



# GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2019

TEMPTON Group GmbH  
Essen



# CONTENTS

<b>Annual Report</b> for the financial year from 1. January to 31. December 2019 _____	3
<b>Consolidated Balance Sheet and Consolidated Income Statement</b> for the financial year from 1. January to 31. December 2019 _____	27
<b>Consolidated Fixed-Asset Movement Schedule</b> for the financial year from 1. January to 31. December 2019 _____	30
<b>Cash Flow Statement</b> for the financial year from 1. January to 31. December 2019 _____	32
<b>Consolidated Statement of Changes in Equity</b> for the financial year from 1. January to 31. December 2019 _____	34
<b>Notes to the Consolidated Financial Statement</b> for the financial year from 1. January to 31. December 2019 _____	36
<b>List of Investments</b> for the financial year from 1. January to 31. December 2019 _____	49
<b>Independent Auditor's Report</b> for the financial year from 1. January to 31. December 2019 _____	51

# ANNUAL REPORT



## Business activities and structure of TEMPTON Group

TEMPTON Group is one of the largest personnel service providers in Germany with consolidated sales of around 223 million euros in 2019 and plays a leading role among them.

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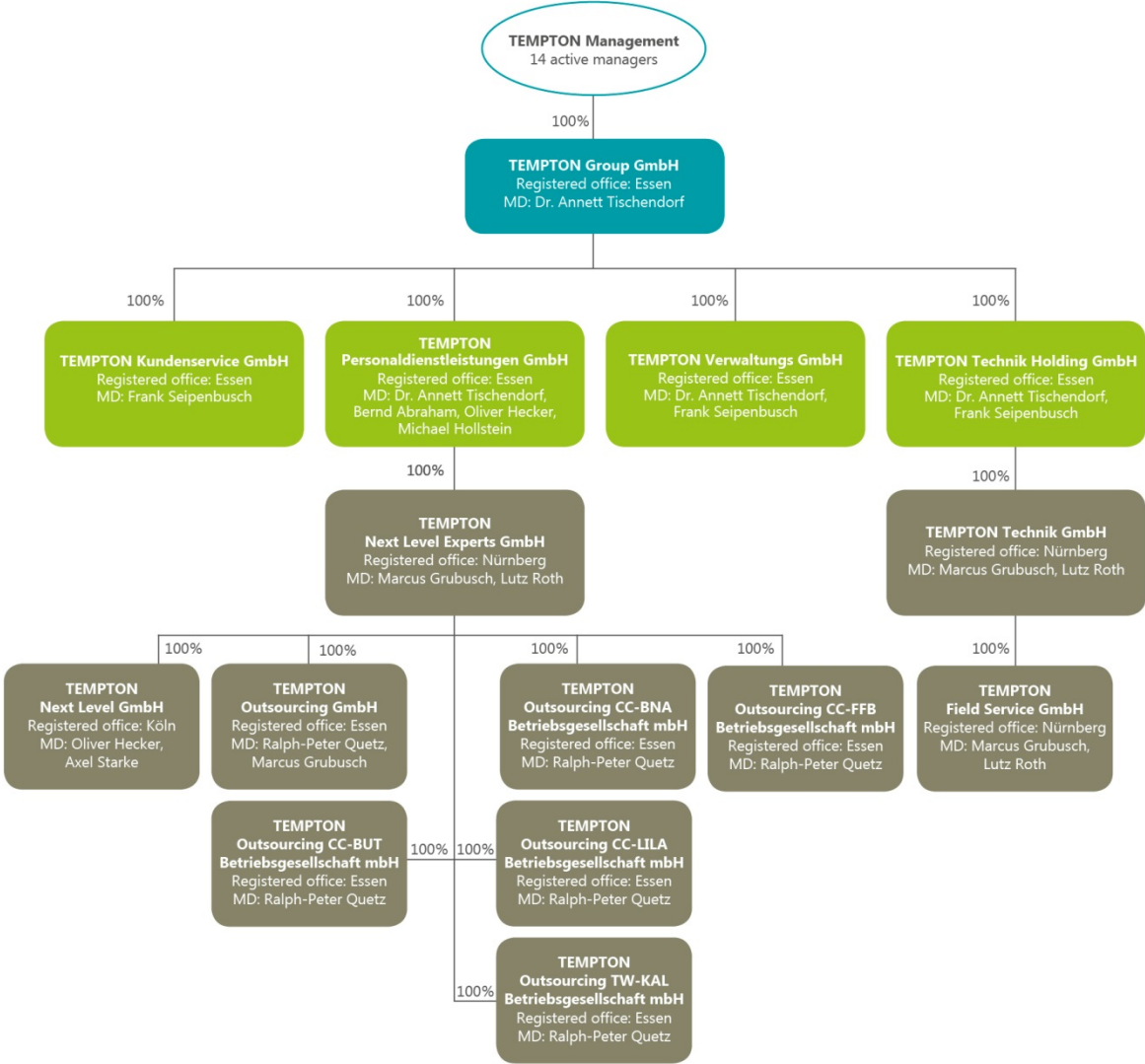
On the one hand, a very broad portfolio of services distinguishes us significantly from other personnel service providers. Beyond personnel leasing, we offer our customers solutions for almost all personnel-driven tasks. This also includes personnel recruitment, direct placement, the takeover of personnel, the provision of temporary experts, C-level services, master vendor and on-site management solutions, payroll accounting, outsourcing solutions and technical services. On the other hand, we are modern, fully invested and leading in digitalization, i.e. our processes are highly efficient, cost-effective and offer a high level of service for customers and employees.

TEMPTON emerged in 2007 from the merger of medium-sized personnel service companies and combines the expertise of several decades. Today, TEMPTON has more than 7,000 employees throughout Germany who work at over 100 locations for an active customer base of more than 10,000 companies from almost all sectors - from small and medium-sized companies and businesses to well-known large companies and groups.

TEMPTON is owner-managed and is owned by the operative management - all experienced leaders with more than 100 years of know-how in the personnel services industry.

TEMPTON Group is divided into four distinctly separate business units: personnel services, Next Level, outsourcing and technology. The Next Level business unit bundles the premium services of TEMPTON Group.

TEMPTON Group is structured as follows:



**BUSINESS UNIT PERSONNEL SERVICES**

The personnel services business unit is the core business area of TEMPTON Group and accounts for more than 90% of TEMPTON-sales. It is concentrated within TEMPTON Personaldienstleistungen GmbH, Essen, and for premium services TEMPTON Next Level Experts GmbH and TEMPTON Next Level GmbH.

**Personnel leasing**

TEMPTON promptly provides its customers with employees of almost all qualifications and for every field of activity within the scope of personnel leasing. Whether industrial-technical employees, commercial personnel, engineers and service-technicians, IT and digital marketing experts, employees in the health sector or for airport operations – through common interest TEMPTON recruits only the best, so that our TEMPTON consultants can

select the suitable candidate at any time from more than 7,000 active employees and annually more than 50,000 applicants.

### **Master-vendor and on-site management solutions**

If a customer uses several personnel service providers, TEMPTON as a "master" takes over for the customer coordination of the different temporary staffing agencies regarding the selection of the temporary staffing companies, the recruitment of the required temporary staff, the training and smooth integration of the temporary staff as well as the complete administrative handling. TEMPTON customers thus enjoy the advantages of a direct contact for all temporary staffing matters, a standardisation of contracts and price models, a uniform handling of all personnel leasing or placement processes and a relief from administratively burdensome activities.

### **Direct placement**

TEMPTON supports its customers as a direct agent when temporary employees are not an option. To achieve this, TEMPTON not only accesses an extensive pool of more than 10,000 current applicants and employees but is also very successful with a direct approach and presents customers suitable candidates for their vacancies after a precise preselection. TEMPTON acts as a link between its customers and applicants or employees through its skilled job placement service.

### **Personnel recruitment**

If a customer wants to outsource its own personnel recruitment, TEMPTON operates the management of the job application process for the customer based on flat rates - from job advertisements to hiring. In addition to the pure service, TEMPTON customers also benefit from purchasing advantages for job advertisements.

### **Personnel takeover**

If a customer has permanent or temporary personnel overcapacity, but understandably does not want to dismiss its employees, TEMPTON offers a reliable, uncomplicated and socially acceptable solution with the service of "personnel takeover": TEMPTON takes over employees of customers by general agreement, as long as the customer can not employ them. During this time, TEMPTON uses the acquired employees at other companies. As soon as the customer's personnel requirements change, he can on short notice rely on his experienced staff.

## **Payroll**

The monthly payroll accounting is one of the true time-eaters in daily operations. TEMPTON relieves its customers of this burden through a payroll accounting service and also handles correspondence with the authorities - cost-effective, reliable and on time.

## **BUSINESS UNIT NEXT LEVEL**

The NEXT LEVEL business unit bundles the premium services of TEMPTON Group. It is concentrated within TEMPTON Next Level Experts GmbH and TEMPTON Next Level GmbH.

## **Human resources consulting**

TEMPTON consults its clients by way of human resources consulting in their search and selection of experts and executives. Through intensive consulting and tailor-made active sourcing strategies, we find exactly the expert or executive that our client companies need. In addition to the pure search process, this also includes the design and implementation of assessment and selection measures, advice and support for onboarding, advice on personnel marketing and other strategic and conceptual issues relating to personnel recruitment.

## **Temporary experts**

If customers need professional support for process optimization or the implementation of special projects, TEMPTON helps them by deploying individual technical or commercial experts or entire teams of experts - on a temporary basis. Temporary work thus becomes professional temporary work.

## **Engineering and planning services**

TEMPTON plans technical infrastructures for its customers and supports them in the area of engineering and in operations of their information and communication technology.

## **C Level services**

TEMPTON offers its customers the occupation of the entire chain of C-level services from a single source: tailor-made interim solutions at top management and executive level, the transfer of temporary experts and the outsourcing of specialists in the process and production environment. The focus of TEMPTON is on technically experienced managers, as they are sought in production, IT and cross-company for change management. In addition, we also provide our customers with CFOs for the commercial area.

## BUSINESS UNIT OUTSOURCING

The Outsourcing business unit is bundled in TEMPTON Outsourcing GmbH and various project enterprises.

TEMPTON supports its customers throughout Germany as a comprehensively certified outsourcing partner and takes over in contracts for work entire processes, individual service areas or defined work cycles - temporary or permanently. TEMPTON Outsourcing specialises in production and assembly, quality management and control as well as logistics services.

Based on more than 20 years of experience, TEMPTON enables its customers to achieve significantly higher efficiency and higher productivity at predictable material costs.

## BUSINESS UNIT TECHNOLOGY

The business unit technology is concentrated within TEMPTON Technik GmbH.

TEMPTON Technik GmbH is a professional partner for information and communication technology for renowned manufacturers, service providers and system houses.

