



SCALABLE GLOBAL SOLUTIONS JSC

Yearly Business Report 2021

We Work & You Grow



SGS BUSINESS REPORT

2021 FULL-YEAR REPORT

SGS business report provides information about SGS company business. The overview will be explained and supported by the financial data and by executive briefs and comments by the department heads. The report shows continuous business development, agile development, R&D progress, general enhancement, and optimisation according to the company strategy, mission and goals. The business focus and key initiatives in 2021 are:

1. Win new incremental client revenues
2. Acquire additional Investments to secure the cash flow
3. Go to Market: Creating and Implementing the Channel Strategy
4. R&D: SGS platform and services further development
5. Create a global web presence and establishment as the first "DaaS" [Department as a Solution] Global Provider

SGS has by now proved to be a unique and advanced solution for the SME & SMB market. Our Target audience is companies between 50 and 5000 employees. We expect a double-digit yearly growth as SGS is the first company to develop DaaS, a new and unique one-stop solution that combines the BPO, SaaS, RPO and Managed Office Service industries. DaaS [Department as a Solution] is a solution which combines both Waas [Workforce as a Solution] & SaaS [Software as a Service]. This allows us also to acquire clients for WaaS and clients for SaaS. Allowing SGS to win even bigger customers in the future.

FINANCIAL REPORT

The Financial report presents the business results achieved in 2021 by providing a clear overview of how business costs are managed and streams of company revenues. The goal is to describe transparently all the company financial impacts which have affected the business.

Preamble & Facts and figures

In 2021 SGS company focused on reaching clients who indicated an interest in SGS services. Remember that we hired end Q4/2020 the first real senior salesperson at. The covid-19 pandemic continued with lockdown in Q4/2020, stretching into 2021. The current global situation is remote working, companies restructuring, clients realising downsizing mid- and long-term office space, and working remotely / from a home office. So, working from Croatia is cost beneficial to the company OPEX. The appearance of vaccines will allow slowly returning to more normality in the future. The impact was not to be seen until the end of 2021.

In 2020 and 2021, the pandemic set a delay in the client's decision for our business as no one had ever had to deal with such a virus and situation. In the aftermath, the pandemic is the most significant enabler of DaaS for SGS. SMEs & SMBs have always been conservative in their decision-making processes, and working from home never existed in these client segments. Throughout the pandemic, they realised that running a company is not a problem when people are not present in the office. That is a significant milestone for our DaaS solutions. Why? SMEs & SMBs never want to lose control, and DaaS is 100% accomplished.

In 2021 SGS, considering market challenges, continued negotiations to sign multiple client agreements, and based on the SGS sales team and overall sales pipeline development, SGS acquired clients who are

ensuring business reoccurring monthly revenues. Furthermore, restructuring and growth of the Investment team in Q1 2020. This resulted in new investors in the company. New investor relations have been developed. The current shareholder complied with the decision to increase the company share capital. After a successful share capital increment, the aim is to offer more shares and raise the company's value, attractiveness and credibility in the market.

SGS is in 2021, in the optimal position to ensure business scalability, monthly reoccurring client revenues and more significant investment funds that will support business development. One last important point is that customers tend to start their teams small and grow them from there. Therefore, DaaS teams that begin with 2 or 3 people are usually expected to grow significantly going into the future. Currently, we saw a multiplier of 3+ times, i.e., a client starts with the support for one country and then implements the teams for the other countries. Every starting revenue with a client is expected to increase during the contractual live cycle.

FINANCIAL KPIs OVERVIEW

All Numbers in €	Q1	Q2	Q3	Q4	2021	2021 PLAN
REVENUES PLAN	25.000	18.000	63.000	370.000	43.000	476.000
REVENUES ACHIEVED	24.944	32.783	47.144	44.330	149.201	(326.799)
INVESTMENT PLAN	215.000	400.000	600.000	785.000		2.000.000
INVESTMENT ACHIEVED	214.845	-	350.018	15.007	579.870	(1.420.130)
Corporate Costs Plan**	171.000	230.000	190.000	182.000	401.000	773.000
Corporate Costs Actual	104.451	128.413	134.465	138.486	505.815	(267.185)

*ACV (Annually Contracted Value) is based on existing clients that have signed the client agreements that have been delayed due to Covid-19 and are expected to be signed within the 2021 fiscal year.

**Corp. Costs are planned according to target client revenue achievement, but they strictly correlate and depend on acquired investments and overall team growth.

*** This was achieved with Netto 2.5 FTE (full-time equivalent) employees as we did not have the funding to have according to plan by the end of the ½ year 6 FTE in Sales, due to not achieving min. investments.

