EASY SOFTWARE
DIGITAL, BUT EASY

Financial Report
2019

easy-software.com

GROUP DATA (IFRS) AT A GLANCE

	31.12.2019 €K	31.12.2018 €K
Revenues	**50,586**	46,647
Earnings before interest and depreciation	**4,246**	-906
Earnings before interest and depreciation (without effect from IFRS 16)	**2,305**	-906
Group result	**2,021**	-2,292
thereof attributable to the shareholders of EASY SOFTWARE AG	**2,024**	-2,322
Earnings per share in €	**0.32**	-0.43
Annual average staff level	**365**	318

	31.12.2019 €K	31.12.2018 €K
Total assets	**51,530**	36,133
Equity	**28,736**	22,056
Equity ratio	**56%**	61%

LIST OF ABBREVIATIONS

ECM	Enterprise Content Management
SAAS	Software as a Service
OEM	Original Equipment Manufacturer
PCM	Process Content Management
CRM	Customer Relationship Management

CONTENT

DEAR SHAREHOLDERS, CUSTOMERS, EMPLOYEES,

Let's cut to the chase: EASY SOFTWARE is YOUR company. And this is exactly how we want and need to treat it in the future. We want to generate an attractive return for our shareholders by convincing customers through our products, our performance and our service. We want to do this with employees and partners who work positively and enthusiastically as a TEAM for the success of our customers.

For this, we need a corporate culture that supports openness and self-confidence and motivates open dialogue. We have a really good team that deserves respect, recognition, fairness and trust. A team that can deliver top performance – if we give it the necessary freedom, rules and resources. And I am convinced that we can achieve far more than we have done in the past, if we focus on all these values. That's the consensus within the entire EASY SOFTWARE management team. There is also consensus that we only want to promise what we can deliver with full conviction. It's a matter of trust.

And indeed a lot is already changing today! We are leaving a phase of autocratic leadership culture with operationally disappointing results. The apparently good performance in the first half of 2019 overshadowed deficits that only became more apparent in the second half of the year. Let's say it how it is: Operationally, EASY SOFTWARE did not earn any money in 2019 – just like in 2018. That has to change. And it will, despite considerable investment in further product development.

We will focus much more strongly than before on the current and future requirements of our customers and provide them with reliable support in the digital transformation of their business processes. This is our organisational guiding principle. And we will be an active driver of technological change for efficient, secure and decentralised work with document-intensive business processes. We can help our customers to achieve an intuitive and digital application as quickly as possible, which can be seamlessly integrated into existing IT infrastructures and generates sustainable added value for the company.

We can rely on the robustness of our business and the high level of brand recognition in German-speaking countries. EASY SOFTWARE currently has 13,600 installations at our customers, has a solid portfolio of support and service contracts with a sales share of about 50%, and is characterised by a very low customer loss rate, which confirms our strong customer loyalty. With these strengths, we have a good basis for coping with challenging market phases.

During the first quarter of 2020, the coronavirus crisis has the world firmly in its grip. The extent and duration of the partly serious effects on the global economy cannot yet be estimated. Thanks to our broad customer base and the catch-up potential for digitisation in our core markets, we continue to look to the future with confidence, despite the highly uncertain environment caused by the COVID-19 pandemic. EASY SOFTWARE had already equipped all 393 employees with notebooks and secure remote access for working from home. As a result, revenue development in the first quarter of 2020 went according to plan and is more than 6% above the good previous-year period. Regardless of the strategic advantages, we consider it necessary to take the exceptional global situation into account with appropriate caution and to consider it in our objectives: We continue to anticipate the possibility of an increase in consolidated sales (range €49 to €54 million) and expect an EBITDA margin of 8.2% to 11.5%. The extent of revenue growth will largely depend on the speed at which customer demand swings from licence-based purchases to subscription models with monthly rents as a result of the crisis. In the reporting year 2019, cloud and rental solutions accounted for 5% of sales.

In March 2020, we celebrated our 30th company anniversary, which fills us with pride and gives us the responsibility to continue to generate added value for customers, shareholders and employees in the coming decades. We would like to extend a particularly warm welcome to the EASY Family to the 104 new employees from the 2019 fiscal year – 30 of them at our new development centre in Istanbul, Turkey alone.

Finally, we would like to thank our customers and partners for their trust, fair cooperation, and particularly for some exciting future projects. Special thanks and appreciation go to our employees for their great commitment, creativity and flexibility in their work.

Your

Oliver Krautscheid
Executive Board

EASY GROUP | MANAGEMENT AND SUPERVISORY BOARD THE EASY SOFTWARE TEAM

Dieter Weißhaar
CEO and Chairman of the Board of Directors (until 20.03.2020)
Joined in 2018

Oliver Krautscheid
Chairman of the Supervisory Board (until 10.02.2020)
Member of the Board of Directors and CFO (from 11.02.2020)
Joined in 2013

Stefan ten Doornkaat
Chairman of the Supervisory Board (until 20.03.2020)
Deputy Chairman of the Supervisory Board (until 19.03.2020)
Joined in 2012

Thomas Mayerbacher
Member of the Supervisory Board (until 06.08.2019)
Joined in 2015

Armin Steiner
Member of the Supervisory Board (from 06.08.2019)
Deputy Chairman of the Supervisory Board (from 20.03.2020)
Joined in 2019