## SHARED SERVICES CENTRE

TEMPTON Verwaltungs GmbH and TEMPTON Kundenservice GmbH form the central shared services centre for all operating business divisions of TEMPTON Group with the following central division functions: financial accounting, receivables management, marketing, quality management, controlling, IT, fleet and property management, HR and legal.

## BUSINESS ACTIVITIES AND STRUCTURE OF TEMPTON GROUP

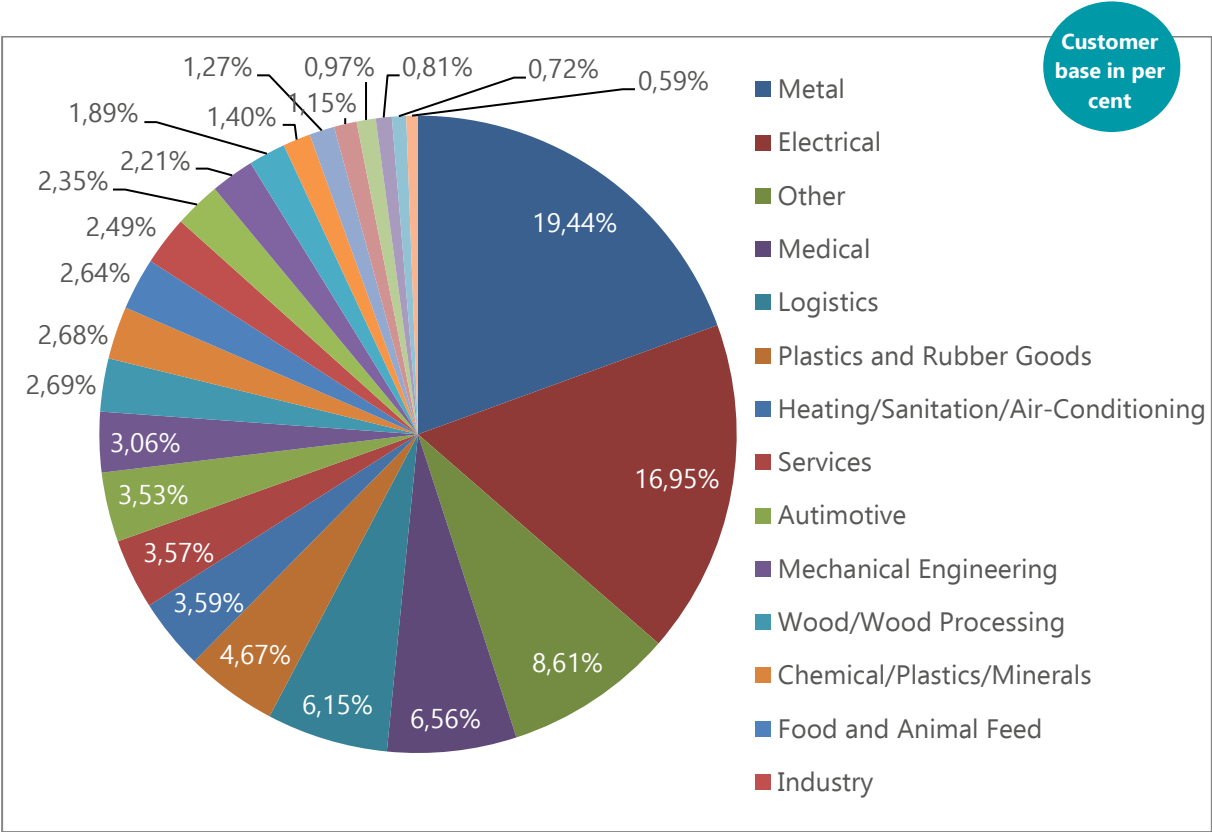
On the one hand, TEMPTON Group offers the classic personnel services in form of personnel leasing, direct placement, personnel recruitment supplemented by master vendor and on-site management solutions.

On the other hand, however, TEMPTON Group clearly differentiates itself from its competitors both through its special products personnel takeover, temporary experts and C-level services and through its attractive specialist areas medical, office, IT/digital marketing as well as

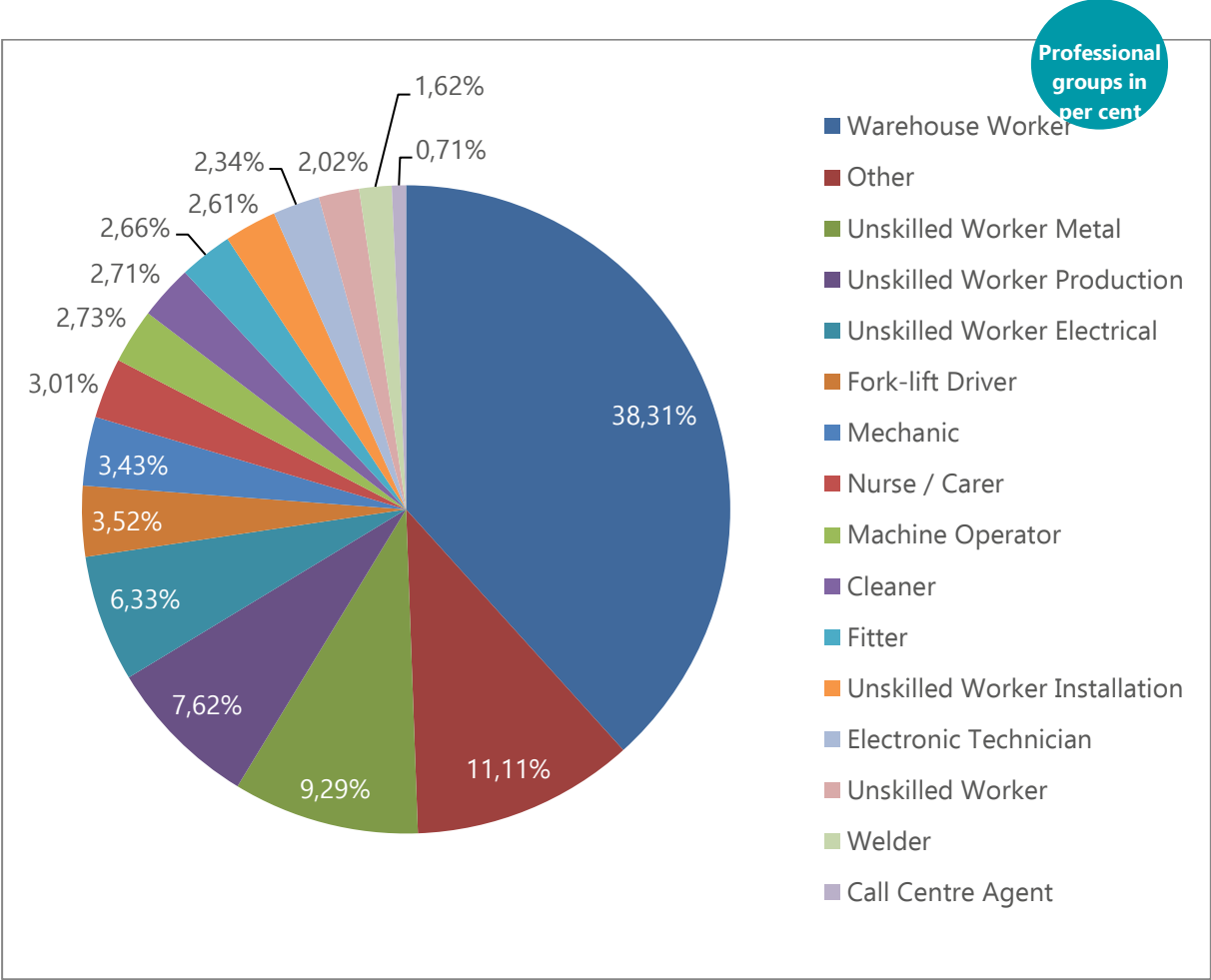


through its strong business areas technology, Next Level and outsourcing. There are also high market entry barriers for competitors.

TEMPTON Group is consciously not sector-focused but, as shown in the following overview, serves the widest possible customer spectrum with an attractive customer base of more than 10,000 active customers, whose number increases annually (for the benefit of TEMPTON Group, the automotive customer spectrum does not include automobile manufacturers or 1<sup>st</sup> tier suppliers and, as far as can be seen, no suppliers of components for the powertrain).



TEMPTON Group has also deliberately not specialised in specific occupational groups, but has as wide split of employees of all conceivable qualification levels and qualifications:



This makes TEMPTON Group a full-service provider with maximum independence from economic cycles, offering its customers personnel-driven services and work services for any requirement.

In addition, TEMPTON has a nationwide network of locations with well over 100 branches, which has been growing steadily for years. Accordingly, TEMPTON is available to its customers as a strong partner wherever TEMPTON's customers need it.



Further advantages of a cooperation with TEMPTON Group are especially the following unique selling propositions:

- TEMPTON has one of the broadest product ranges among all personnel service providers. This means that TEMPTON is not only a powerful partner for its customers when good personnel or personnel-driven services or work services are required, but also for personnel reductions and for almost all tasks of personnel administration with appropriately tailored products.
- TEMPTON technology is a highly professional one-stop solution as a technology partner with a nationwide service and material supply network of maximum importance for customers.
- Not without reason TEMPTON is a very popular employer and occupies first place among personnel service providers in Germany in the current evaluation "TOP Employer 2020" of Focus magazine. Among the TOP employers in Germany, TEMPTON ranks 4th. In addition, TEMPTON has one of the most powerful recruiting machines in the German market due to its size alone, its more than 30 years of market experience, its state-of-the-art technical infrastructure as well as its strong social media presence and digitization lead. Thus, TEMPTON still has first-class recruiting opportunities despite the generally difficult applicant market. From more than 50,000 applicants per year, we recruit only the best, so that our TEMPTON consultants can consistently select the most suitable personnel from more than 10,000 employees and current applicants for our customers or for the personnel-driven services offered by TEMPTON.
- TEMPTON is economically extremely stable and successful. As a result, TEMPTON's customers and other contractual partners do not have any liability or other risks arising from their cooperation with TEMPTON.
- TEMPTON very much appreciates its customers and all its other contractual partners. As a result, working with TEMPTON is pragmatic and uncomplicated in every aspect, even in situations where you may not have the same opinion.
- TEMPTON is very investive, i.e. fully invested and state-of-the-art. This can be seen in the equipment of all its branches and headquarters, in all IT systems and hardware in

use as well as in the training of all its employees. The cooperation with TEMPTON, both from the customer's viewpoint and from the viewpoint of other contractual partners and last but not least the employees of TEMPTON, is thus characterised by high efficiency and performance.

- TEMPTON has a powerful and professional central organisation, including a first-class and precise payroll accounting system, its own training academy, its own audit department, its own legal department and modern work safety. For our customers this means: TEMPTON always and in every respect fulfils all regulatory requirements which are linked to the personnel leasing permit by the legislator. TEMPTON's customers can rely on this at any time.
- TEMPTON is owner-managed, decisive, organized and very sustainable in everything that TEMPTON does. Commitments from TEMPTON are therefore reliable. With TEMPTON, customers and other contractual partners have constant points of contact with decision-making powers.