Based on the inflows stated in the Financial KPIs table, SGS failed to reach target revenues due to client decision delays. We also did not realise the planned investments in 2021. Still, we secured the necessary investments to pull through the critical pandemic crises and signed strategic clients, contributing to the growth in 2022. Also, with the secured investment, we safely ensured cash flow stability for the organisation into 2022 as we managed the cost by more than -260.000,00€ below the planned corporate cost plan.

The Cashflow overview in Annex I of this Report presents a detailed overview of inflows that SGS started to accumulate continuous monthly revenues. Furthermore, a detailed summary and accumulated P&L and financial data are stated in the Annex of the Report.

The main elements of SGS Financial KPIs target achievements are the following:

- ✓ Sales pipeline execution and annual-based client agreements signatures
- ✓ Sales team as well as sales pipeline growth
- ✓ Achieved the minimum investment amount
- ✓ Investment team growth achieved

Based on revenues and investments, SGS adjusted its further focus on business-, marketing-, channel- and R&D -development accordingly. Each department leader will ensure further business enhancement as we grow the business. We have significantly enhanced the New Corporate website, implementing

investor documentation and investor corner, GTM and Channel Program announcement. Further SGS ONE and Workforce APP development. Started the process for SGS ONE 2.0 by running a tender to find the best potential offer for programming and the most competent partner.

The following sections will present a business overview, achievements by each department and KPIs for measuring further business advancement.

BUSINESS OVERVIEW

A business overview presents the general business targets specified by the department heads. Marks will be tracked and changed/alterd based on the client revenues and, specifically, investments acquired.

SGS COMPANY GOALS facts and figures

<i>SGS power in numbers*</i>	Achieved	Goal 2021
Clients	2	10
Sales team	5	15
Recruitment team	1	2
Marketing team	1	1
Operations and Service team	2	2
Finance team	1	5

Based on the business enhancement, clients acquired and services to clients provided, SGS is planning continuous team growth. However, due to a lack of Investment, we did not grow the sales, recruitment, and finance teams as planned. When we get the needed investment, we ramp up the team as soon as possible.

Furthermore, due to lack of investment, we did not replace the HR Team in the 2nd quarter as we would need them with newly signed clients. Therefore, we will fill the position for Q3 when we have signed the next customers that are in the pipeline. (As this report was written in August, we already have signed new clients and secured the right researcher in HR for us.)

The following sections show a detailed overview of each department's responsibilities and achievements in the first half of the 2021 financial year. Furthermore, below you can find a specified plan and outcomes for departmental activities in the following quarters.

EXECUTIVE SUMMARY

Business procedures and standards are in the phase of further development & enhancement. This has been an ongoing process over the year. The accountability and responsibility of the 1st line are intended to grow. The business activities overview is presented in the following sections, aligned with each department's strategy and commitments.

SALES DEPARTMENT

Sales Funnel 2021 EST.

For the 2021 year and the prediction of signed contracts that will take effect in 2021 and the following fiscal year. The goal in 2022 is to achieve a turnaround to profitability. We must get the necessary investment to ramp up the sales team with experienced sales professionals. This will allow ramp-up of the sales funnel as planned and possibly sign new client agreements even faster.

2021 Sales department achieved outcomes:

- ✓ Implemented a result-oriented culture.
- ✓ Implemented MBOs and KPIs.
- ✓ Implemented Revenue Targets for Sales.
- ✓ Plan for 2nd half year is Profit Targets.
- ✓ Tracking the handling, management and execution of all significant prospects.
- ✓ Search for a Sales Team Leader and Manager.
- ✓ Closed negotiations with clients from 2020 and signed first long-term client agreements (36 months of client agreements).
- ✓ DaaS sales documentation implemented.
- ✓ DaaS three more services implemented.
 - Sales, Recruitment, Operations, **Back office**, IT, **Finance**, Marketing and **Custom Care**
- ✓ Completion of web-based presentations for sales.
- ✓ SGS has set up a recruitment process with an onboarding plan for senior Salespeople and an Assessment Center for new hires. The initiative is to have a whole engaged sales team with the manager in place from 2022 onwards.
- ✓ Revision of the sales training guide.
- ✓ Exchanged three salespeople for non-performance.

Further mentioned notes present and describe how planned results are being achieved.

Initiatives & Strategic development & Achievements

1. We signed the Romberg Sersa Group with the test project and an entire 36-month DaaS Research and Recruitment Team for their HR. This team is expected to grow as the customer needs to recruit about 270 people/annum. The current team's capacity is only suitable for 60 people/annum.
2. We are currently in contract negotiations for DaaS team implementation for Orbis, Infnit IT, B.telligent, Bechtle, L&T Technology, NKT and BodyBalance.
3. We have built client leads in Germany, Austria, Switzerland, Finland, Belgium, Luxemburg, and the Netherlands. We implemented sales coverage for Finland, Sweden, Denmark, Norway, UK and Ireland.
4. We have grown the ACV Pipeline significantly with only 2.5 FTEs and developed offers to clients that will be signed in the next quarters and potentially stretch into 2022. We could have done considerably more if we had received more investment in the first ½ year.
5. SGS had to replace three salespeople due to poor performance during their probation. That also delayed some of the deals and the development of potential.
6. We prepared the GTM Strategy and Channel documentation and program to be launched for the 2nd half of 2021 and started implementing and publishing it in December.