Serkan Katilmis
Member of the Supervisory Board (from 17.03.2020)
Joined in 2020

EASY SOFTWARE AT A GLANCE

Berlin
Bobingen
Borna
Burry St. Edmunds
Exton
Frankfurt am Main
Hamburg
Heilbronn
Istanbul
Kocaeli
Leipzig
Mülheim an der Ruhr
Munich
Nuremberg
Paderborn
Potsdam
Rostock
Salzburg
Singapore
Vienna

60
countries

13,600
systems installed

20
branches

24h/7d
support

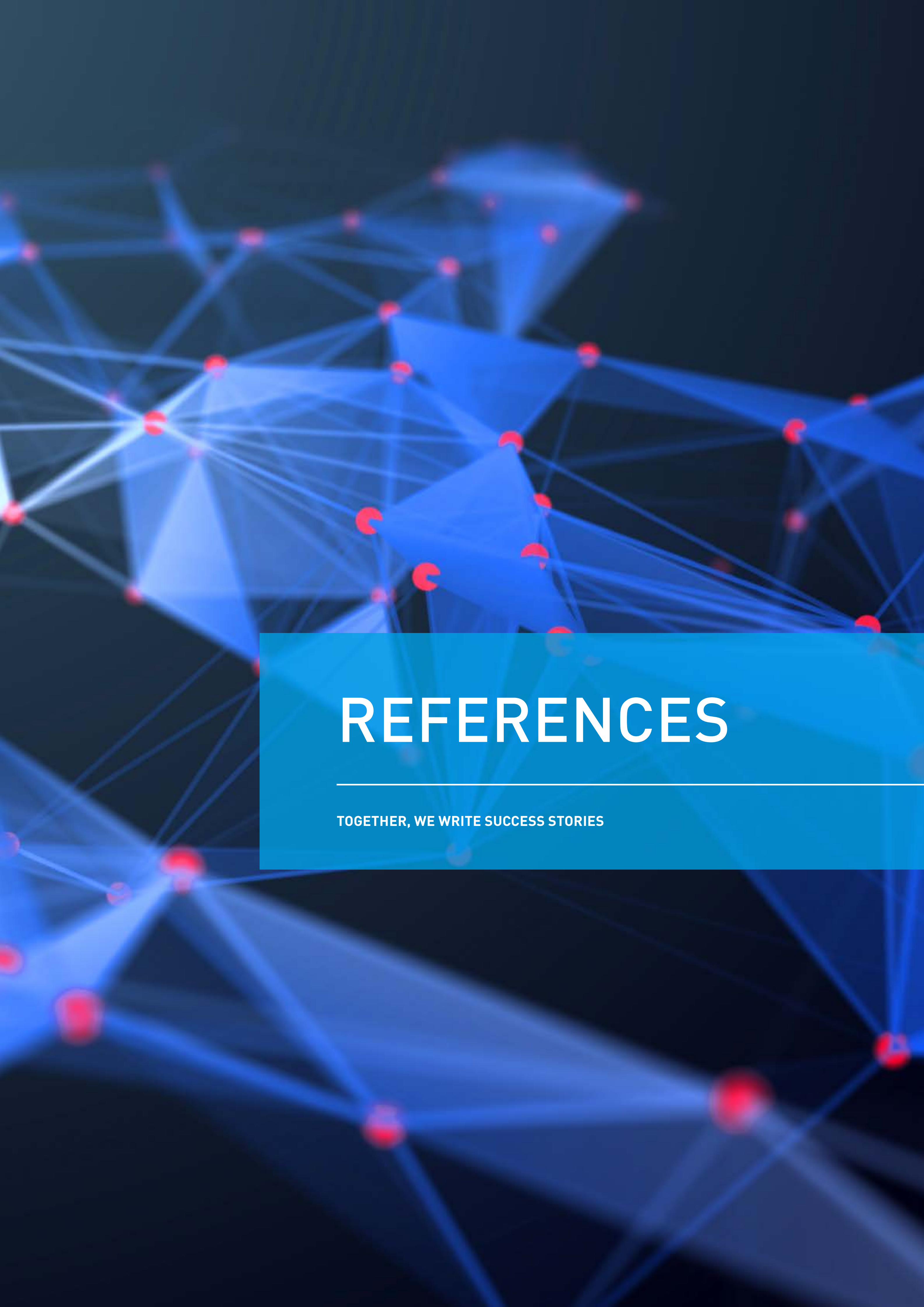
100
partners

100
interfaces

393
staff

6
national companies (Austria, UK, Germany, Turkey, Singapore, USA)

50.6
Million in sales (2019)



REFERENCES

TOGETHER, WE WRITE SUCCESS STORIES

GEMDAT verbindet

EASY CAPTURE
EASY DMS
EASY ECM
EASY for Dynamics NAV
EASY WORKFLOW

Gemdat Upper Austria has been a hardware and software provider for municipalities and cities in Austria since 1978. With community-based associations, schools and kindergartens, the company has around a thousand customers. In addition to software and hardware products, Gemdat's services include tailored consulting, support and training for customers.

approx. **1,000** Customers

approx. **100** Employees

60 Software products

As a result of increased savings and, at the same time, continuously rising demands in the municipal sector, the call for even more efficient digital tools became stronger. Gemdat selected EASY SOFTWARE as the most suitable provider to focus specifically on document management and archiving. Gemdat independently integrated suitable EASY solutions seamlessly into all major workflows – even the most critical voices were impressed by the results.