## GENERAL ECONOMIC CONDITIONS

In December 2017, the ifo business climate index for the commercial economy, i.e. TEMPTON's customer base, stood at 104.7 points - an almost historic high. The value has been falling ever since. In June 2019, the ifo business climate index fell from 97.9 (May 2019) to 97.4 points. This is the lowest value since November 2014.<sup>1</sup> At the end of December 2019, the ifo business climate index stood at only 96.3 points. The German economy continues to more or less stagnate. However, there are initial signals that make an end to the downturn in industry and thus a gradual recovery of the overall economy more likely. Industry production is still in a downward trend, while there are signs for a stabilisation in incoming orders. Construction output is subject to monthly fluctuations but remains at a high level. Indicators for private consumption are sending cautious signals at the beginning of the fourth quarter. However, available income continues to increase. German exports increased significantly both in October and in the third quarter as a whole<sup>2</sup>.

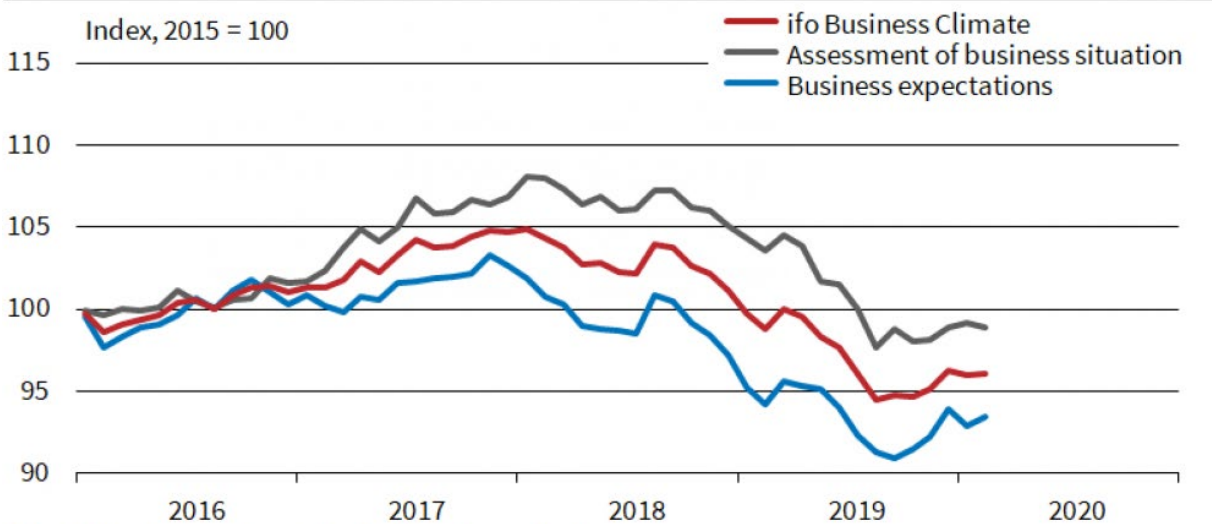
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<sup>1</sup> <https://www.ifo.de>

<sup>2</sup> <https://www.bmwi.de/Redaktion/DE/Pressemitteilungen/Wirtschaftliche-Lage/2019/20191216-wirtschaftliche-lage-in-deutschland-im-dezember-2019.html>

For 2020, survey results and other indicators point to economic growth of 0.2 percent in the first quarter. The ifo business climate index rose to 96.1 points in February 2020, after 96.0 points (seasonally adjusted) in January 2020<sup>3</sup>.

**ifo Business Climate Germany<sup>a</sup>**  
Seasonally adjusted



<sup>a</sup> Manufacturing, service sector, trade, and construction.  
Source: ifo Business Survey, February 2020.

© ifo Institute

For the first time, economic output in Germany was generated by an annual average of more than 45 million employees with a place of work in Germany in 2019. According to initial calculations, 45.3 million and thus around 400,000 people more were in gainful employment than in 2018. This increase of 0.9 % is mainly due to an increase in employment subject to social security contributions. As in previous years, higher labour force participation and the immigration of workers from abroad outweighed age-related demographic effects and migration from Germany<sup>4</sup>.

**INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS**

For the typical personnel services of TEMPTON Group, the industry-specific conditions of the temporary employment industry are relevant

While in 2017 the temporary employment industry still recorded a growth of +4.38% compared to the previous year in the number of temporary employees, the number of employees declined significantly both in 2018 and again in 2019 (December 2019: 694,000

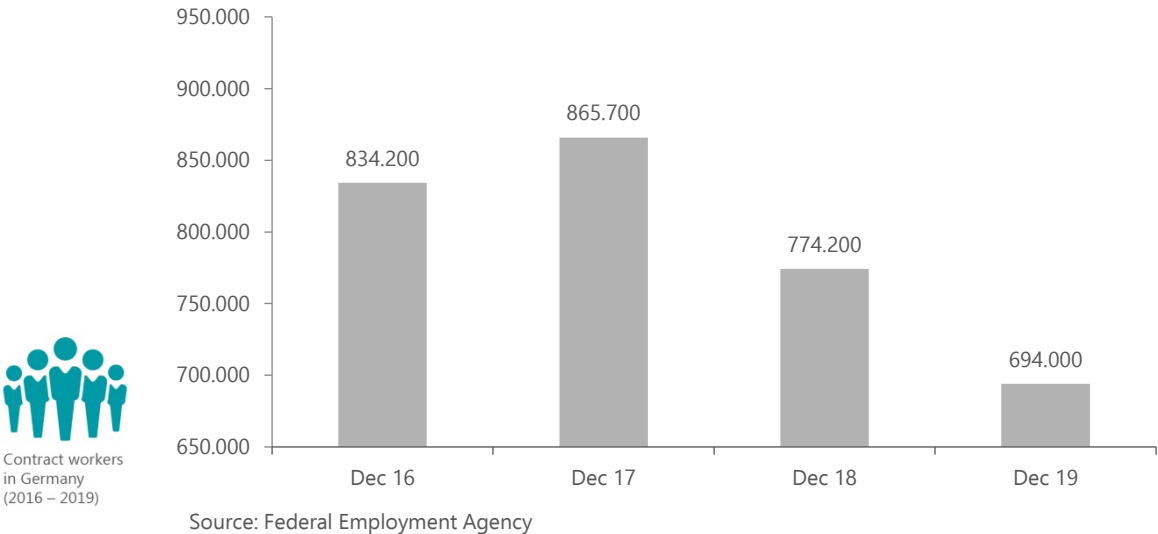
<sup>3</sup> <https://www.ifo.de/>  
<sup>4</sup> [https://www.destatis.de/DE/Presse/Pressemitteilungen/2019/01/PD19\\_018\\_811.html](https://www.destatis.de/DE/Presse/Pressemitteilungen/2019/01/PD19_018_811.html)

employees compared to December 2018: 774,200 employees compared to December 2017: 865,700 employees)<sup>5</sup>.

According to the current labour market report (February 2020) of the Federal Employment Agency, the number of temporary workers in Germany has decreased by 10.2 percent, i.e. by 79,000, between February 2020 and February 2019.

The development from 2018 onwards was triggered by the regulations on Equal Pay and maximum term for temporary staffing, which came into force on 1 April 2017, and also by the general economic slowdown in 2019. For 2019, the poor economic situation in Germany, restructuring in the automotive industry and faltering production in China due to the corona virus will be the main factors<sup>6</sup>.

Temporary staff in Germany:



There are no special industry-specific framework conditions for the Outsourcing business unit of TEMPTON Group, but the outsourcing market essentially follows the general economic conditions - and among other things also increasingly registers an automation of work in the low-wage sector. Companies see motives for outsourcing in the globalization and internationalization of their business model (19%) and the shortage of skilled personnel in Germany (19%). Increasing pressure to innovate (17%) is seen as a cause of increased outsourcing. The main goals here are profitability and cost reduction (58%), availability of

<sup>5</sup> <https://ig-zeitarbeit.de/presse/artikel/leichtes-plus-fuer-zeitarbeitsbranche>  
<sup>6</sup> <https://ig-zeitarbeit.de/presse/artikel/102-prozent-weniger-zeitarbeitskraefte>

resources (38%), compensation for a lack of internal know-how (38%), faster project implementation (27%) or additional (human) resources (26%).<sup>7</sup>

For the business unit technology of TEMPTON Group, the industry-specific framework conditions of the telecommunications market are particularly relevant.

Demand for high-speed broadband – via fixed and mobile networks – remains high. According to estimates by Analysys Mason, fixed-network data traffic grew by 30 percent worldwide in 2019. In the same period, estimates by Dialog Consult put the average data volume per fixed-network line and month in Germany at 137 gigabytes – more than five times the level seen five years ago. Analysys Mason estimates that mobile data traffic grew by 70 percent worldwide in 2019, representing an eighteen-fold increase over five years. For the telecommunications industry, these developments present both a challenge and the opportunity to monetize the strong growth in volume.<sup>8</sup>

The rapid technological change in the telecommunications sector requires high investments in order to expand network infrastructures to the next generation. According to estimates by GSMA Intelligence, mobile operators worldwide will invest around USD 1 trillion in the expansion of 5G networks in the coming years - excluding spectrum acquisitions. More and more fibre optic is being continuously expanded in the telecommunications networks<sup>9</sup>.

The technology business unit of TEMPTON Group will also benefit from the continuing high investment volume, especially in fibre optics and copper infrastructure projects in Germany. The expansion of 5G networks is imminent and fibre optics are being expanded more and more throughout the (telecommunications) networks. A particular growth segment in the German telecommunications market is the nationwide investment in fibre optics and copper infrastructure projects. 5G will be an additional driver in the expansion and connection of mobile communications locations.