We have a high success rate with clients when we contact them. To get the revenues and ACVs we have planned, we need investment. With the investment, we can do three vital things to sign up long long-term revenues faster:

- 1. Hire account managers for planned regions**
- 2. Implement the channel strategy and Channel Intranet**
- 3. Execute marketing strategy**

3 signed clients: RSRG, Orbis and Digipool

- RSRG (DaaS Research and Recruitment team with a contract length of 36 months)
- Orbis (DaaS IT team of Developers and Solution Architects with a contract length of 36 months)
- Digipool (first SaaS contract for HR – Recruitment Module)

Currently in negotiations with Bechtle for a DaaS Client Agreement

Built up a Sales team of 3 Senior Account Managers, 1 Channel Account Manager and a Head of Sales (5 FTE)

- ✓ Created a Sales funnel of 1.5M € going into 2022.
- ✓ We had to replace 1 Senior Account Manager and 1 Channel Account Manager due to not performing during the probation period.
- ✓ Defined in legal terms, the DaaS General Agreement and the VAR Agreement.
- ✓ Structured the Channel program intranet with the Marketing department.
- ✓ Defined the training program for Channel Partners.
- ✓ Signed 1 Consultant Partner for IT in the Netherlands.

Set up a goal for 2022:

- ✓ To build up a Sales team of 8 SAM, 4 CHAM and 1 Head of Sales (13 FTE).
- ✓ Goal of signed Channel Partners in 2022:
 - 150 Consultant Partner
 - 60 Basic Partner
 - 20 Premium Partner
 - 5 Gold Partner
- Defined the 2022 Yearly Goal for the Senior Account Managers and the Channel Account Managers.

Business client case – Orbis

- ✓ Deal signed in July 2021 for 3 FTE. In Q4 2021, the Austrian part of the Group decided that they wanted to have 30 FTE in 2022. In Q1 2022, we expect to have 10 FTE. SGS's goal is to sign Orbis divisions from DE, CH and France.

Sales funnel created in 2021

Subject	Customer	Solution	Country	Contract length	Summ 2022
Month					
Monthly Funnel					
Projects FC	Bechtle	IT	Germany	36	152.000,00 €
	L&T Technology Systems	Recruitment	Germany	36	127.521,20 €
	Lateral	IT	Germany	36	145.343,44 €
	Airthings	Sales	Sweden	36	161.670,00 €
	Bavarian Nordic	IT	Denmark	36	142.400,00 €
	IOOIKOS	IT	Luxemburg	36	39.501,00 €
	NKT	IT	Denmark	36	239.988,00 €
	Komodo	IT	Switzerland	36	324.395,38 €
	b.telligent	Recruitment	Germany	36	113.494,20 €
	Frimberger GmbH	Recruitment	Germany	36	92.800,00 €
	Body Balance	Software	Croatia	one time	12.000,00 €
SUM PROJECT FC					1.551.113,22 €

MARKETING DEPARTMENT

SGS continued with Marketing Strategy realisation. Accordingly, SGS started with an agile approach, refreshing old social media pages to spread the word about business and development. Furthermore, further promotion and a global system are planned according to business development.

2021 Marketing department achieved outcomes:

- Website building – SGS has created a new website with rewritten content that describes SGS products and services as more attractive, transparent, and concise. Besides, new Info pages that describe our 8 solutions within the DaaS service are set up. Pushing DaaS as the new solution in the market.
- SGS website development - planning to implement an Investor and Blog page intending to present business and investment opportunities. Implement articles and blogs related to the business topics to further the unique business concept SGS has implemented.
 - ✓ Publishing blog posts on the website is currently active.
 - ✓ Planning to share published blog posts on social media with the scope to reach a wider public and get customers and investors/associates interested in our business.
 - ✓ Blog posts and Job posts are actively published on social media from the moment they are created on the SGS platform.
 - ✓ DaaS implemented its 8 solutions: Sales, Recruitment, Operations, Back Office, IT, Finance, Marketing, and Customer Care.
 - ✓ Option "Book a meeting "and "Get a free consultation "SGS offers a solution to book an appointment by interested parties' time requirements with options for 15-30 min short meetings.
 - ✓ Investor documentation revision and updating.
 - ✓ SGS ONE: Page and documentation created, designed, and published.
 - ✓ SGS Workforce: Page and documentation created, designed, and published.
 - ✓ Investor page as a log in place - SGS plans to set up a login system that allows investors to log in in a dedicated place to read investors' presentations and documents.