Incoming documents are scanned in with the EASY CAPTURE high-performance scanning module and exported to electronic folders according to topic. EASY DMS makes these and other documents available to the respective responsible parties via predefined workflows. This drastically shortens paths and processing times between individual areas of Gemdat. Using EASY ECM, documents are archived, audit-ready, at the end of the process. Any paper originals can be destroyed afterwards. The intelligent EASY for Dynamics NAV interface provides additional convenience by integrating practical functions directly into Microsoft® Dynamics NAV.

Thanks to EASY, you can find documents in seconds and – depending on the authorisation level – from any workstation. Everyone involved is enthusiastic about the result of the project. Michael Gugler, Project Manager of Gemdat, says: "There is almost no more use for paper. Enquiry processing times have been reduced considerably, paper costs have been cut to almost zero. We no longer need folders or binders and have improved our service considerably at lower costs."

The streamlining and optimisation of processes goes hand in hand with a certain restructuring of the company. The results are perfectly coordinated workflows that more than meet the requirements of 21st century business.

SCHÄFER SHOP

EASY Invoice Management for SAP® Solutions
EASY Contract Management for SAP® Solutions
EASY Archive

For more than 40 years, SSI Schäfer Shop GmbH has been considered an expert and innovator for business equipment. As a full-range supplier for offices, warehouses and other commercial premises, Schäfer Shop offers one of the most modern product and service ranges in Europe with many specially developed products. Schäfer Shop is undergoing digitalisation – among other things, through pioneering work in virtual reality: Customers can experience their new offices digitally before they are furnished. Together with EASY, Schäfer Shop is also optimising its digital workflows.

250,000 customers

85,000 products

800 Invoices per day

IT project manager, Patrick Schuster, has seen the benefits: "Through digital process automation, we can develop not only competitive advantages but also immense efficiency potentials." For this reason, Schäfer Shop has been relying on EASY for more than ten years. The combination of EASY Invoice Management and EASY Contract Management for SAP® solutions ensures short processing times and transparent handling. Additional efficiency in accounting also minimises complications such as reminders and discount losses.

EASY Contract Management for SAP Solutions facilitates management of the most diverse contract types; EASY Invoice Management for SAP Solutions, on the other hand, enables the fully automated processing of incoming invoices. The majority of all processes take place completely independently and without any manual effort. For the remaining processes, the solutions show at a glance which employees are responsible and where there is still need for action.

According to Patrick Schuster, the solutions were implemented within a few weeks about ten years ago and have been running stably ever since. EASY Invoice Management for SAP Solutions now manages more than 800 incoming invoices per day at Schäfer Shop – 60% of which are fully automated; EASY Contract Management for SAP Solutions currently handles about 1200 active contracts of all types. EASY Archive completes the set and protects all archived documents from modification and manipulation.

"The consistent reliability of the solutions over almost ten years shows that, together with EASY SOFTWARE, we are mastering one of the greatest challenges of digital transformation: Responding to change in an agile way," emphasises Patrick Schuster – not least in view of a future with the new SAP S/4 HANA Business Suite, which is already supported by EASY PCM workflows.

EASY Employee File for SAP® SuccessFactors® Solutions

Piller Blowers & Compressors supplies industrial blowers and compressors to customers all over the world. PILLER is one of the international technology leaders in its sector. One of the reasons for this is the awareness for first-class IT equipment. In 2015, the company decided for an extensive package of different SAP applications. The only problem was that there was no management system for digital personnel files.

400

Personnel files of employees

40%

Gain in efficiency

PILLER was looking for a perfectly integrated solution where users do not even notice that it does not come from SAP itself. It soon became clear that: EASY for SAP® SuccessFactors® Solutions was virtually unrivalled. According to PILLER CIO Thomas Henzler, no other company offered a self-developed app on the SAP Cloud Platform – all other solutions used external servers or VPN connections, for example. "The direct, seamless integration of the file solution into the application logic, and therefore the use of menus and Quick Actions in SAP® SuccessFactors®, was something we only found with EASY," says Thomas Henzler.

The introduction was quick and simple. EASY SOFTWARE took care of all provisioning; Piller Blowers & Compressors did not need to sign any additional contracts with SAP to use the SAP Cloud Platform. After only three preparatory appointments, all functions required by PILLER were available "out of the box". The HR department immediately found its way around the familiar SAP FIORI design and now has direct access to employment contracts, certificates and HR master data. The proven SAP procedures for data protection and deadline management also ensure maximum security.

"The solution does what it promises in operation. Instead of jumping back and forth between different systems and surfaces, the user always has the feeling of moving within SuccessFactors", says Henzler. "The file management itself is easy, the training effort was not worth mentioning. We showed the colleagues two or three times how everything works, then they independently started scanning the current personnel files. In terms of 'look and feel', the EASY solution is really ergonomic and self-explanatory."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THE EASY SHARE