## AIMS AND STRATEGIES OF TEMPTON GROUP

TEMPTON Group systematically pursues the following aims:

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<sup>7</sup> <https://www.roedl.de/themen/entrepreneur/2017-02/outsourcing-fakten-mittelstand-international>

<sup>8</sup> <https://report.telekom.com/annual-report-2019/management-report/the-economic-environment/telecommunications-market.html>

<sup>9</sup> <https://bericht.telekom.com/geschaeftsbericht-2019/lagebericht/wirtschaftliches-umfeld/telekommunikationsmarkt.html>

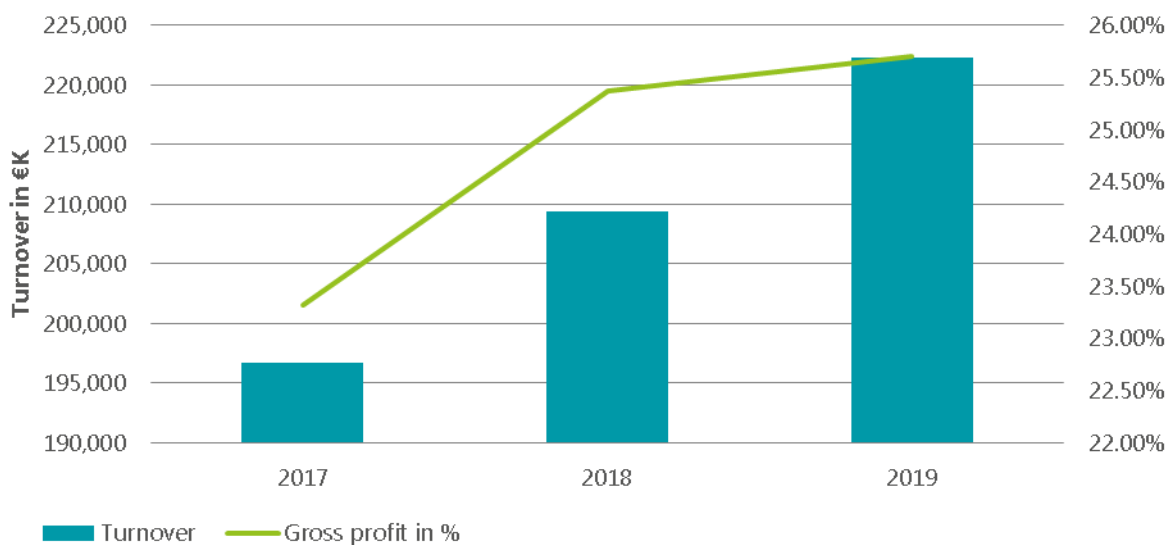


- Takeover of a very active role in the forthcoming consolidation of the personnel services market. With the acquisitions of the main assets of Teilzeit Thiele Group in March 2019, Next Level GmbH in September 2019 and in tandem the main assets of Riedl Personal-Service GmbH & Co KG and of LHP Dienstleistungs- und Bildungsgesellschaft mbH as of 1 December 2019, TEMPTON Personaldienstleistungen GmbH, Essen, has taken further important steps in this regard. In addition, TEMPTON Personaldienstleistungen GmbH, Essen, issued a bond with a volume of EUR 30 million on the capital market on 9 October 2019, a substantial portion of which is also intended to finance potential further takeovers;
- Successive company-wide roll-out of the TEMPTON digitization tools developed to market maturity in 2019 (including myTEMPTON App, digital recruiting, digitized applicant registration) by the end of 2020, thereby further optimizing the services of TEMPTON for the benefit of customers and employees;
- Steady further expansion of the TEMPTON digitization tools with additional use cases and thus opening up the possibility of market launch of additional very attractive performance optimizations and business models, especially for the customers and employees of TEMPTON;
- Supplementing the existing - already very broad - product and department portfolio with further special products such as healthcare specialists;
- Further expansion of the product interim management, in order to offer the entire chain of highly qualified personnel services from the placement of interim managers to the provision of temporary experts, outsourcing and the staffing of specialist personnel from a single source;
- In the business unit technology: Focus on high-margin business areas such as the entire process of technical connection of telecommunications connections - from coordination to setup to the final business customer connection. Furthermore: expansion of the customer structure into industries that also have network architectures as a basis (electricity grids, gas grids, pipelines, transport networks);

- In the business unit outsourcing: specialisation in the efficient and high-quality solution of specific customer problems in the areas of logistics services, quality management and production;
- Further expansion of the existing position as quality leader;
- Positioning as national champion in the attractive SME submarket.

## BUSINESS PERFORMANCE OF TEMPTON GROUP

TEMPTON Group is optimally positioned. In the years since 2013, it has not only done all its essential homework, but has also positioned itself for the future in every respect. Accordingly, TEMPTON Group has developed extremely positively in the financial year 2019 in all key economic ratios.



### Assets, liabilities and financial position

TEMPTON Group generated revenues of kEUR 222,287 in the reporting period 2019 (previous year kEUR 209,407).

Gross profit in the reporting period was 25.70 % (previous year: 25.37%).

The gross profit margin is the ratio of gross profit to revenue. In addition to the cost of materials, the gross profit of TEMPTON Group only includes personnel costs for employees directly related to revenues.

EBITDA in the reporting period developed to kEUR 9,386 (previous year kEUR 10,428). Adjusted for the increased one-time costs related to the issuance of the bond (kEUR 991) as well as special costs in connection with the acquisition of Teilzeit Thiele (kEUR 157), adjusted EBITDA amounted to kEUR 10,534.

Interest expenses in the reporting period amounted to kEUR 1,483 (previous year kEUR 1,261).

The balance sheet total amounted to kEUR 77,429 and increased by kEUR 18,520 or +31,44% compared to the previous year (kEUR 58,909).

TEMPTON once again invested substantially in the future during the 2019 financial year with a total of more than kEUR 5,800. On the one hand, TEMPTON has opened a total of eighteen locations to expand its growth base. With the acquisitions of the main assets of Teilzeit Thiele Group in March 2019, Next Level GmbH in September 2019 and in tandem the main assets of Riedl Personal-Service GmbH & Co KG and of LHP Dienstleistungs- und Bildungsgesellschaft mbH as of 1 December 2019, TEMPTON was able to add an additional 13 locations. In addition, TEMPTON invested more than kEUR 1,000 in the development of its various digitization projects (including TEMPTON App, matching platform, chatbot). Furthermore, TEMPTON invested more than kEUR 1,500 in the expansion of its headquarters (own property) and more than kEUR 1,000 in the CI-compatible equipment of its nationwide network of locations. As a result, the headquarters became a highly modern and attractive (potential) workplace for employees and applicants with first class academy rooms for sales trainings, induction trainings and other training courses. The fixed assets of the TEMPTON Group amounted to kEUR 19,672 (previous year kEUR 16,076) on the balance sheet date.

Receivables for deliveries and services amounted to kEUR 23,243 (previous year kEUR 20,521) as of the balance sheet date. The average financial DSO (time between invoicing and actual payment by customers) could be improved to 21.7 days. The achieved value was a further 0.1 days below the previous year (21.8 days in the previous year) and thus at a record-breaking value compared to the industry.

Liquid funds amounted to kEUR 26,924 (previous year kEUR 15,605) on the balance sheet date. Thus, liquid funds accounted for 34,77% of the balance sheet total as of the balance sheet date.

Provisions amounted to kEUR 19,505 and increased insignificantly compared to the previous year (previous year kEUR 19,486). Within the provisions, the tax provisions changed by kEUR +774, the personnel provisions by kEUR -296 and the provisions for financial statement and auditing costs by kEUR -245.

Within the liabilities, which increased to kEUR 46,855 (previous year kEUR 33,715), mainly the liabilities due to the change in financing increased by kEUR +11,750. Further changes occurred in other liabilities due to increased liabilities to personnel (kEUR+1,378), taxes (kEUR +257), credit institutions (kEUR -199) as well as liabilities from supplies and services (kEUR -77).

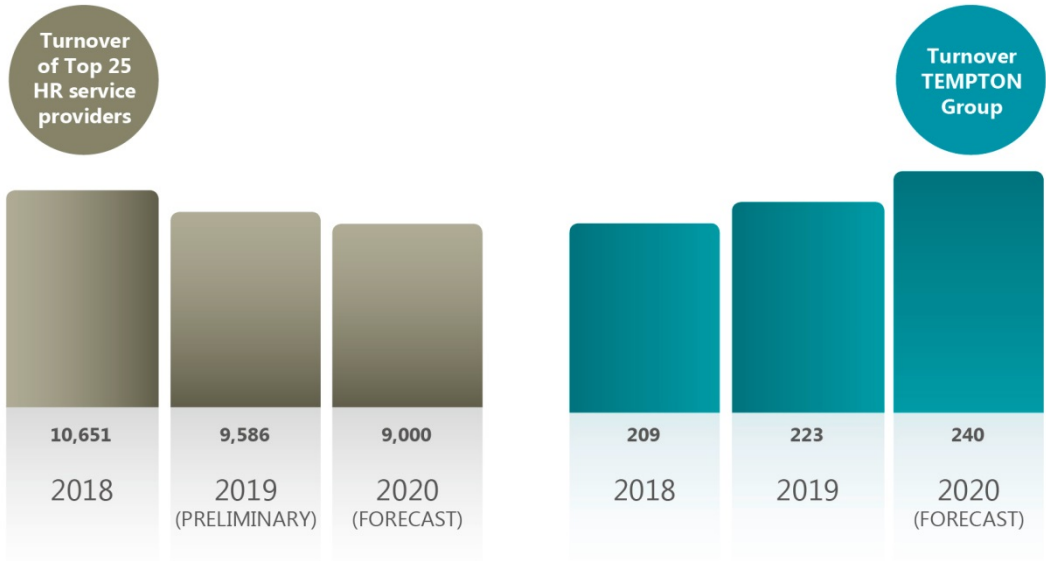
In the reporting year, TEMPTON Group always had sufficient positive cash flow to meet all its payment obligations on time.

### **Forecast report**

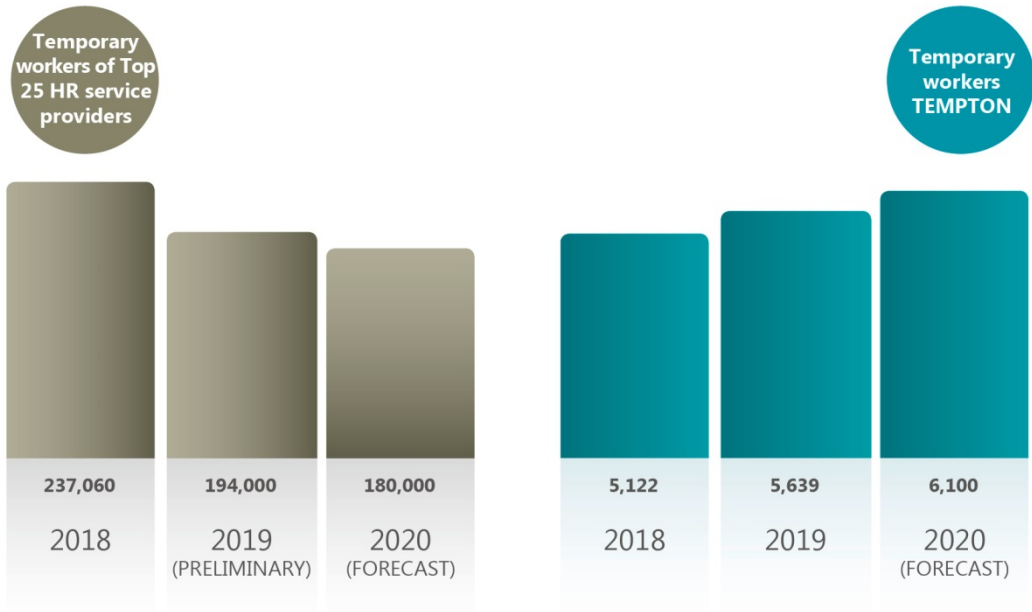
TEMPTON Group is optimally positioned. It has not only done all its essential homework since 2013 but has also positioned itself for the future in every respect.