Second year half:

- Development of approach and generating awareness about SGS as a company and solutions through web-based company channels:
 - Marketing Strategy & Plans, Timeline development for social media

- Twitter account is active.
- The Facebook Manager – the tool for publishing campaigns is used to publish other promotional campaigns on Facebook, Instagram, Facebook and Instagram stories and other related channels:
 - Facebook Campaigns:
 - Reach 871,893 persons
 - 1,178,492 Impressions
- SGS Product packages – Business packages created for clients and website visitors – Improved content
The SGS services are divided into basic packages with specified offers and scope of business intended for the clients. It helps to present our offer and help them choose an exact package, according to their needs.
- Investor's Corner creation as the new landing page for Investors
 - Investor newsletter is published once a week
- Created, implemented & published Video presentations for social media and in the future on the web page
- Sales documents: continuing development as part of Branding
- Intranet development: Channel Partner. Development started in 2021 and will be finished in Q1 2022
 - Partner Registration
 - Channel Partners levels – Consultant, Basic, Premium, Gold
 - Sales Materials
 - Training
 - Video Content
 - Internal documents and templates
- Development: For Investors
 - NDA agreements with the web-based signing process
- Website translation on German – multilingual program setup will be going live in 2022 January
 - Pages translation - Outsourced
 - Pages duplicating and changing content to German

HR SERVICE (DELIVERY TEAM)

The recruitment Team is responsible for all active projects in direct recruitment, building DaaS departments, interviewing, onboarding, training, reporting, and client communication.

Recruitment Team (HR Department) continuously ensures implementation of gained DaaS deals, helping their growth and development.

2021 HR department (Delivery Team) achieved outcomes:

- ✓ Proactive support for sales: R&R [Research & Recruitment] team has engaged and supported the Sales department in direct sales activities resulting in Finishing the Pilot Project for 1 client and progressing from Pilot Project to the entire DaaS Recruitment Team with the same client.
- ✓ Team Size: In Q1, SGS had a team of 2 recruiters. The team focuses on finding candidates for Client Operations and filling internal positions for the Sales, Marketing, and Investor Analyst team.
- ✓ In Q2, two recruiters left the organisation; we replaced the team with a senior in Q3
- ✓ Q3 signed the customer after the test project and rolled out the DaaS HR solution for RSGS. We signed another client for DaaS IT and started the process and procedures to find candidates.
- ✓ Q4 started planning the supplier network across Europe for Recruitment on Monday.

Initiatives & Strategic further development

- ✓ As we expected the next clients to be ramped up in Q3 of this year, we decided to start the search and interviewing process in Q2.
- ✓ Recruitment process and training: Updated the training guide and implemented tests for DaaS HR solutions for new joining account managers.
- ✓ New department head must work with Sales to facilitate a price list for our services for our target countries by quarterly checking the salary cost of employees in those countries vs our salary cost in Croatia and the

Balkan Region. This is crucial to stay informed and to guarantee competitive pricing while ensuring top margins for SGS.

- ✓ Participate in further development of SGS ONE HR and Workforce APP.
- ✓ Implementing in the 2nd ½ year the company culture, values, and employer branding.
- ✓ Hired 2 Sales Account Managers, 1 Channel Account manager, 2 Marketing Assistants, and 1 Front Desk and Translations Services Assistant.

As stated, HR Department is proactively involved in all SGS departmental activities and supports the key 2021 SGS initiatives.

OPERATIONS DEPARTMENT

The operations department, Business Support Team (BST), continuously ensures business operational quality, functional internal services, and further IT and Business Process Operations development. Operations provide support with SGS ONE and are responsible for SGS ONE database management and further development.

2021 Operations department achieved outcomes:

- ✓ SGS APP: Finalized development and client testing of the SGS APP for Android and iOS.
- ✓ Setting up new office space in Almeria Center. Triple the size of our office space due to sales goals and expectations for this year.
- ✓ Selecting and hiring a new colleague for Operations/Office department "Digital office assistant" to support office and software management.
- ✓ Clone and prepare the first SGS One CRM solution database for a client on a new domain.
- ✓ Onboarding with 4 new salespeople.
- ✓ Implemented the second database for our first Finnish customer. The client has signed an SGS ONE deal this year, and we expect DaaS implementation next year.
- ✓ Looking into upgrading additional widgets in version 10 of Odoo, and the possibility from version 10 to version 15 is in the process.

