u>
	<u><u>962</u></u>	<u><u>858</u></u>

### Depreciation/amortisation of intangible and tangible fixed assets

	2019		2018	
	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000
<b>Intangible fixed assets</b>				
Software	10,358		9,403	
Goodwill	246		259	
	<u>          </u>		<u>          </u>	
		10,604		9,662
<b>Tangible fixed assets</b>				
Computer hardware/software and office furniture and equipment	968		1,132	
Other operating assets	-		-	
	<u>          </u>		<u>          </u>	
	968		1,132	
Less: Book gain/loss on sale	-		-	
	<u>          </u>		<u>          </u>	
		968		1,132
		<u>          </u>		<u>          </u>
		11,572		10,794
		<u><u>          </u></u>		<u><u>          </u></u>

The total costs for research and development amounts to € 15,571.000

## 12 Financial results

### **Financial income**

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Bank interest	<b>0</b>	8
Interest from shareholder	<b>27</b>	28
Other interest	<b>25</b>	1
Translation gains	<b>600</b>	459
	<hr/> <b>652</b>	<hr/> 496
	<hr/> <hr/>	<hr/> <hr/>

### **Financial expenses**

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Bank interest	<b>120</b>	180
Other interest	<b>80</b>	36
Bank costs	<b>88</b>	73
Translation losses	<b>300</b>	250
	<hr/> <b>588</b>	<hr/> 539
	<hr/> <hr/>	<hr/> <hr/>

## 13 Corporate income tax from ordinary activities

The company forms a tax entity for corporate income tax purposes together with ORTEC Optimization Technology B.V., ORTEC B.V., ORTEC Sports B.V., Facts First Media B.V., ORTEC USA B.V. and ORTEC Industrial Automation B.V. Each of the companies recognises the portion of corporate income tax that the relevant company would owe as an independent taxpayer, taking into account the tax facilities applicable to the company. Each company is joint and several liable for the total debt of the tax entity.

The tax expense recognised in the income statement for 2019 amounts to EUR 1,065,000 or 41.7% of the result before tax (2018: 36.9%) and consists of the following components:

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Tax expense for current financial year based on Dutch 25% rate	<b>636</b>	608
Taxes on non-deductible costs	<b>137</b>	112
Adjustment for prior periods	<b>352</b>	-23
Impact not recognizing DTA for fiscal losses	<b>-30</b>	2
Foreign withholding taxes	<b>8</b>	47
Rate differences for foreign results	<b>-56</b>	110
Other	<b>18</b>	41
	<hr/>	<hr/>
Total tax expense	<b>1,065</b>	897
	<hr/> <hr/>	<hr/> <hr/>

## 14 Transactions with related parties

Transactions with related parties occur when a relationship exists between the company, its participating interests and their directors and key management personnel.

There were no transactions with related parties that were not on a commercial basis.

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2019

(before profit appropriation)

		2019		2018	
		EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000
<b>Fixed assets</b>					
Intangible Fixed Assets					
• Goodwill		<b>100</b>		0	
		<hr/>		<hr/>	
			<b>100</b>		0
Financial fixed assets: 15					
• Participating interests in group companies		<b>30,076</b>		28,213	
• Receivable from participating interest		<b>1,050</b>		1,050	
		<hr/>		<hr/>	
			<b>31,126</b>		29,263
<b>Current assets</b>					
Receivables: 16					
• Taxes and social security contributions		<b>708</b>		895	
• Receivable from shareholder		<b>1,079</b>		722	
• Receivables from participating interests		<b>459</b>		135	
• Other receivables		<b>15</b>		0	
		<hr/>		<hr/>	
			<b>2,261</b>		1,752
Cash and cash equivalents		<b>4</b>		0	
		<hr/>		<hr/>	
			<b>33,491</b>		31,015
		<hr/> <hr/>		<hr/> <hr/>	

		2019		2018	
		EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000
<b>Shareholders' equity</b>	17				
Issued capital		320		320	
Share premium reserves		6,616		1,616	
Statutory reserves		14,599		14,093	
Other reserves		6,231		5,174	
Unappropriated profit		1,475		1,549	
			29,241		22,752
<b>Long-term liabilities</b>					
Loan to financial institution			550		1,650
<b>Current liabilities</b>	18				
Trade payables		444		364	
Debt to financial institutions		1,100		1,100	
Debt to shareholder		0		0	
Debt to participating interest		2,085		5,134	
Other liabilities, accruals and deferred income		71		15	
			3,700		6,613
			33,491		31,015

## COMPANY INCOME STATEMENT FOR 2019

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Share of result of participating interests after tax	<b>1,850</b>	2,668
Other income and expenses after tax	<b>-375</b>	-1,119
<b>Net profit after tax</b>	<b>1,475</b>	1,549

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR 2019

### **General**

The separate financial statements are part of the company's consolidated financial statements for 2019. With regard to the separate income statement, the company uses the exemption available under Section 2:402 of the Netherlands Civil Code.