Accordingly, TEMPTON Group has continued to develop positively in all key economic ratios over the course of 2020 to date and continues to grow - even against economic developments and the market.

Revenue of the 25 largest personnel service providers in Germany in million euros vs. revenue TEMPTON Group:



External temporary staff of the 25 largest personnel service providers in Germany vs. TEMPTON in thousands<sup>10</sup>:



<sup>10</sup> The information relates to temporary employees of TEMPTON Personaldienstleistungen, Essen as part of the TEMPTON Group.

The fact that TEMPTON Group, due to its own highly qualified digital unit, is in the top group of the personnel service provider market in terms of digitization as well and is investing here substantially, will further improve the market position of TEMPTON Group in the future.

### **Opportunities report**

TEMPTON Group sees concrete attractive business opportunities both in the personnel services segment and generally for the TEMPTON Group, in particular in the ongoing nationwide roll-out of its office segment and in the possibilities offered by the ongoing digitization strategy (including TEMPTON App, matching platform, chatbot).

Within the outsourcing business unit, the existing first-class know-how in the development of logistics locations will provide very interesting future business opportunities in the growing market of online trading. Both the food and non-food sectors are benefiting from this change in consumer behavior, with new demands being placed on the logistics processes served by TEMPTON Group.

The business unit technology has unique expertise in setting up network infrastructures. Thus, TEMPTON has an optimal starting position in the expansion of the newly established, high-margin data centre business area, i.e. the construction, enhancement and relocation of data centres. These opportunities arise not only in the development of the network infrastructure, but especially in the operation of entire data centres. The expansion of the infrastructure for the provision of the nationwide broadband network, which has not yet been completed and has been pushed and massively promoted by politicians, as well as the planned expansion of the mobile network to 5G will also have a positive impact on the further business development of the business unit technology. Both business areas are not limited to the telecommunications industry alone but are in demand independently of the industry.

### **Risk report**

TEMPTON Group is not susceptible to crises. Accordingly, the TEMPTON Group's personnel services business division is not affected by the effects of regulation, i.e. in particular by the consequences of the new Equal Pay regulations (relevant since 1 April 2017) or by the consequences of the new statutory maximum term of temporary staffing (relevant since 1 April 2017). The economic downturn since the of 2018 has not affected TEMPTON Group.

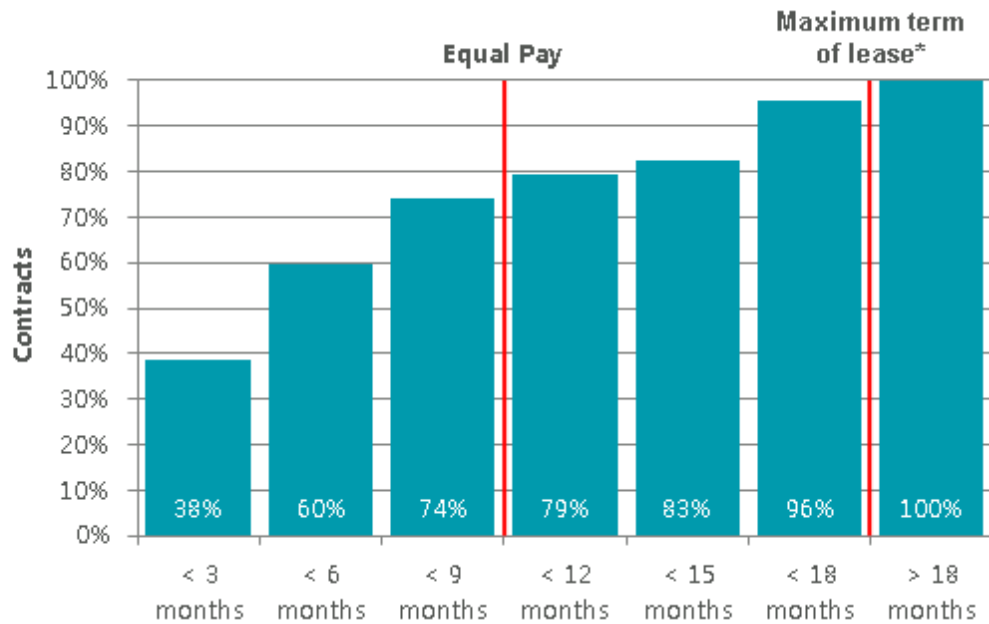
The reasons for this fundamental non-susceptibility to crises are complex:

- TEMPTON Group has a maximally diversified customer structure, as can be seen from the chart inserted earlier in this management report, with practically no share in the automotive, utilities and retail sectors currently undergoing upheaval.
- TEMPTON Group has a very large customer base with more than 10,000 active customers, which expands annually by approx. 2,500 customers due to the sales strength, in particular of TEMPTON Personaldienstleistungen GmbH, Essen. As can be seen from the following chart, there are practically no cluster risks in the customer structure:



- TEMPTON Group is diversified by its several business units, its specialty divisions and also by its special products. This enables TEMPTON Group not only to balance economic fluctuations and price pressure very well, but also to continuously improve its already good margin quality.
- The temporary employment business of TEMPTON Group focuses on filling relatively short-term contracts meaning that, as the following chart shows, almost 70 % of the temporary employees of TEMPTON Group are employed for less than 9 months on a customer assignment, and almost no temporary employees on a customer assignment reach the statutory maximum leasing period:

**Employee contract duration**



\* Maximum duration of contract period restricted to 18 months since reform of the AÜG (German Temporary Employment Act) took effect on 1 April 2017. Individual industry collective-bargaining agreements however allow for divergencies.

This means that hardly any temporary employee of TEMPTON Group is subject to the new legal regulation.

- More than 80% of the cost base of TEMPTON Group is variable personnel costs. In the event of a substantial economic crisis, which can no longer be compensated solely with the existing high flexibility instruments and sales strength, the collective bargaining and other labor law provisions applicable to TEMPTON Group enable a cost base reduction practically term-congruent.
- TEMPTON Group is very strongly controlled by KPIs, both on the sales side and in general, and has a powerful sales and commercial controlling. As a result, the managers of TEMPTON Group recognize plan deviations and other emerging problems very promptly and can respectively take corrective action at an early stage.
- TEMPTON Group is very well positioned economically: Its operating business generates a high positive cash flow and it has high, constantly increasing, liquidity reserves.



**Liquidity risks**

TEMPTON Group has a very high free liquidity. The management of TEMPTON Group does not currently see any liquidity risks.

**Liability and default risks**

The TEMPTON Group has integrated a standardized insurance program so that it has adequate insurance cover for such risks. This program also includes receivables bad debt insurance.

**Customer developments, customer losses or order initiations**

Since 2015, TEMPTON Group has been transformed into a powerful sales and marketing organization. Accordingly, TEMPTON Group gains approx. 2,500 new customers per year in the personnel services business area, the core area of TEMPTON Group, which always overcompensates for possible customer losses. In particular, TEMPTON Personaldienstleistungen GmbH, Essen, is in no way dependent on individual customers or specific orders. In general, TEMPTON Group does not accept orders that would in any way force TEMPTON Group to modify its existing high-performance organization. In particular for TEMPTON Personaldienstleistungen GmbH, Essen, certain customers or orders are of no particular importance.

The business units outsourcing and technology have a healthy mix of long-term framework agreements (more often even with the guarantee of minimum volumes), medium-term projects and projects on a short-term basis. Although possible project postponements and abruptly ending projects cannot be completely ruled out, the very good customer contacts and the very good networking within the industries with relevant experts are a certain guarantee that impending customer and order losses can be identified in good time. During the 2019 financial year, a major customer of TEMPTON Technik GmbH bought itself out of an existing contractual relationship with TEMPTON Technik GmbH due to the absence of sufficient order volume of its own in return for corresponding compensation payments. This loss was partially offset by a follow-up project for a new customer. Furthermore, an ongoing short-term project was secured in the medium term with a three-year contract.

**Research and development**

As a service provider, TEMPTON Group has no research and development activities.

**Internal control system**

TEMPTON Group has a functioning internal control system in place. The controls are carried out by the various specialist departments as well as by a permanent team of auditors.

**General note on the management report**

This management report contains prognostic statements and information that are based on the economic and financial conditions currently known and the resulting expectations of management. The global spread of the novel coronavirus SARS-CoV-2 has increased steadily in the first three months of 2020. There is currently great uncertainty as to how the (negative) economic effects will turn out over the course of 2020 and possibly even extend into 2021. The forecasts made in this management report therefore do not take into account the development due to the coronavirus.

Essen, 14 April 2020

TEMPTON Group GmbH  
The Management Board

CONSOLIDATED BALANCE SHEET AND  
CONSOLIDATED INCOME STATEMENT



TEMPTON Group GmbH, Essen

Consolidated financial statement for the financial year from 1 January 2019 to 31 December 2019

CONSOLIDATED BALANCE SHEET

ASSETS	31 December 2019		prior year		EQUITY AND LIABILITIES	31 December 2019		prior year	
	€	€	€	€		€	€	€	€
<b>A. FIXED ASSETS</b>					<b>A. EQUITY</b>				
<b>I. Intangible assets</b>					<b>I. Subscribed capital</b>	25.000,00		25.000,00	
1. Concessions, industrial property rights acquired for a consideration as well as licenses to such rights and values	1.293.735,50		508.639,50		<b>own shares</b>	-8.500,00	16.500,00	-8.500,00	16.500,00
2. Goodwill	11.658.953,15	12.952.688,65	10.650.491,29	11.159.130,79	<b>II. Capital reserves</b>		500.000,00		500.000,00
<b>II. Tangible assets</b>					<b>III. Profit carried forward/losses carried forward</b>		9.506.861,41		5.191.165,41
1. Real estate, titles to land and buildings including buildings on third party land	3.387.652,00		2.405.423,00			10.023.361,41		5.707.665,41	
2. Technical equipment and machines	85.506,00		97.913,00		<b>B. PROVISIONS</b>				
3. Other plants, office fixtures and fittings	3.245.993,95	6.719.151,95	2.413.842,46	4.917.178,46	1. Provisions for pensions and similar obligations	2.613.834,11		2.427.068,55	
<b>B. CURRENT ASSETS</b>					2. Provisions for taxes	1.896.680,36		1.122.257,19	
<b>I. Inventories</b>		1.722.095,04		1.437.022,63	3. Other provisions	14.994.335,56	19.504.850,03	15.936.914,99	19.486.240,73
<b>II. Receivables and other assets</b>					<b>C. LIABILITIES</b>				
1. Receivables of deliveries and services	23.243.476,22		20.521.050,04		1. Loans and borrowings	30.420.000,00		0,00	
2. Receivables from affiliated enterprises	27.411,19		15.649,03		2. Liabilities due to credit institutions	154.243,96		352.780,71	
3. Other assets	4.832.352,39	28.103.239,80	4.507.534,99	25.044.234,06	3. Liabilities from supplies and services	1.978.211,50		2.054.715,74	
<b>III. Cash on hand, bank balances</b>		26.924.313,44		15.604.912,12	4. Liabilities due to affiliated enterprises	4.590,27		4.590,27	
<b>C. PREPAID EXPENSES</b>		1.007.331,19		746.339,71	5. Other liabilities	14.298.220,70	46.855.266,43	31.302.824,91	33.714.911,63
		77.428.820,07		58.908.817,77	<b>D. DEFERRED INCOME</b>		1.045.342,20		
							77.428.820,07		58.908.817,77