Initiatives & Strategic further development

- ✓ R&D Project Launch: "SGS ONE 2.0" - road mapping: The enhancement and optimisation of SGS ONE. The project started in May, completed in December.
- ✓ SGS ONE HANDBOOK: created and implemented the SGS ONE & Workforce APP handbook.
- ✓ Creation of SLAs online for implementation in Client contracts.
- ✓ Implement a roadmap and reporting tool for client DaaS implementation to ensure accurate information and smooth implementation of departments for clients.
- ✓ Support establishing the "Value Added Reseller" [VAR] agreement and process.
- ✓ "Value Added Reseller" [VAR] completed in December 2021.
- ✓ Started to program the Channel Partner Intranet would be expected to finish in Q1 2022.
- ✓ Revision of the prices calculator completion expected in Q1 2022. The online version as an application is expected to be completed in Q2 2022.
- ✓ Go to market strategy implemented and set in motion in Q4.
- ✓ Implemented the Channel Partner Training Guide online.
- ✓ For the next fiscal year, we will split our R&D and Operations into two separate departments. R&D will handle technical equipment and further development of SGS ONE in its current programming. New development of SGS ONE 2.0 as well as SGS Workforce application.
- ✓ Operations in the future will handle office equipment over people and case handling of client issues, all requirements as part of HR.
- ✓ In 2022, we want to have our own Apple and Android access in the store so that people see we are the developers of the software.

As stated, Operations Department is proactively involved in SGS company's continuous development and assists all SGS company departments in supporting the 2021 SGS Strategy.

FINANCE DEPARTMENT

The finance department continuously ensures proper finance management and execution of activities in cooperation with accounting, legal support, and other subcontracted vendors. Furthermore, the Finance department is responsible for developing set business procedures and legal and business documentation. Also, to ensure continuous support to Associates and Investors. Management of the investor page and investor communication support the investor team. Also, the entire payroll, invoicing and unpaid invoice process.

2021 Finance department achieved:

- ✓ The Finance department and management revised current employees' Bonus agreements for sales to motivate sales team members with appropriate targets and KPI metrics.
- ✓ The Finance department implemented a new Bonus scheme with KPIs for Investment team members. The aim is to motivate the team and recognise their effort and accountability according to achieved results.
- ✓ Web-based NDA section, where the interested party can easily read and sign the document, without the aim is to allow access to crucial documents to interested parties, but also allow access to password-protected web-based "Data room" to specified investor/associates when NDA is signed. By doing so, the latest version of our business documents (e.g., SGS Term sheet with crucial data about the company, Business plan, Investor presentation, etc.) will be available online and transparent to our investors/advisors.

Initiatives & Strategic further development:

- ✓ New Investment: In 2022, SGS strives to focus on professional investment/advisory companies with a much more extensive network and can support our business in a shorter timeframe. These more prominent and professional organisations will cost money and charge a fee for successful investment.
- ✓ We are also considering the possibility of raising funds for our Seed round through crowdfunding,
- ✓ SGS Investment Team: Implementing resources, business tools, business processes and procedures to contact and attract new investors/investments from individuals and professional organisations (Venture Capital companies, Angel Investment professional consulting firms, Family offices, etc.). This strategic initiative will be a vital part of going forward. The performance needs to get much better.
- ✓ To scale on a much higher level, Investors / Investments are the critical components in this startup phase.
- ✓ Investment campaigns: redesigning the Investor's Corner website and investment campaigns in coordination with the Marketing department.
- ✓ Investor Newsletter: creating more frequent monthly newsletter updates for investors and interested parties.
- ✓ Company Documentation and Reporting: Raising the quality and visibility of company data.

In addition, The SGS Finance & Investment department in 2021 continued with an agile approach to achieve the seed phase results. Investment goals and funds allocation is presented in the Investment presentation (see corporate website/Investment Presentation). However, the overall team results are not producing what is expected and, therefore, will have to be revised in structure, setup, and focus.

As mentioned above, we plan to add senior employees to the roster and have decided not to employ students anymore. It would be beneficial to have a team leader to oversee daily tasks, activities, and monthly and quarterly goals.

INVESTMENT DEPARTMENT [Part of the Finance Department]

The Investment Department of SGS is responsible for finding and securing new investors and investments for the company. Maintaining investor relations with the existing investors/shareholders in the form of regular monthly reporting. The team has complete control, management and leadership in analysing new potential investors, designing and presenting the pitch materials, updating the financial information of the company, as well as serving as continuous support to company Advisors and existing Investors.