For explanatory information on items in the separate balance sheet and income statement on which no further details are provided below, please refer to the notes to the consolidated balance sheet and income statement.

### **Accounting policies**

The accounting policies are identical to those applied to the consolidated balance sheet and income statement.

### **Financial instruments**

Financial instruments in the separate balance sheet are presented in accordance with their legal form.

### **Share of result of participating interests**

The company's share of the result of companies in which it has a participating interest comprises its share of the income or losses of these companies. Gains or losses on transactions where assets and liabilities were transferred between the company and its participating interests and between different participating interests are not recognised to the extent that they can be deemed unrealised.

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2019

### 15 Financial fixed assets

Changes in financial fixed assets were as follows:

	<b>Participating interests in group companies</b>	<b>Receivable from participating interests</b>	<b>Total</b>
	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>
Balance at 1 January 2019:			
• Cost of acquisition	<b>28,213</b>	<b>1,050</b>	<b>29,263</b>
• Accumulated depreciation and impairment	-	-	-
	<hr/>	<hr/>	<hr/>
• Carrying amount	<b>28,213</b>	<b>1,050</b>	<b>29,263</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Changes during the financial year:			
• Translation differences on participating interests	<b>14</b>	-	<b>14</b>
• Additions	-	-	-
• Share of result of participating interests	<b>1,850</b>	-	<b>1,850</b>
	<hr/>	<hr/>	<hr/>
• Net change	<b>1,864</b>	-	<b>1,864</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 31 December 2019:			
• Cost of acquisition	<b>30,077</b>	<b>1,050</b>	<b>31,127</b>
• Accumulated depreciation and impairment	-	-	-
	<hr/>	<hr/>	<hr/>
• Carrying amount	<b>30,077</b>	<b>1,050</b>	<b>31,127</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The receivable from participating interests relates to a subordinated loan granted to ORTEC Optimization Technology B.V. The loan has been concluded for an indefinite period. It is an interest-only loan that may be redeemed at any time, with no penalty for early redemption. Interest for the loan has been set at 5% per annum (2018: 5%). No collateral has been furnished. The loan is subordinated to all amounts receivable from ORTEC Optimization Technology B.V.

ORTEC International B.V. in Zoetermeer is the head of the group and has the following capital interests:

	<b>Domicile</b>	<b>Interest in Issued capital % 2019</b>	<b>Interest in Issued capital % 2018</b>
<b>Consolidated participating interests</b>			
ORTEC Optimization Technology B.V.	Zoetermeer	100	100
ORTEC B.V.	Zoetermeer	100	100
ORTEC Sports B.V.	Zoetermeer	100	100
ORTEC Belgium Bvba	Boortmeerbeek	100	100
ORTEC GmbH	Bremen	100	100
ORTEC Heidelberg GmbH	Heidelberg	100	100
ORTEC SAS	Paris	100	100
ORTEC UK Ltd	Grangemouth	100	100
ORTEC USA B.V.	Zoetermeer	100	100
ORTEC International USA, Inc	Atlanta	100	100
ORTEC CEE Srl	Bucharest	100	100
ORTEC Srl	Milan	100	100
ORTEC Nordic AS	Roskilde	100	100
ORTEC Singapore Pte Ltd	Singapore	100	100
ORTEC SPÓtKA Zoo	Warsaw	100	100
Facts First Media B.V.	Den Haag	100	100
ORTEC Industrial Automation B.V.	Zoetermeer	100	100
ORTEC Austr. & NZ Pty Ltd	Melbourne	100	100
ORTEC Logistica America Latina Ltda	Rio de Janeiro	80	80
Danafuture B.V.	Zoetermeer	39	39
<b>Other participating interests</b>			
IQ-TEC B.V.	Zoetermeer	51	51
Incatrec B.V.	Zoetermeer	50	50
Rhythm B.V.	Zoetermeer	50	50
ORTEC Logiqcare Holding B.V.	Zoetermeer	50	50
ORTEC Logiqcare B.V.	Zoetermeer	50	50
Digital Shapers B.V.	Amsterdam	25	0

Based on the exemption of article 2:407 sub 1a of the Dutch Civil Code the financial figures of IQ-TEC B.V. are not included anymore in the consolidated financial statements per 1 January 2019.