TEMPTON Group GmbH, Essen

Consolidated financial statement for the financial year from 1 January 2019 to 31 December 2019

CONSOLIDATED INCOME STATEMENT

	2019		prior year	
	€	€	€	€
1. Revenues		222.286.726,63		209.407.459,50
2. Decrease in the inventory of finished goods and work in process		190.323,69		-164.405,32
3. Other operating income		2.972.034,46		2.439.314,86
		225.449.084,78		211.682.369,04
4. Material costs				
a) costs of raw material, supplies, operating material and acquired goods	1.080.065,57		1.249.221,36	
b) costs of services acquired	6.079.220,08	7.159.285,65	6.425.809,53	7.675.030,89
5. Personnel costs				
a) wages and salaries	153.091.648,81		143.626.031,34	
b) social security and expenses for old age pensions and support	33.758.248,01	186.849.896,82	30.834.500,12	174.460.531,46
6. Depreciation				
a) for intangible fixed assets and tangible assets	2.240.407,42		1.708.801,37	
b) for current assets, provided that they exceed the corporation's usual depreciation	0,00	2.240.407,42	15.000,00	1.723.801,37
7. Other operating expenses		22.054.010,33		19.119.053,89
8. Other interest and similar income		24.540,41		11.371,66
9. Interest and similar expenses		1.482.676,88		1.260.830,47
10. Taxes on income and profit		1.352.922,28		990.199,79
<b>11. Profit after taxes</b>		<b>4.334.425,81</b>		<b>6.464.292,83</b>
12. Other taxes		-18.729,81		-18.409,08
13. Expenses from a profit transfer agreement		0,00		-31.398,90
<b>14. Group annual surplus/ annual deficit</b>		<b>4.315.696,00</b>		<b>6.414.484,85</b>
<b>15. Profit carried forward/losses carried forward</b>		5.191.165,41		-1.223.319,44
<b>17. Consolidated balance sheet profit/loss</b>		<b>9.506.861,41</b>		<b>5.191.165,41</b>

# CONSOLIDATED FIXED-ASSET MOVEMENT SCHEDULE



TEMPTON Group GmbH, Essen

Consolidated financial statement for the financial year from 1 January 2019 to 31 December 2019

CONSOLIDATED FIXED-ASSET MOVEMENT SCHEDULE

	COSTS OF ACQUISITION AND PRODUCTION					AMORTIZATION AND DEPRECIATION					CARRYING AMOUNT	
	As of	Additions	Reclassifications	Retirements	As of	As of	Reclassification	Additions	Retirements	As of	As of	
	1 January 2019				31 December 2019	1 January 2019				31 December 2019	31 December 2019	31 December 2018
	€	€	€	€	€	€	€	€	€	€	€	
<b>I. INTANGIBLE ASSETS</b>												
1. Concessions, industrial property rights acquired for a consideration as well as licenses to such rights and values	1.494.881,19	1.167.899,66	6.842,35	395.355,31	2.274.267,89	986.241,69	1.839,35	386.963,66	394.512,31	980.532,39	1.293.735,50	508.639,50
2. Goodwill	11.553.017,63	1.971.007,73	-95.565,00	0,00	13.428.460,36	902.526,34	0,00	866.980,87	0,00	1.769.507,21	11.658.953,15	10.650.491,29
	13.047.898,82	3.138.907,39	-88.722,65	395.355,31	15.702.728,25	1.888.768,03	1.839,35	1.253.944,53	394.512,31	2.750.039,60	12.952.688,65	11.159.130,79
<b>II. TANGIBLE ASSETS</b>												
1. Real estate, titles to land and buildings including buildings on third party land	2.840.251,05	1.121.655,62	0,00	25.862,48	3.936.044,19	434.828,05	0,00	139.415,62	25.851,48	548.392,19	3.387.652,00	2.405.423,00
2. Technical equipment and machines	380.861,65	0,00	0,00	17.628,40	363.233,25	282.948,65	0,00	12.406,00	17.627,40	277.727,25	85.506,00	97.913,00
3. Other plants, office fixtures and fittings	6.834.574,72	1.555.018,15	174.904,24	1.150.310,10	7.414.187,01	4.420.732,26	50.521,12	834.641,27	1.137.701,59	4.168.193,06	3.245.993,95	2.413.842,46
	10.055.687,42	2.676.673,77	174.904,24	1.193.800,98	11.713.464,45	5.138.508,96	50.521,12	986.462,89	1.181.180,47	4.994.312,50	6.719.151,95	4.917.178,46
	23.103.586,24	5.815.581,16	86.181,59	1.589.156,29	27.416.193,70	7.027.276,99	52.360,47	2.240.407,42	1.575.692,78	7.744.352,10	19.671.840,60	16.076.309,25

# CASH FLOW STATEMENT





TEMPTON Group GmbH, Essen

Consolidated financial statement for the financial year from 1 January 2019 to 31 December 2019

CASH FLOW STATEMENT

	2019 k€	Prior year k€
1. Profit for the period (consolidated net income for the financial year)	4.316	6.414
2. Depreciation, amortisation and write-downs of fixed assets/reversals of such write-downs	2.240	1.709
3. Increase/decrease in provisions	20	-3.485
4. Other non-cash expenses/income	98	-74
5. Increase/decrease in inventories, receivables for deliveries and services and other assets not related to investing or financing activities	-3.686	2.106
6. Increase/decrease in liabilities from supplies and services and other liabilities not related to investing or financing activities	1.375	-5.658
7. Gain/loss on disposal of fixed assets	13	114
8. Interest expense/interest income	1.458	1.249
9. Income tax expense/income	1.353	990
10. Income taxes payments	-636	54
<b>11. Cash flows from operating activities</b>	<b>6.551</b>	<b>3.419</b>
1. Proceeds from disposal of intangible fixed assets	1	4
2. Payments to acquire intangible fixed assets	-3.139	-508
3. Proceeds from disposal of tangible fixed assets	-0	0
4. Payments to acquire tangible fixed assets	-2.677	-2.383
5. Additions of first-time consolidation	-34	187
6. Interest received	7	8
<b>7. Cash flows from investing activities</b>	<b>-5.842</b>	<b>-2.692</b>
1. Proceeds from borrowings	30.000	500
2. Cash repayments of bonds and borrowings	-18.449	-896
3. Interest paid for financial loans and factoring	-941	-1.149
<b>4. Cash flows from financing activities</b>	<b>10.610</b>	<b>-1.545</b>
1. Net change in cash funds	11.319	-818
2. Cash funds at the beginning of period	15.605	16.423
<b>3. Cash funds at end of period</b>	<b>26.924</b>	<b>15.605</b>

CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY



TEMPTON Group GmbH, Essen

Consolidated financial statement for the financial year from 1 January 2019 to 31 December 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Parent company						Group Equity	
	subscribed capital			Reserves k€		Group profit earned by the parent company €	Total €	Total €
	subscribed capital €	own Shares €	Total €	Capital reserves €	Total €			
<b>Balance at 1 November 2017</b>	<b>25.000,00</b>	<b>-8.562,00</b>	<b>16.438,00</b>	<b>500.000,00</b>	<b>500.000,00</b>	<b>0,00</b>	<b>516.438,00</b>	<b>516.438,00</b>
Consolidated net income for the year 1)	0,00	0,00	0,00	0,00	0,00	-1.223.319,44	-1.223.319,44	-1.223.319,44
<b>Balance at 31 December 2017</b>	<b>25.000,00</b>	<b>-8.562,00</b>	<b>16.438,00</b>	<b>500.000,00</b>	<b>500.000,00</b>	<b>-1.223.319,44</b>	<b>-706.881,44</b>	<b>-706.881,44</b>
sale of own shares	0,00	62,00	62,00	0,00	0,00	0,00	0,00	62,00
Consolidated net income for the year	0,00	0,00	0,00	0,00	0,00	6.414.484,85	6.414.484,85	6.414.484,85
<b>Balance at 31 December 2018</b>	<b>25.000,00</b>	<b>-8.500,00</b>	<b>16.500,00</b>	<b>500.000,00</b>	<b>500.000,00</b>	<b>5.191.165,41</b>	<b>5.707.665,41</b>	<b>5.707.665,41</b>
sale of own shares	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Consolidated net income for the year	0,00	0,00	0,00	0,00	0,00	4.315.696,00	4.315.696,00	4.315.696,00
<b>Balance at 31 December 2019</b>	<b>25.000,00</b>	<b>-8.500,00</b>	<b>16.500,00</b>	<b>500.000,00</b>	<b>500.000,00</b>	<b>9.506.861,41</b>	<b>10.023.361,41</b>	<b>10.023.361,41</b>

1) This includes the annual result of Tempton Group GmbH of EUR -25.647,19 before first-time consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT



**TEMPTON Group GmbH, Essen**  
**Registered with the local court of Essen, HRB 28871**

**Annual consolidated financial statement for the financial year**  
**From 1 January 2019 to 31 December 2019**

**Notes to the consolidated financial statement**

**GENERAL INFORMATION**

The parent company of the group operates under the name TEMPTON Group GmbH. The consolidated financial statements of TEMPTON Group GmbH, Essen (local court of Essen, HRB 28871), were prepared in accordance with the relevant regulations of the German Commercial Code (Handelsgesetzbuch – “HGB”) and the German Limited Liability Companies Act (“GmbHG”).

The separate financial statements of the companies included in the consolidated financial statement have been prepared uniformly in accordance with the general valuation provisions of sects. 252 to 256a HGB. The special approach and valuation requirements (sects. 264 to 274 HGB) for corporations were observed. The structure and presentation in the consolidated financial statement are unchanged from the previous year.

The separate financial statements of the included subsidiaries have also been prepared as of the balance sheet date of the parent company.

The consolidated income statement has been prepared using the total cost method.

The preparation of the financial statement was done on a going concern basis pursuant to sect. 298 para. 1 HGB in connection with sect. 252 para. 1 no. 2 HGB.

**CONSOLIDATED COMPANIES**

In addition to TEMPTON Group GmbH as the parent company, fourteen domestic companies in which TEMPTON Group GmbH directly or indirectly holds a majority interest have been included in the consolidated financial statement in accordance to sect. 294 para 1 HGB. Three companies were added in the reporting year as a result of incorporations or acquisitions. TEMPTON Personaldienstleistungen GmbH i. L., Cologne, was not consolidated due to its subordinate role for the Group.