2021 Investment department achieved:

- ✓ **Seed Phase:** On the 1st of January 2021, SGS started the “Seed Phase”, aiming to acquire 5m EUR within 2 years. During the year, we reevaluated the ask to 2.9m EUR. In Q1 and Q2, SGS acquired 215k EUR of new investments necessary for SGS to run, grow and operate the startup. In the second half of the year, Q3 and Q4, SGS managed to secure another investment of 365k EUR, obtaining two new experienced angel investors as shareholders. This brings the total investment made in 2021 to 580k EUR.
- ✓ **Investors/Advisory agreements:** In the first half of 2021, SGS has 12+ signed advisors globally who are reaching their network with the goal or intention to support SGS investment targets. Most of them are individuals who are targeting their private networks. We do not expect high results, as these individuals have limited network connections. Several investors have reached the stage of detailed conversations to evaluate a potential investment in the company. A team presentation & necessary documentation has also been implemented.
- ✓ In November 2021, SGS signed a 1-year contract with **Wholesale Investor**, an investment platform from the UK that streamlines the process of finding investment. As a part of the 1-year subscription, SGS has gained access to their network of over 30.000 investors worldwide, a dedicated customer success manager that helps us with our pitching, quarterly newsletters about our investment opportunity, and TV interviews. The most notable feature of the program is the opportunity to present our investment case at three investment conferences. The first one is the Emergence 2022 conference, held in March in London, where SGS will, for the first time, present the investment case face-to-face to investors.
- ✓ **Data Room:** SGS has further developed business documentation as well as planning documents to transparently present the “Data Room”, where SGS gives an overview of the company status, legal form, capitalisation table, present planning of revenues and business expenses as well as structure revenue streams and investment targets. Furthermore, use of investments and compiled business strategy in one single document. The finance-investment team dedicated a significant amount of working hours to preparing the data that will be presentable to potential investors. Accordingly, SGS has developed a more reliable financial growth planning.
- ✓ With the latest acquired investments, SGS has agreed with current investors to perform a Share capital increase. Accordingly, the process was finalised in May 2021, and, at the current company stage, the company has a total of 140.000 shares on the market that are not publicly traded.
- ✓ **Team size:** During the year, the Investment Team had 3 FTEs and 1 student employee, cumulatively generating a notable amount of introduction calls with potential investors/advisors per month. The number of team members is intended to grow and be allocated globally according to the further acquired investments.
- ✓ We have created a new Investor page with a blog section. We have made more concise and visually appealing pitch materials such as the Investor Presentations, Investment Teaser, and the Pitch-Deck (web and PDF).

Initiatives & Strategic further development:

- ✓ **New Investment:** In 2022, SGS strives to focus on professional investment/advisory companies with a much more extensive network and can support our business in a shorter timeframe. i.e., Faster Capital. These more prominent and professional organisations will cost money and charge a fee for successful investment.
- ✓ Another option is the possibility of raising funds for our Seed round through crowdfunding, e.g. Funderbeam. In the case of Funderbeam, upon a successful raise, the company would not end up with many smaller-sized shareholders. When the campaign on Funderbeam closes, the raised amount will be

transferred to our SPV (Special Purpose Vehicle), based in Estonia, and SGS can make the transfer of funds to our HQ company account. The new shareholder is then the SGS SPV company. The only obligation SGS has to Funderbeam investors is monthly business development reports.

- ✓ SGS Investment Team: Implementing resources, business tools, business processes and procedures to contact and attract new investors/investments from individuals and professional organisations (Venture Capital companies, Angel Investment professional consulting firms, Family offices, etc.). This strategic initiative will be a vital part of going forward. The performance needs to get much better.
- ✓ To scale on a much higher level, Investors / Investments are the critical components in this startup phase.
- ✓ Investment campaigns: redesigning the Investor's Corner website and investment campaigns in coordination with the Marketing department.
- ✓ Investor Newsletter: creating more frequent monthly newsletter updates for investors and interested parties.
- ✓ Company Documentation and Reporting: Raising the quality and visibility of company data.

In addition, The SGS Finance & Investment department in 2021 continued with an agile approach to achieve the seed phase results. Investment goals and funds allocation is presented in the Investment presentation (see corporate website/Investment Presentation).

To conclude

By presenting this report and key figures, SGS focuses on giving our current values, foundations, and business goals execution. SGS's primary goal is to establish a stable and continuous business structure and report, which will be supported/enhanced by Investors, Associates, Board and Advisory Board.