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

MARKET DEVELOPMENT

PRICE DEVELOPMENT

SHAREHOLDER STRUCTURE

MARKET DEVELOPMENT

After a difficult year on the stock markets in 2018, which brought significant price losses, especially in the second half of the year, 2019 was unexpectedly positive on the global stock markets. With an increase of 25.5%, Germany's leading index DAX even celebrated its biggest annual gain since 2013. However, the signs at the beginning of the year were not too favourable: Fears of recession, the Brexit discussion and not least the American-Chinese trade war kept investors in suspense. Nevertheless, the DAX rose continuously until the end of April, reaching the level seen in autumn 2018. This was followed by a sideways movement within a range of 12,000 to 12,500 points before the DAX broke through this corridor downwards at the beginning of August. On August 2, 2019 alone, the index lost around 380 points. This was triggered by an intensification of trade conflicts between the USA and China and between the USA and the EU. Subsequently, however, prices quickly stabilised again and, supported by an expansive monetary policy of the central banks and positive quarterly figures, the index climbed to over 13,000 points at the beginning of November. Fuelled by a partial agreement in the US-Chinese trade dispute, the DAX reached its high of 13,407.66 points for the year on December 16, 2019 and ended the year on December 30, 2019 at 13,249.01 points. TecDAX, which includes significantly smaller, growth-oriented technology stocks, even reached an all-time high in December 2019 and recorded overall price gains of 23.0% over the year.

The EASY SOFTWARE AG share initially developed modestly in this difficult environment. Starting at a price of €4.91, the share moved sideways in a corridor between €4.50 and €5.00 until the end of February. Supported by the capital increase and operational growth in the first quarter, a continuous upward trend set in from March onwards – up to a price level of over €6.00. After a brief drop below the 6-Euro mark in mid-June, the share price rose again in the summer, driven by the sale of the otris shares and excellent half-year figures. The upward trend reached its peak on September 23, 2019 with the annual high of €7.92. Subsequently, the share stabilised at a level between €7.00 and €7.50 and closed 2019 at a price of €7.36 in Xetra trading. This corresponds to a price gain of 49.9% during the course of 2019.

Owing to the rise in share price and the capital increase with subscription rights implemented in March 2019 and the associated increase in the number of shares from 5,403,000 shares to 6,442,039 shares, the market capitalisation of EASY SOFTWARE AG increased by 75.6% to about €47.4 million at the end of the reporting period (December 31, 2018: €27.0 million). The most important trading centre for EASY shares was the electronic platform XETRA with a 56% share of sales in the reporting period, followed by Tradegate with 29% and the Frankfurt trading floor with 10%. The average monthly trading volume did not quite reach the 2018 level and amounted to 92,413 shares across all stock exchanges in the reporting period (2018: 162,918 shares). The liquidity support to ensure trading of the EASY share in the Xetra trading system of Deutsche Börse AG continued to be provided by our designated sponsor BankM.

EASY shares in 2019 at a glance	
Xetra opening price on 02.01.2019	**€4.91**
High for 2019	**€7.92**
Low for 2019	**€4.55**
Xetra closing price on 30.12.2019	**€7.36**
Share capital on 31.12.2019	**€6,442,039**
Number of shares as of 31.12.2019	**6,442,039**
Shares in circulation as on 31.12.2019	**6,442,039**

PRICE DEVELOPMENT

Source: Xetra closing prices (Bloomberg)

Characteristics of the EASY share	
ISIN	DE000A2YN991
WKN	A2YN99
Ticker symbol	ESY
Class of shares	Registered shares (individual shares)
Trading segment	General standard, regulated market
Trading venues/stock exchanges	Xetra, Frankfurt, Hamburg, Berlin, Stuttgart, Düsseldorf

SHAREHOLDER STRUCTURE

Stand: 08.01.2020

Shareholder	Share
Wilhelm K. T. Zours / Deutsche Balaton AG, Heidelberg / VV Beteiligungen AG, Heidelberg / Delphi Unternehmensberatung AG, Heidelberg	30.18%
GDT, Thorsten Wagner	29.84%
Lupus alpha Investment GmbH	7.44%
Stephan Kaleske (Zlex GmbH)	5.40%
Axxion S.A.	3.88%
Free float	23.26%
Total	100.00%

INVESTOR RELATIONS

The Investor Relations department at EASY SOFTWARE AG is responsible for open communication with existing shareholders and potential investors. As an interface to the capital market, the focus is on the comprehensive and transparent information of market participants. The goal is to further strengthen confidence in the company and EASY shares and to contribute to realistic expectations. As such, the Management Board of EASY SOFTWARE AG promptly informs shareholders and the interested public about the company's economic development as part of regular financial reporting, and commented upon current developments in several conference calls. All significant events are published as part of ad hoc public disclosure or by press release (Corporate News).