## 16 Receivables

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Receivables from participating interests	<b>459</b>	135
Receivables from shareholder	<b>1,079</b>	722
Taxes and social security contributions	<b>708</b>	895
Other receivables	<b>15</b>	0
	<b>2,261</b>	1,752

All receivables fall due within one year.

## 17 Shareholders' equity

	<b>Issued capital</b>	<b>Share premium reserves</b>	<b>Legal reserves</b>	<b>Other reserves</b>	<b>Unappro- priated profit</b>	<b>Total</b>
	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>	<b>EUR x 1,000</b>
Balance at 1 January 2019	<b>320</b>	<b>1,616</b>	<b>14,093</b>	<b>5,174</b>	<b>1,549</b>	<b>22,752</b>
Changes:						
Added from other reserves	-	-	<b>492</b>	<b>-492</b>	-	-
Appropriation of profit	-	-	-	<b>1,549</b>	<b>-1,549</b>	-
Selling own shares	-	<b>5,000</b>	-	-	-	<b>5,000</b>
Other changes in equity	-	-	-	-	-	-
Translation loss on participating interests	-	-	<b>14</b>	-	-	<b>14</b>
Retained earnings	-	-	-	-	<b>1,475</b>	<b>1,475</b>
Balance at 31 December 2019	<b>320</b>	<b>6,616</b>	<b>14,599</b>	<b>6,231</b>	<b>1,475</b>	<b>29,241</b>

### **Issued capital**

The company's authorised capital amounts to EUR 1,000,000, divided into 1,000,000 ordinary shares with a nominal value of EUR 1 each, 319,613 of which have been issued. The company owns 16,752 own shares as at 31 December 2019. During the year 14,422 own shares were sold for an amount that is added to the share premium reserve. In the past the purchase price was deducted from the share premium reserve.

### **Share premium reserve**

Share premium concerns the income from issuing shares insofar as it exceeds the nominal value of the shares. At least EUR 1.6 million of the share premium reserve qualifies as freely distributable share premium as referred to in the 2001 Income Tax Act.

### **Legal reserves**

Legal reserves are formed for capitalised software development costs by participating interests and for translation differences on foreign participating interests.

### **Legal reserve for software developed by participating interests**

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Balance at 1 January	<b>14,282</b>	13,705
Added from other reserves	<b>492</b>	577
	<hr/>	<hr/>
Balance at 31 December	<b>14,774</b>	14,282
	<hr/> <hr/>	<hr/> <hr/>

### **Legal reserve for translation differences**

A legal reserve must be formed to account for translation gains and losses on foreign participating interests. This concerns the capital employed by the legal entity plus its share of the income or loss, which is translated from the relevant foreign currency into the reporting currency of the legal entity. The net deficit or surplus in the reserve for translation differences cannot be distributed to the debit of the reserves.

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Balance at 1 January	<b>-189</b>	-198
Translation gains (losses) on participating interests	<b>14</b>	9
	<hr/>	<hr/>
Balance at 31 December	<b>-175</b>	-189
	<hr/> <hr/>	<hr/> <hr/>

## 18 Current liabilities

	<b>2019</b>	2018
	<b>EUR x 1,000</b>	EUR x 1,000
Trade payables	<b>444</b>	364
Debt to financial institutions	<b>1,100</b>	1,100
Debt to shareholder	<b>0</b>	0
Debt to participating interest	<b>2,085</b>	5,134
Other liabilities, accruals and deferred income	<b>72</b>	15
	<hr/> <b>3,701</b> <hr/>	<hr/> 6,613 <hr/>

All current liabilities fall due within one year.

### **Off-balance sheet commitments**

The company is jointly and severally liable for the debts to credit institutions of the companies that are part of the group.

## SEPARATE INCOME STATEMENT FOR 2019

### Remuneration of the auditors

The remuneration of PKF Wallast has been charged to the company, it's participations and other companies which have been consolidated based on the matching principle, as referred to in Section 2:382a (1, 2) of the Netherlands Civil Code.