- ✓ To conclude, our investors made an effort and decision to invest in SGS company's business, and we are willing to provide them with the best support possible. Furthermore, to proceed with great success and additional DaaS services. We are now in our second Investment round, the "Seed" round. We are open to the idea that any of our current investors would like to raise the investment amount with SGS. This will allow developing our SGS goals much faster.
- ✓ DaaS, as a long-term contractual relationship with clients, will allow SGS to be resilient and resistant to economic crises in the future. Invoicing monthly for a managed service is a plannable and scalable business. On top, it allows growth with DaaS in various departments with a high cross-selling potential once we enter a client.
- ✓ Client Feedback: The customers are thrilled about our solution, and we are in discussions & negotiations with clients from all over Europe. They appreciate our concept, and some of them, significantly the bigger ones, want to go into planning with us in Q4 so that they could budget this for 2022. Smaller clients plan to start with us in Q4/2021. They like this solution's concept, realisation, implementation, operation and cost saving. At the moment, our average contact to signature time is 4,5 months.
- ✓ By continued assessment of planned activities in the period 2020-2021, SGS business has presented as one of the examples of how a startup can be resilient in times of crisis. We react and adjust quickly to a changing environment. We keep all the critical success factors in the focus, such as cash flow, client business development, solution and service development, start the right initiatives, and prepare them at the right time like the GTM and Channel strategy. We always try to stay one step ahead of the situation at present.
- ✓ The COVID-19 pandemic: This ongoing challenge has two sides. At the moment, potential clients are experiencing their own restricting and reorganisation processes to stay immanent and keep the business going. On the other hand, it is the most significant long-term business boost. All clients have stated that midterm, they are interested in our solutions as the nearshoring the business to Croatia and business optimisation would lead to cost efficiency and give the possibility to grow their business as well, specifically in this challenging time. Therefore, SGS proceeded with negotiations with those clients. We focus on a three-way strategy for the next fiscal year, 2022.
 - Low Hanging Fruits: SMB companies that make decisions in less than 4 months. Mini Team starting with 2 to 3 seats
 - Mid Hanging Fruits: SMB & SME companies that make decisions in less than 6 months. Mid teams starting with 3 to 4 seats
 - Target Clients: SME companies that make decisions in less than 9 months. Starting with 7+ seats.

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- ✓ The Investment Team is an issue that needs to be resolved as we need the results. In the second half of the year, we restructured and refocused on the task of getting the needed funding in the seed phase. That resulted in additional investment in the second half of the year of 365.025,00€
 - ✓ We finished the channel strategy and programmed the channel partner intranet to go live beginning of 2022
 - ✓ Ramp up Sales & Channel Sales Resources is a strategic must to win direct sales and sign channel partners in 2022. Therefore the focus is on finding and signing experienced employees.

Note to readers

By writing this business report, SGS company is on a path to providing regular business reporting. For SGS, it is essential to provide the best quality information to its investors and associates. Mentioned activities and targets for 2021 show the business's plan, execution, and achievements to ensure long-term stability and sustainable business growth.

SGS is still a startup; to reach the break-even point and growth, we require and need investment. SGS is an investment round II, the "Seed" phase and is seeking new investments, as outlined in the new investment plan in the Investor presentation. To acquire the planned funds, it would be appreciated if current investors could forward the SGS Investor presentation link to potential connections/investors.

The potential to help to find more new investments. It is important to emphasise that, in the case of investor agreement, a SPA agreement is signed, and an investment transaction with a new investor is successfully executed; the investor who recommended SGS new investor will be entitled to receive a commission from SGS.

Appendix

2021 SGS cashflow data

	2021											
	ACHIEVED						PLAN					
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21 E	Aug-21 E	Sep-21 E	Oct-21 E	Nov-21 E	Dec-21 E
CUSTOMER INFLOWS	5.330€	2.665€	16.834€	0€	8.845 €	9.005 €	30.709 €	11.963 €	20.449 €	81.706 €	142.249 €	148.932 €
INVESTOR INFLOWS	59.995€	154.850€	0€	0€	0€	0€	50.000 €	0€	0€	0€	0€	0€
FINANCIAL INFLOWS (share cap. Increase, etc.)	0 €	0 €	0 €	0 €	76.627 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €
OTHER INFLOWS	0€	0€	51.501€	2.259€	3.033 €	2.384 €	2.927 €	2.300 €	2.300 €	2.300 €	2.300 €	2.300 €
TOTAL INFLOWS	65.325€	157.515€	68.335€	2.259€	88.506 €	11.389 €	83.636 €	14.263 €	22.749 €	84.006 €	144.549 €	151.232 €
OUTFLOW, PAYMENTS TO SUPPLIERS	12.913 €	18.329 €	37.563 €	20.313 €	17.919 €	7.400 €	22.836 €	34.000 €	20.000 €	20.000 €	20.000 €	20.000 €
OUTFLOWS FOR SALARIES, TAXES AND CONTRIBUTIONS	21.907 €	22.793 €	22.685 €	28.560 €	29.081 €	30.589 €	36.596 €	33.500 €	32.000 €	35.000 €	37.500 €	40.000 €
FINANCIAL OUTFLOWS (share cap. Increase, etc.)	0 €	0 €	0 €	76.627 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €
OTHER OUTFLOWS (institution's fees, exchange rates differentials, interests repayment)	7.731 €	25.381 €	1.100 €	3.324 €	2.900 €	3.760 €	2.422 €	2.900 €	2.900 €	2.900 €	2.900 €	2.900 €
TOTAL OUTFLOW	42.551 €	66.503 €	61.347 €	128.824 €	49.900 €	41.749 €	61.854 €	70.400 €	54.900 €	57.900 €	60.400 €	62.900 €
Beginning Cash Balance	18.153€	40.927€	131.939€	138.927€	12.362€	50.968€	20.607€	42.389€	-13.748€	-45.900€	-19.794€	64.355€
Cash Flow from Operations	-37.221 €	-63.838 €	6.988 €	-49.938 €	-38.022 €	-30.360 €	-28.219 €	-56.137 €	-32.151 €	26.106 €	84.149 €	88.332 €
Cash Flow from Investing Activities	59.995 €	154.850 €	0 €	-76.627 €	0 €	0 €	50.000 €	0 €	0 €	0 €	0 €	0 €
Cash Flow from Financing Activities	0 €	0 €	0 €	0 €	76.627 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €
Change in Cash & Cash Equivalents	22.774 €	91.012 €	6.988 €	-126.565 €	38.605 €	-30.360 €	21.781 €	-56.137 €	-32.151 €	26.106 €	84.149 €	88.332 €
Cash Balance	40.927€	131.939€	138.927€	12.363€	50.968€	20.608€	42.389€	-13.748€	-45.900€	-19.794€	64.355€	152.688€