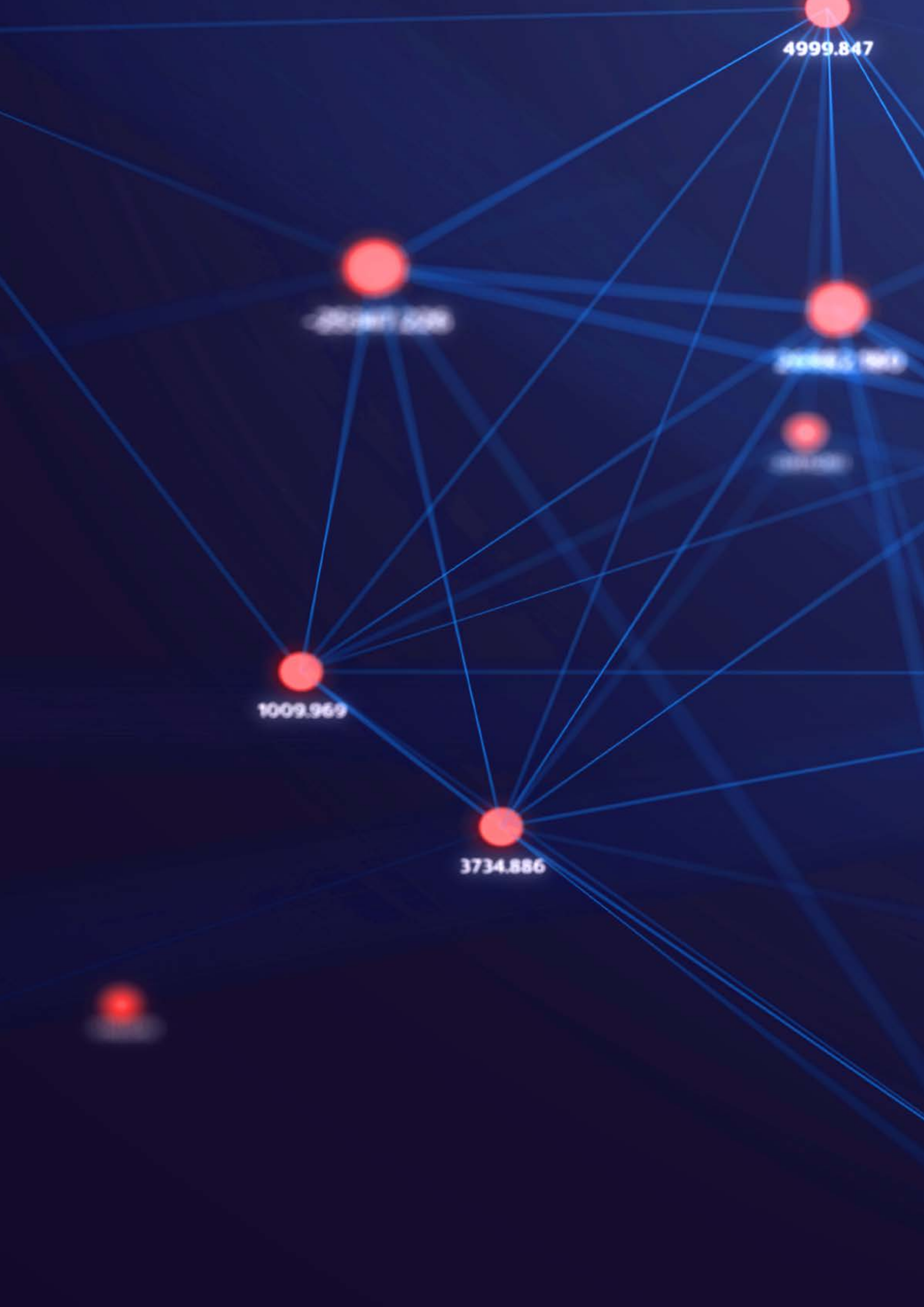
The business results and key messages are also commented on by experienced capital market analysts, who in turn make estimates regarding the further development of EASY SOFTWARE AG. The published research reports are available on the company website in the Investor Relations section. In addition to the research reports, all other share-related information such as master data, shareholder structure, financial reports, current and past press releases, financial calendar and contact details can be found there.

At the annual general meeting, the Management Board provided shareholders and interested members of the public with information on the current situation and ongoing challenges. Moreover, the Management Board of EASY SOFTWARE AG was represented at the

Financial calendar	
April 30, 2020	**Publication of the financial report**
June 30 - July 2, 2020	**Equity Forum spring conference, Frankfurt am Main**
June 18, 2020	**Virtual annual general meeting**
August 2020	**Publication of the half-yearly financial report**
November 16-18, 2020	**German Equity Forum, Frankfurt am Main**
December 31, 2020	**End of the financial year**

Spring Conference in May 2019, the most important German small-cap conference in Frankfurt am Main, as well as at the German Equity Forum, the largest German investor conference in Frankfurt am Main.

In addition, EASY SOFTWARE AG hosted an Investor & Shareholder lunch on September 11, 2019 as part of EASY WORLD, at which the Management Board provided shareholders, investors and interested parties with an overview of the EASY Group, including information about the product portfolio, employee, EBITDA and sales development.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3734.886

COMBINED MANAGEMENT AND GROUP MANAGEMENT REPORT OF EASY SOFTWARE AG FOR FINANCIAL YEAR 2019

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

EASY SOFTWARE AG exercises the option prescribed by § 315 (5) in conjunction with § 298 para. 2 HGB (German Commercial Code) and combines the EASY SOFTWARE AG management report with the group management report.

The combined management and group management reports are to be interpreted in the context of the audited (consolidated) financial data and the disclosures in the notes to the separate and consolidated financial statements. The following disclosures are based on a range of information relating to the past, some of which is also presented in the notes to the annual and consolidated financial statements. In addition, the combined management and group management report also contains forward-looking statements, i.e. statements based on certain assumptions and current plans, estimates and forecasts. Forward-looking statements are only valid at the time they are made. The management of EASY SOFTWARE AG undertakes no obligation to revise and/or publish the forward-looking statements underlying this document when new information arises (without prejudice to the legal requirements). Forward-looking statements are always subject to risks and uncertainties. The EASY SOFTWARE AG Board points out that a wide range of factors can lead to a significant deviation in the achievement of objectives. Significant factors are described in detail in the "Risk and Opportunity Report" section.