For details in connection with the scope of consolidation, we refer to the list of consolidated and nonconsolidated companies (Annex "List of Shares").

## CONSOLIDATED PRINCIPLES

The group balance sheet is prepared by aggregating the balance sheets of all subsidiaries included in the consolidated financial statements. The balance sheets are included by using the principles of the full consolidation method, i.e. all assets and liabilities of the subsidiaries consolidated are included with their full amounts in the consolidated balance sheet, less the consolidation items. TEMPTON Group GmbH directly or indirectly owns 100 % of the shares of the consolidated subsidiaries.

The consolidated income statement is prepared by aggregating the income statements of all subsidiaries included in the consolidated financial statements.

Capital consolidation was carried out in accordance with the revaluation method pursuant to sect 301 para 1 sentence 2 HGB at the respective time of acquisition of the companies.

Movements resulting from intra-group restructuring have been eliminated in consolidation.

The asset differences determined during capital consolidation relate to goodwill and are shown in the corresponding balance sheet item under fixed assets.

Receivables and liabilities between consolidated companies were eliminated.

Intragroup revenue and other intragroup income were offset against the corresponding expenses.

The elimination of intercompany results from intra-group trade relationships was waived as the scope is of minor significance for the assets, earnings and financial position of the group.

## INFORMATION ON ACCOUNTING AND VALUATION PRINCIPLES

**Intangible assets** and property, plant and equipment are carried at cost at the time of transfer of economic or legal ownership and, as far as subject to wear and tear, reduced by scheduled depreciation. The scope of acquisition costs corresponds to sect. 255 para. 1 HGB.

Depreciation is carried out on a straight-line basis over the expected useful life (between 3 and 13 years) of the assets. For the acquisition of low-value assets with acquisition costs of between EUR 250.00 and EUR 1,000.00 net each, a collective item was formed in accordance with sect. 6 para. 2a German Income Tax Act (Einkommenssteuergesetz –“**ESTG**”). This collective item is depreciated at 20% p.a. irrespective of the actual useful life of these assets. The group does not exercise the option under sect. 248 para. 2 sentence 1 HGB and does not capitalize internally generated intangible fixed assets.

The **capitalized goodwill** was recognized with a useful life of 15 years starting from the date of acquisition and amortized accordingly. The extended amortization period of 15 years for goodwill is due to the fact that the business models of the acquired companies are designed for the long term and, in principle, do not provide for any planning to sell individual investments within a shorter period of time. During the reporting period, one company was acquired via a subsidiary. The resulting difference on the liabilities side of the balance sheet was dissolved to the income statement affecting net income in accordance with sect. 301 para. 3 HGB in connection with sect. 309 para 2 HGB. In addition, significant assets and liabilities of three insolvent companies were acquired via a subsidiary. After offsetting the assets and liabilities, the remaining acquisition costs are capitalized as goodwill in the subsidiary's fixed assets at the time of acquisition and amortized over 15 years in accordance with the group's guidelines.

In **inventories, raw materials, consumables and operating materials** are valued at acquisition cost plus incidental acquisition costs and less reductions in acquisition costs, taking into account the lower of cost or market principle. The acquisition costs are determined by means of moving average values.

Due to reduced usability and low inventory turnover, items of raw materials, consumables and operating materials are depreciated to the lower fair value by means of a days-of-inventory analysis.

**Work in progress** is valued according to the degree of completion under normal employment at direct costs plus appropriate material and production overheads and the depreciation of fixed assets, insofar as this is caused by production. The principle of loss-free valuation is applied. A fixed value of kEUR 134 is reported under merchandise for some consolidated companies. This relates to personal protective equipment for the employees leased to the hiring companies.

**Receivables and other assets** as well as **cash and bank balances** are essentially stated at their nominal value in accordance with the lower of cost or market principle. Claims from reinsurance policies were valued based on asset value calculations by insurance companies.

**Provisions for pensions and similar obligations** are measured using the projected unit credit method (PUC) based on actuarial calculations using Klaus Heubeck's 2018G mortality tables, which take into account a generation-dependent life expectancy. The difference arising from the application of sect. 253 para.2 sentence 1 HGB, which provides for an extension of the period from seven to ten years, amounted to approximately kEUR 334 as of 31 December 2019. The interest rate used for the discounting is 2.71%. A rate of 1.5 % is taken into account for annual pension increases, a fluctuation probability has not been applied. Where special-purpose assets pursuant to sect. 246 para 2 HGB exist, the provision is calculated from the balance of the actuarial present value of the obligation and the fair value of the special-purpose assets formed to cover the obligation; the fair value generally corresponds to the market value of the special-purpose assets offset. In the context of the first-time application of BilMoG, the distribution option pursuant to art. 67 para.1 sentence 1 in connection with sect. 75 para. 5 EGHGB was exercised; in determining the difference, the write-up amount from the first-time valuation of the special-purpose assets at fair value was taken into account.

**Tax provisions and other provisions** account for all identifiable risks and contingent liabilities. The valuation is carried out at the probable settlement amount, considering future price and cost increases. Provisions with a term of more than one year are discounted at the average market interest rate of the past seven years corresponding to their remaining term.

**Liabilities** are recognized at the settlement amount.

**Deferred taxes** are calculated in accordance with the provisions of sects. 274, 306 HGB for temporary differences between the commercial and tax valuations of assets, liabilities, provisions and deferred items. Tax loss carryforwards are taken into account in addition to the temporary accounting differences. Deferred taxes are calculated based on the combined income tax rate for all companies included in the consolidated financial statement of TEMPTON Group GmbH. This currently amounts to 32.42 %. The combined income tax rate includes corporate income tax, trade tax and solidarity surcharge. An overall resulting tax burden would be recognized in the balance sheet as deferred tax liabilities. In the event of a



tax relief, no use would be made of the corresponding capitalization option. In the fiscal year under review, deferred tax assets - not shown in the balance sheet - were incurred.

## INFORMATION ON THE CONSOLIDATED BALANCE SHEET

### **Fixed assets**

The development of the individual fixed asset items and depreciation in the reporting year is shown in the statement of changes in fixed assets.

### **Inventories**

Inventories include raw materials, consumables and operating materials amounting to kEUR 282 (previous year: kEUR 215) and unfinished products, services and goods amounting to kEUR 1,440 (previous year: kEUR 1,221).

### **Receivables and other assets**

Other assets with a remaining term of more than one year amount to kEUR 2,929 (previous year kEUR 2,547). The remaining receivables and other assets each have a remaining term of less than one year. Impending defaults were taken into account by means of appropriate individual and lump-sum value adjustments. Other assets include an anticipated amount of kEUR 57. This relates to input tax refunds in the following year for invoices not yet available on the balance sheet date.

Trade receivables from third parties were sold at three subsidiaries included in the consolidated financial statements under a factoring agreement, which resulted in a positive cash effect due to shortened terms of receivables. The trade receivables shown in the respective balance sheets relate to the value of the receivables, which is based on different settlement dates between the factor and the company. Since the contract also transferred the risks of recoverability to the factor (genuine factoring), there are no obligations to be reported in the balance sheet from this transfer. Due to the good asset and financial situation of the factoring company there are no significant risks from this financing. On the balance sheet date, an amount of kEUR 3,194 (previous year kEUR 4,455) in trade accounts receivable of the consolidated companies was included in the factoring program. For the companies of TEMPTON-Group there is a group-wide bad debt insurance.

### **Deferred items**

This item includes expenses entered prior to the balance sheet date provided that they represent expenses for a definite period of time after this date.

## Equity

The changes and composition in group's equity are shown in the statement of changes in equity.

### Subscribed capital

The fully paid-up share capital of the group parent company amounts to EUR 25,000.00 as of the balance sheet date. The group parent company holds own shares in the amount of EUR 8,500.00. This corresponds to 34%.

### Capital reserves

As in the previous year, the capital reserves amount to EUR 500,000.00.

## Provisions

The **values for pensions** included in the provisions were uniformly reported throughout the group at the values indicated for the PUC method. The recovery of the difference between the balance sheet value as of 31 December 2009 and the opening balance sheet value as of 1 January 2010 in accordance the PUC method was spread over 15 years according to the option right. The difference existing as of 31 December 2019 amounts to kEUR 132. The difference for the changed interest term from seven to ten years amounts to kEUR 340 in the reporting period. This value is subject to a distribution ban. Insofar as the reinsurance values for the corresponding pension obligations fulfilled the requirements, these were offset against the provision value. In accordance with sect. 246 para. 2 sentence 2 HGB, pension provisions of kEUR 340 were offset against the asset value of the reinsurance policies in the same amount as of 31 December 2019, which corresponds to the fair value.

The main items included in **other provisions** are provisions for working time accounts and vacation amounting to kEUR 6,351 (previous year kEUR 5,639), for the employers' liability insurance association amounting to kEUR 3,534 (previous year kEUR 3,546) and for personnel costs amounting to kEUR 2,949 (previous year kEUR 3,515). A consolidated subsidiary has formed a lump-sum warranty provision (kEUR 49) for possible warranty obligations from invoiced projects.

**Deferred tax assets** result from different valuations under commercial and tax law of pension provisions and other provisions as well as the consideration of tax loss carryforwards.

In exercising the existing option, deferred taxes are not recognized due to the existing excess of assets.

## Liabilities

The remaining terms of the liabilities as of 31 December 2019 are:

balance sheet items	remaining term			As of 31.12.2019 (py) k€
	less than one year	over one year	more than five years	
	k€	k€	k€	
Loans and borrowings	420 (0)	30,000 (0)	0 (0)	30,420 (0)
Liabilities due to credit institutions	154 (353)	0 (0)	0 (0)	154 (353)
Liabilities from supplies and services	1,978 (2,055)	0 (0)	0 (0)	1,978 (2,055)
Liabilities due to affiliated enterprises	4 (4)	0 (0)	0 (0)	4 (4)
Other liabilities	12,361 (11,952)	1,938 (19,351)	0 (0)	14,299 (31,303)
- noting the amount taxes	4,678 (4,096)	0 (0)	0 (0)	4,678 (4,096)
- noting the amount for social insurance	624 (344)	0 (0)	0 (0)	624 (344)
	14,917 (14,364)	31,938 (19,351)	0 0	46,855 (33,715)

The real estate of a subsidiary included in the consolidated financial statement is encumbered with land charges in favor of a bank for residual value in the amount of kEUR 152 from a real estate financing still existing until 30 September 2020.

In the fall of 2019, TEMPTON Personaldienstleistungen GmbH, Essen, issued a listed bond. The liabilities of the bond including accrued interest not yet due amounted to kEUR 30,000 as of the balance sheet date. The issue of the bond redeemed the previous financial liabilities of kEUR 18,250. On one hand, the issue of the bond repaid the previous financial liabilities and replaced them with stable long-term financing. On the other hand, the bond provides TEMPTON Personaldienstleistungen GmbH with the necessary scope to continue to participate actively in market consolidation by acquiring competitors.