	<b>PKF Wallast 2019 EUR x 1,000</b>	<b>Other PKF network 2019 EUR x 1,000</b>	<b>Total PKF 2019 EUR x 1,000</b>
Audit of the Financial Statements	<b>105</b>	<b>38</b>	<b>143</b>
Fiscal advisory fees	<b>65</b>	<b>2</b>	<b>67</b>
Other non-audit services	<b>36</b>	<b>8</b>	<b>44</b>
	<hr/> <b>206</b> <hr/>	<hr/> <b>48</b> <hr/>	<hr/> <b>254</b> <hr/>

	PKF Wallast 2018 EUR x 1,000	Other PKF network 2018 EUR x 1,000	Total PKF 2018 EUR x 1,000
Audit of the Financial Statements	100	50	150
Fiscal advisory fees	80	4	84
Other non-audit services	37	4	41
	<hr/> 217 <hr/>	<hr/> 58 <hr/>	<hr/> 275 <hr/>

### Remuneration of the Board of Management (One Tier Board)

In the year under review, the remuneration including pension obligations as referred to in Section 2:383(1) of the Netherlands Civil Code charged to the company and group companies for the Executives of the Board totalled EUR 415,000 (2018: EUR 401,000) and for the Non Executives of the Board totalled EUR 216,000 (2018: EUR 194,000).

## OTHER DISCLOSURE

### Subsequent events

#### Developments concerning the COVID-19 crisis

The global economy has been affected by the Covid-19 pandemic crisis since the beginning of this year, which poses exceptional risks. ORTEC International B.V. is also affected by this. Already started sales cycles seem to continue, but adding new prospect for the sales pipeline may slow down. A minority of our projects is being postponed by the customer for a few months or till further notice. The ultimate duration and the magnitude of the effects of the crisis are difficult to predict. The government has announced that it will do everything it can to guide companies and citizens through this crisis. Also in the view of this – if deemed desirable - support, we are confident that our company will weather the economic crisis.

There are no other subsequent events.

### Proposed profit appropriation

Management proposes adding the profit for the 2019 financial year in full to other reserves. The net profit after tax for 2019 is included under the item 'un appropriated profit' in shareholders' equity.

Zoetermeer, 8 May 2020

Board

The Executive members:

M. van Duijn

H.R. Boer

The Non-Executive members:

A.A. van Beuzekom

G.T. Timmer

L. Sneller

H.H.J. Bol

## OTHER INFORMATION

### **Provisions in the articles of association governing the appropriation of profit**

Under article 19 of the company's articles of association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserves.

The company can pay dividends to shareholders and other parties entitled to the distributable profit insofar as shareholders' equity exceeds the paid-up and called-up part of the capital plus the statutory reserves and insofar as this is deemed advisable based on the dividend distribution test performed by management.

### **Independent auditor's report**

The Independent auditor's report is recorded on the next page.

## **INDEPENDENT AUDITOR'S REPORT**

To: The shareholders and the board of ORTEC International B.V.

### **A. Report on the audit of the financial statements included in the annual report 2019**

#### **Our opinion**

We have audited the financial statements of ORTEC International B.V., based in Zoetermeer.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ORTEC International B.V. as at 31 December 2019 and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and company balance sheet as at 31 December 2019;
2. the consolidated and company profit and loss account for 2019 and
3. the notes comprising a summary of the accounting policies and other explanatory information.

#### **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 ORTEC International B.V. in accordance with 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.

#### **Paragraph to emphasizing the developments concerning the COVID-19 crisis in the financial statements**

ORTEC International B.V. has described the significance of the COVID-19 pandemic crisis on page 102 in section "Subsequent events" of the notes to the financial statements. Our opinion has not been modified as a result of this matter.

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**B. Report on the other information included in the annual report 2019**

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

- Board report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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.

The board is responsible for the preparation of the board report 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. Description of responsibilities regarding the financial statements**

**Responsibilities of the board for the financial statements**

The board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board is responsible for such internal control as the board 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, the board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board should prepare the financial statements using the going concern basis of accounting unless the board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The board 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.

**Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been 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 have 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 e.g.:

- 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 company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board;
- Concluding on the appropriateness of the board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in 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.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined 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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Delft, 14 May 2020

PKF Wallast

Signed

Drs. M.C. van der Linde RA