1. FUNDAMENTALS OF THE GROUP

1.1 GROUP STRUCTURE

During the reporting period, the EASY SOFTWARE Group consisted of EASY SOFTWARE AG as parent company, the two German subsidiaries EASY SOFTWARE Deutschland GmbH (ESD) and EASY APIOMAT GmbH (EAP), as well as several foreign subsidiaries.

The following table shows the companies alongside their registered office and shareholding for entities that were fully consolidated in the consolidated financial statements of EASY SOFTWARE AG (EASY Group) as at 31 December 2019:

Company	Headquarters	Shareholding
EASY SOFTWARE AG	**Mülheim an der Ruhr**	
EASY SOFTWARE GmbH	**Salzburg, Austria**	**100%**
EASY SOFTWARE (UK) LTD.	**Suffolk/UK**	**100%**
EASY SOFTWARE INC.	**Exton, PA/USA**	**100%**
EASY SOFTWARE (ASIA PACIFIC) PTE. LTD.	**Singapore**	**100%**
EASY APIOMAT GmbH (formerly EASY ENTERPRISE SERVICES GmbH)	**Leipzig**	**81.23%**
EASY Mobile Service GmbH, (in liquidation)	**Mülheim an der Ruhr**	**100%**
EASY SOFTWARE DEUTSCHLAND GmbH	**Mülheim an der Ruhr**	**100%**
EASY SOFTWARE TÜRKİYE LTD. STI.	**Istanbul, Turkey**	**51%**

While EASY SOFTWARE AG is primarily responsible for product development and support services, EASY SOFTWARE Deutschland GmbH is responsible for direct sales and project business in Germany. EASY APIOMAT GmbH bundles the cloud activities of EASY.

In addition to its headquarters in Mülheim an der Ruhr, the EASY Group in Germany has offices in Leipzig, Munich, Frankfurt, Hamburg, Nuremberg, Paderborn, Bobingen, Rostock and Berlin. In addition, EASY is still active at the Straubing location through shareholdings. Foreign business is represented by its own legal entities or rather business partners, each of which has a sales mandate for the respective country.

As of 27.12.2018, EASY SOFTWARE AG acquired 2.15% of the share capital of Apinauten GmbH, Leipzig. This shareholding was increased to 72.3% with effect from 01.01.2019.

EASY ENTERPRISE SERVICES GmbH, Mülheim an der Ruhr was merged with Apinauten GmbH, Leipzig in the fiscal year. The company was renamed EASY APIOMAT GmbH and its headquarters were moved to Leipzig. EASY Mobile Service GmbH, Mülheim is currently in liquidation. In the fiscal year 2019, the investment of EASY APIOMAT GmbH in EASY Mobile Service GmbH, Mülheim, Germany, amounting to €50K was fully written off.

EASY Group only serves one operating segment, which is why no separate segment reporting takes place in the management report. Find a breakdown by geographic point of view into the regions Germany, Austria, England, USA, Singapore and Turkey in the notes to the consolidated financial statements under section E "Segment reporting". The segment disclosures therein are provided as per IFRS 8.

The following company was included in the consolidated financial statements of EASY SOFTWARE AG at equity:

Company	Headquarters	Shareholding
friendWorks GmbH	**Straubing**	**52%**

The 46% interest in otris software AG, Dortmund was sold in the fiscal year. EASY SOFTWARE AG holds 52% of friendWorks GmbH (Straubing) via EASY SOFTWARE Deutschland GmbH. A full consolidation is not applicable since there is no control aspect. friendWorks GmbH is a partner in the area of software distribution, consulting and programming.

1.2 BUSINESS ACTIVITY

EASY SOFTWARE AG, Mülheim an der Ruhr, was founded on 6 March 1990 as EASY Elektronische Archivsysteme GmbH and converted into a stock corporation on 8 September 1998 in accordance with §§ 190 et seq. UmwG. The IPO took place in the second quarter of 1999. The purpose of the company is the development and distribution of hardware and software for electronic archive systems and document management systems.

EASY SOFTWARE is one of the pioneers of electronic file solutions, and, with more than 13,600 installations, including more than 1,000 in the SAP environment, the market leader among German document management and enterprise content management system providers.