*all amounts are written in EUR

P & L 2021 Half-year report summary

BUSINESS ANALYSIS IN THE PERIOD from 1.1.2021. to 30.6.2021.

Revenues	Revenues from sales of goods	-	-
	Revenues from services	434.644,30 kn	99,73 %
	Other income	1.179,13 kn	0,27 %
	Total income	435.823,43 kn	

Expenses	Material costs	65.071,77 kn	3,71 %
	Service costs	448.810,45 kn	25,60 %
	Salary and contribution costs	1.052.961,27 kn	60,05 %
	Depreciation costs	-	-
	Costs of value adjustments	-	-
	Booking costs	-	-
	Other intangible costs	64.802,48 kn	3,70 %
	Other costs	6.924,54 kn	0,39 %
	Financing costs and exchange rate differences	114.828,82 kn	6,55 %
	Cost of goods sold	-	-
	Total costs	1.753.399,33 kn	

RESULT OF BUSINESS	Total income	435.823,43 kn	
	Total costs	1.753.399,33 kn	
	Gross profit / loss	-1.317.575,90 kn	-302,32 %

BUSINESS RESULT	Total income	58.109,79 €
	Total costs	233.786,58 €
	Gross profit/loss	-175.676,79 €
	EBITDA	-160.366,28 €
	EBIT	-160.366,28 €
	NET Financial result	-15.153,29 €
	PROFIT/LOSS	-175.519,57 €
	TAX	0,00 €
	NET PROFIT/LOSS	-175.519,57 €

*values in EUR, course EUR/HRK=7,5

Balance Sheet 2021 report*

BALANCE SHEET PER DAY 30.6.2021.				
Balance sheet - ASSETS	Fixed assets	775.295,37 kn	56,89 %	
	Stocks of raw materials	-	-	
	Inventories of goods and finished products	-	-	
	Real estate stocks	-	-	
	Trade receivables	303.593,65 kn	22,28 %	
	Other claims	86.578,37 kn	6,35 %	
	Financial assets	39.717,51 kn	2,91 %	
	Money in the account and cash register	156.393,86 kn	11,48 %	
	Calculate future operating costs	1.109,43 kn	0,08 %	
TOTAL ASSETS	1.362.688,19 kn			
Balance sheet - LIABILITIES	Subscribed capital	1.400.000,00 kn	102,74 %	
	Reserves	2.158.255,29 kn	158,38 %	
	Retained earnings	121.347,70 kn	8,91 %	
	Transferred loss	-4.759.982,12 kn	-349,31 %	
	The result of the current period	-1.317.575,90 kn	-96,69 %	
	Provisions for future expenses	-	-	
	Long term obligations	3.375.463,17 kn	247,71 %	
	Short-term liabilities	385.180,05 kn	28,27 %	
	TOTAL CAPITAL AND LIABILITIES	1.362.688,19 kn		
Financial indicators	LIQUIDITY INDICATORS		DEBT INDICATORS	
Ind. current liquidity	0,41	0,50	Ind. current indebtedness	6,40 < 0,50
Ind. accelerated liquidity	1,42	> 1	Ind. own financing	-1,76 > 0,50
Ind. current liquidity	1,52	> 2	Funding ratio	-1,57 što manji
Ind. financial stability	-0,32	< 1	Indebtedness factor	0,66 < 5

* Balance sheet data validated and accessible, all the items harmonised and balanced after we completed the transition from the previous accounting and bookkeeping services provider to a new one.