The bond is secured by share pledges, global assignments, account pledges and guarantees in the amount of EUR 30,000 plus all interest and other incidental costs not yet due as of the balance sheet date. The companies of TEMPTON Group are predominantly guarantors for these bond liabilities. The companies have not been called upon for the reporting year, nor are they expected to be called upon due to the good credit rating of the primary debtor, TEMPTON Personaldienstleistungen GmbH, Essen, and the fulfilment of the bond conditions in accordance with the contract in every respect.

## INFORMATION ON THE INCOME STATEMENT

**Revenue** in the reporting period of kEUR 191,461 (previous year: kEUR 176,739) was generated by the provision of temporary staff, of which kEUR 147 (previous year: kEUR 7) was generated abroad. Income of kEUR 30,826 (previous year: kEUR 32,669) was generated from project business, with the foreign share amounting to kEUR 472 (previous year: kEUR 568).

**Other operating income** in the amount of kEUR 2,972 includes as the largest individual item, income from other compensation in kind. Income relating to other periods totaled kEUR 376 (previous year: kEUR 258) and the largest individual items included the corrections of individual balance sheet items and reimbursements from service charge settlements.

**Expenses for pensions** in the group amount to kEUR 234 (previous year: kEUR 209).

**Depreciation** includes scheduled reductions in fixed assets from the current financial year.

**Other operating expenses** of kEUR 22,054 primarily include travel expenses, vehicle costs, rental expenses, advertising expenses and consulting costs. Other operating expenses include prior-period expenses in the amount of kEUR 282 (previous year: kEUR 300), which mainly consist of corrections of individual balance sheet items as well as subsequent payments from service charge settlements.

Other operating expenses include kEUR 1,156 of extraordinary expenses.

Interest expenses of kEUR 87 (previous year kEUR 94) resulted from the compounding of interest on pension provisions. In the year under review, kEUR 27 (previous year kEUR 27) is included for the reversal of the difference between the balance sheet value as of 31 December 2009 and the opening balance sheet value as of 1 January 2010 in accordance with

the PUC method; this corresponds to 1/15 of the difference. The interest expense is reported in the financial result.

**Currency conversions** are carried out at the average spot exchange rate applicable on the date of accrual. In 2019, no currency conversions had to be carried out.

## OTHER INFORMATION

### **Other financial obligations**

The group has financial obligations from various rental, maintenance, service and financing agreements in the following financial year with a total value of kEUR 8,919. The various agreements end over a period from January 2020 to October 2024.

In order to optimize the tied total capital and increase liquidity, investments are partly financed by leasing.

During the reporting period, some group companies transferred receivables for deliveries and services to a third parties. As a result, the incoming payments of the partially long payment terms could be improved considerably. As the risks of collectability were also transferred to the purchaser by the agreement (genuine factoring), there are no obligations to be recognized from this transfer.

### **Derivative financial instruments**

No derivative financial instruments such as swaps existed in the reporting year.

### **Employees**

In the reporting year, an average of 5,910 external and 635 internal employees were employed by the companies of the TEMPTON Group.

### **Related enterprises and persons**

The transactions of the Group parent company and its subsidiaries with related enterprises and persons were conducted at arm's length.

### **Other**

The fees for auditing services (kEUR 171) and tax advisory services (kEUR 114) charged by the Group in the financial year from 1 January to 31 December 2019 by the group auditor BDO AG Wirtschaftsprüfungsgesellschaft amount to kEUR 285 in total.

### **Comments on the consolidated cash flow statement**

The cash flow statement for the reporting year and the previous year was determined based on DRS 21. As in the previous year, financial funds consist of cash and bank deposits.

### **The managing directors of the group parent company were:**

- Mrs. Dr. Annett Tischendorf, managing director, TEMPTON Group GmbH

By analogous application of the provision of sect. 286 para. 4 HGB, the remuneration of managing directors was not disclosed in accordance with sect. 314 para. 1 no. 6 HGB.

The managing director Dr. Annett Tischendorf is exempt from the restrictions of sect. 181 1st and 2nd alt. German Civil Code (*Bürgerliches Gesetzbuch – "BGB"*).

The annual result (kEUR 161) of the group parent company will be carried forward to new account.

The group parent company of TEMPTON Group GmbH is Dres. Tischendorf UG (haftungsbeschränkt), Frankfurt am Main.

### **EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

Since October 2019, TEMPTON Personaldienstleistungen GmbH, Essen, has been listed with a bond at the Frankfurt Stock Exchange and since February at the Oslo Stock Exchange under ISIN number NO0010861792.

The global spread of the novel coronavirus SARS-CoV-2 has increased steadily in the first three months of 2020. There is currently great uncertainty as to how the (negative) economic effects will turn out over the course of 2020 and possibly even extend into 2021.

Despite foreseeable negative effects on sales and earnings, TEMPTON Group in particular will perform well in the current crisis and even sees a realistic chance of gaining further market share in the market cleansing caused by this crisis.

The reasons for this assessment lie in the starting position of TEMPTON Group, which - unlike many competitors - has done all its homework excellently in recent years. TEMPTON Group stands securely on five pillars:

### **Low risk profile**

TEMPTON is highly diversified in terms of client base, client structure and occupational groups. In addition, TEMPTON Group has a high degree of risk stability due to its various business divisions. The Technology division is currently benefiting considerably from the official shut-down measures due to the sharp rise in data volumes (keyword: home office) and the associated increased demands on the infrastructure.

### **Very high cost base flexibility**

Typical for the industry of personnel service providers, TEMPTON has the highest cost base flexibility. More than 90% of TEMPTON's total cost base is personnel costs. Even without government support measures (such as short-time work compensation), around 85% of these are (quasi) variable costs, which TEMPTON can reduce or completely eliminate within a few days or at short notice, if necessary. Regarding the remaining 15 % of personnel costs, the government support measures allow a reduction which, subject to the staffing necessary to maintain operational activities, allows a cost reduction of up to 100 %.

### **First-class technical IT equipment and high level of digitization**

The IT technical equipment of TEMPTON is first class. If required, almost all of the more than 600 so-called "internal employees" of TEMPTON can carry out their work fully from their home office. The "internal employees" are responsible for the all sales as well as the entire administration of TEMPTON. Many essential processes are already digitalized at TEMPTON and thus already "corona-resistant" by definition.

### **Strong management and experienced staff**

TEMPTON is owner-managed and has a very constant, very well trained and strong top management. Almost all of TEMPTON's key employees, in particular the heads of all business and specialist departments, the managers of the more than 100 branches throughout Germany and the central functions, have been on board for many years. Together with the shareholders and the top management, they have already led TEMPTON very successfully and in every respect unscathed through the financial and economic crisis in 2008/2009 and through the protective shielding process in 2017. In other words, TEMPTON is experienced and proven in crises. There is a high level of trust with the shareholders of TEMPTON.

**High free liquidity**

TEMPTON Group is fully invested and has a very high level of free liquidity and can therefore easily compensate for short-term declines in orders, continue to actively deploy the successful sales team in customer contact at full strength and otherwise continue to invest and grow to the full extent.

Essen, 14 April 2020

TEMPTON Group GmbH  
-The Management Board-  
Dr. Annett Tischendorf



# LIST OF INVESTMENTS



**TEMPTON Group GmbH, Essen**

**Annual consolidated financial statement for the reporting year  
from 1 January to 31 December 2019**

**List of investments**

Companies included	registered office	in capital %	
TEMPTON Personaldienstleistungen GmbH	Essen	100,00	
TEMPTON Next Level Experts GmbH (formerly TEMPTON Services GmbH )	Nuremberg	100,00	1)
TEMPTON Outsourcing GmbH	Essen	100,00	2)
TEMPTON Outsourcing CC-BNA Betriebsgesellschaft mbH	Essen	100,00	2)
TEMPTON Outsourcing CC-LILA Betriebsgesellschaft mbH	Essen	100,00	2)
TEMPTON Outsourcing CC-FFB Betriebsgesellschaft mbH	Essen	100,00	2)
TEMPTON Outsourcing CN-BUT Betriebsgesellschaft mbH (formerly TEMPTON Outsourcing CC-LIE Betriebsgesellschaft mbH)	Essen	100,00	2)
TEMPTON Outsourcing TW-KAL Betriebsgesellschaft mbH	Essen	100,00	2)
TEMPTON Next Level GmbH (formerly Next Level GmbH)	Cologne	100,00	2)
TEMPTON Technik Holding GmbH (formerly TEMPTON Holding GmbH)	Essen	100,00	
TEMPTON Technik GmbH (formerly TEMPTON Industrial Solutions GmbH )	Nuremberg	100,00	3)
TEMPTON Field Service GmbH	Nuremberg	100,00	4)
TEMPTON Verwaltungs GmbH	Essen	100,00	3)
TEMPTON Kundenservice GmbH	Essen	100,00	3)
non-included companies			
TEMPTON Personaldienstleistungen GmbH i. L.	Cologne	100,00	3)

<sup>1)</sup> indirect shareholding (The shares are held by TEMPTON Personaldienstleistungen GmbH, Essen.)

<sup>2)</sup> indirect shareholding (The shares are held by TEMPTON Next Level Experts GmbH, Nuremberg.)

<sup>3)</sup> indirect shareholding (The shares are held by TEMPTON Technik Holding GmbH, Essen.)

<sup>4)</sup> indirect shareholding (The shares are held by TEMPTON Technik GmbH, Essen.)

# INDEPENDENT AUDITOR'S REPORT



Consolidated financial statements,  
group management report  
and independent auditor's report  
for the financial year  
from 1 January 2019 to  
31 December 2019  
of  
TEMPTON Group GmbH  
Essen

# INDEPENDENT AUDITOR'S REPORT

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Note: This is a convenience translation of the German original. Solely the original text in German is authoritative.

To TEMPTON Group GmbH, Essen

## AUDIT OPINIONS

We have audited the consolidated financial statements of TEMPTON Group GmbH, Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit and loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2019 to 31 December 2019 and notes to the consolidated financial statements, including a the presentation of the recognition and measurement policies. In addition, we have audited the group management report of TEMPTON Group GmbH for the financial year from 1 January 2019 to 31 December 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the financial year from 1 January 2019 to 31 December 2019 and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

## BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

Our responsibilities under those requirements and principles are further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

## RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles,

give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal controls as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

#### AUDITOR RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future

development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, and intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and

significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Munich, 17 April 2020

BDO AG  
Wirtschaftsprüfungsgesellschaft

signed Frank Werner  
Wirtschaftsprüfer  
(German Public Auditor)

signed Uwe Braunschläger  
Wirtschaftsprüfer  
(German Public Auditor)





[www.tempton.de](http://www.tempton.de)