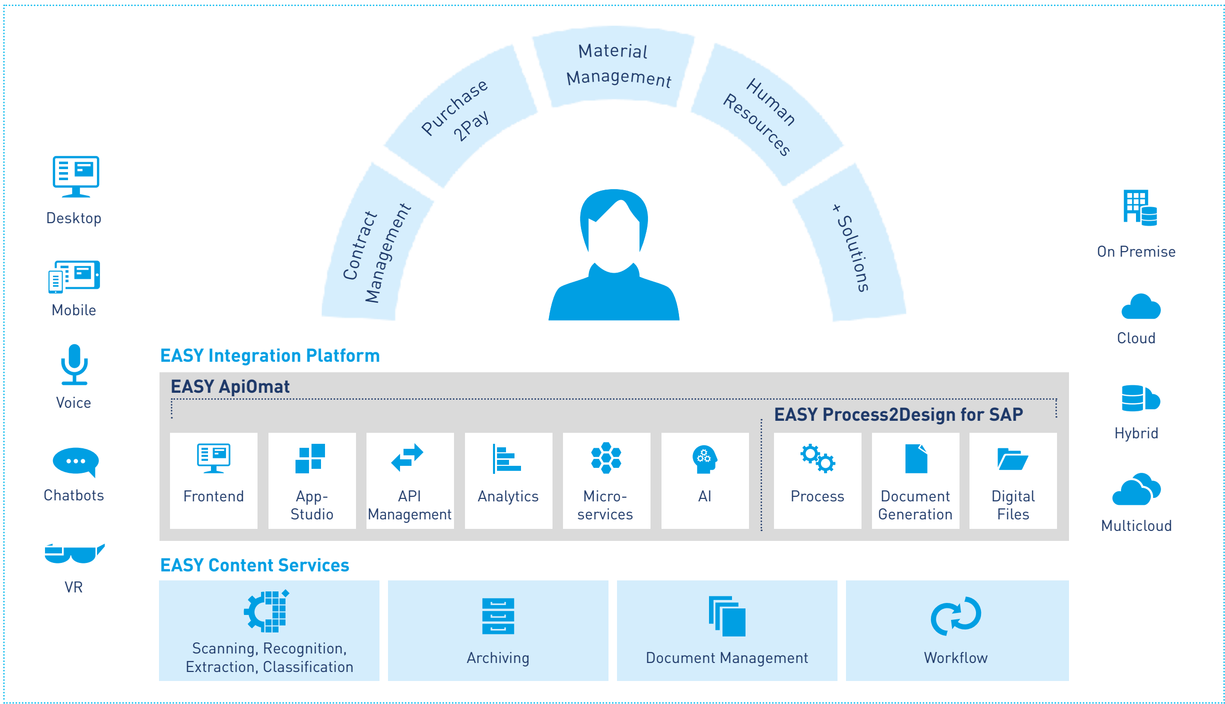
The core business of EASY SOFTWARE AG is the creation, implementation and distribution of software platforms and solutions for digitizing business processes. The focus is on document-intensive business processes with a focus on Procure to Pay, Contract Management, HR Management, Material Management, Field Services and Archiving. The EASY SOFTWARE platforms may be used to further automate and digitize further processes. EASY has implemented more than 100 interfaces to various backend systems that enable fast and secure integration.

Beyond standard software and supplementary maintenance services, the EASY Group offers its customers individual solutions with a high degree of standardisation and the ability to adapt quickly. The starting point for this are individual modules consisting of several preconfigured solutions. EASY also develops customized solutions that integrate with customers' software environments. A growing business is the cloud business; in this segment, EASY Group offers its solutions jointly with partners as a public and private cloud. Services such as consulting, project management, installation and configuration of products and solutions, managed services, as well as training and support round off the offering.

EASY helps customers in digitizing their business processes and enable rapid, scalable, integrated application creation in rapid prototyping. The main idea is: Digital, but EASY.

1.2.1 PRODUCTS AND SOLUTIONS

EASY Group offers user-oriented software for all common platforms based on modern technologies. At the same time, EASY is able to deliver tailor-made solutions for the digitization of business processes in every sector and company size. The software products and solutions developed and distributed by EASY are divided into the following areas:



The architecture of the EASY ONE platform was designed in strategy workshops according to the objectives of the EASY 21 corporate strategy: The aim is a platform that can run both in the cloud and locally. This also includes cloud platforms from providers with high scaling potential such as Amazon or Microsoft Azure. In addition to many other functions, the planned services of the EASY ONE platform include document scanning and archiving as well as links to ERP systems. All features can be configured individually and are reusable.

For efficient growth in the cloud, scalability is an essential criterion in all architecture decisions. For this reason, new EASY applications will be developed in the future as cloud-enabled. Due to the modular structure of a micro-service architecture, individual components of the platform are easily replaceable and can therefore be adapted to current developments. In accordance with the EASY 21 growth strategy, the EASY ONE platform was designed from scratch for international markets.

In 2019, EASY made numerous improvements to the product quality of established EASY products. Part of this optimisation is a centralised product launch process that improves the perception of new developments by all stakeholders. In addition, key figures on development progress and bug reports were recorded, evaluated and measures were derived. Development department was reorganised according to the requirements of the EASY ONE platform to use synergy effects between product families even more efficiently and to emphasise them more strongly. Accordingly, EASY ONE means deepening the value chain by consistently using the platform and its associated services in all new EASY products. For development, EASY established a development centre with qualified employees in Turkey. New communication tools and processes were established for efficient cooperation.

EASY Content Services, as an open solution offering in Enterprise Content Management (ECM), offers a high degree of integration capability into existing IT infrastructures. This area includes solutions for capturing, archiving and managing documents and content, integrating with existing upstream systems and designing business processes. This forms the basis for specialist applications such as EASY HR, EASY Contract, EASY Request, EASY Invoice and many more. The products and solutions of EASY Content Services have been successfully launched to market years ago.

EASY for SAP® is an integral part of the EASY solutions, and serves as an extension and refinement to existing SAP systems and cloud platforms by way of low code/no code development. Thanks to the range of SAP-based solutions available since 2015, EASY Group is an attractive partner for larger and international companies. EASY for SAP® can be easily integrated with the products and solutions by EASY Content Services.

The EASY ApiOmat platform was developed on the basis of modern micro-services architectures with a focus on mobile applications to accelerate the successful digitisation of customers. It also forms the basis for EASY mobile solutions, providing the intuitive user experience needed in today's work environment. EASY ApiOmat is used for rapid prototyping in low code/no code development, to create digital applications in a matter of hours and days, flexibly and scalably, without programming. The integration of EASY ApiOmat with EASY for SAP® solutions and EASY content services is quick and easy to implement.

1.2.2 SALES AND MARKETING

EASY sells its products via its own sales companies and business partners. In addition to the EASY SOFTWARE Deutschland GmbH, which has locations in Frankfurt, Bobingen and Mülheim an der Ruhr, its own national companies abroad contribute to direct sales. The sales cycle in these channels is 3 to 12 months for standalone applications. During the reporting period, direct sales in Germany showed strong growth momentum. Overall, more than two-thirds of Group turnover is generated through direct sales.

The partner distribution of EASY products and platforms is conducted by around 100 business partners in Germany and abroad. The target customer group for partner distribution are SMEs. Distribution in countries where EASY does not operate a local distribution company takes place through distributors and is part of the internationalization of the EASY 21 strategy. Partner sales account for around one third of Group sales.

Online sales via partners brings EASY solutions into the target group market in a highly automated fashion and is thus scalable accordingly.

In the fiscal year 2019, Corporate Marketing of the EASY Group consistently expanded the successful inbound marketing strategy. Holistic multi-channel marketing campaigns along the entire product and solution range of EASY SOFTWARE pursue the goal of generating leads. During this process, potential customers are made aware of EASY SOFTWARE products and solutions with content relevant to them, and are offered added value throughout the entire customer experience. Users experience tailor-made customer journeys with the aim of pre-qualifying them as leads as best as possible for sales and generating sales opportunities. The marketing is performed by a state-of-the-art automation tool that enables users to generate more traffic, convert leads, and demonstrate the return on investment (ROI) of their activities.

Another essential marketing activity of EASY Group is the attendance of fairs and events and the organization of our own events. In 2019, EASY SOFTWARE AG was again present at the Hanover Fair, the DSAG annual congress and other events. EASY WORLD as a central customer event met with a significantly increased response and focused on numerous product announcements.

In the 2019 financial year, EASY employees in associations such as Bitkom were also involved in recognizing trends at an early stage and facilitating the development of industry standards.

1.2.3 GOALS AND STRATEGIES

In the fiscal year 2018, we defined our goals for the following three years with the EASY 21 strategy. The key points described below remain valid beyond 2021. Strategic performance reviews and adjustments to changed market conditions are carried out at regular intervals. Since neither the ambitious growth targets nor positive operating results could be achieved in 2018 and 2019, it is necessary to further develop the strategy in the current financial year.

The uncertainties associated with the coronavirus pandemic offer both opportunities and risks for achieving the EASY goals. The exit restrictions imposed worldwide in early 2020 have made companies more aware than ever of the need for decentralised operations. The digitalisation of documents and business processes provides the basis for secure and efficient working from home. Many companies face the challenge of connecting their existing IT systems with mobile applications. These are the target customers of EASY. Even though there is largely no dependence on individual customers, recession fears and liquidity bottlenecks at customers also bear risks for the EASY Group. We are attempting to counter these developments by offering even more aggressive subscription models during the financial year 2020.

In this context, the transformation from classic on-premises products to cloud solutions in the software industry will be further accelerated. The market environment is extremely dynamic. The IT analyst Gartner predicts an industry transformation from enterprise content management (ECM) to content services platforms. This is the precise core of our business, which offers its customers added value: EASY simplifies and manages content and processes along digital value chains on their behalf while granting them decisive competitive advantages in terms of time, costs and improved user experience.

The focus of the corporate strategy EASY 21 is on bringing people and companies closer to digitisation and sharing their benefits and added value – true to our motto "Digital, but EASY". As a market leader in content service platforms in Germany, Austria and Switzerland, EASY Group wants to play an active role in actively shaping the consolidating market environment and act as a challenger in other foreign markets in strategic terms.

The EASY 21 strategy has four pillars and aims to ensure that EASY SOFTWARE, as the market leader in the content services platform sector, assumes a design role that is reflected in the market, in particular, via innovative power and perception. Based on this, EASY 21 aims to enable the EASY Group to grow sustainably and achieve double-digit EBITDA margins.

THE STRATEGIC GOALS OF EASY SOFTWARE ARE:

1. Growth in the cloud
2. Innovation
3. Internationalisation
4. Deepening of the value chain

GROWTH IN THE CLOUD

Mobile and flexible solutions will be increasingly in demand in the IT sector over the coming years. Based on this development, EASY will provide further solutions based on the cloud platforms that allow customers and partners of a range of industries to digitise and mobilise their business processes in an agile fashion. Customers will be able to connect their existing landscapes to the cloud in hybrid scenarios. This protects existing investments while driving competitive advantage. Cloud services are provided via subscription contracts and, depending on the scope of new business, may initially lead to low sales growth at EASY. In the medium term, the multi-year subscription contracts ensure that sales at EASY can be planned.

INNOVATION

Innovations are drivers of differentiation to the competition and sources of competitive advantage. In the coming years, EASY will invest in innovations in various areas along the digital value chain that generate significant added value for customers while opening up growth options for EASY.

INTERNATIONALISATION

As one of the market leaders in Germany, EASY Group builds on a strong foundation to distribute its products and solutions in other countries and languages. Our products are already being used in more than 60 countries. Internationalisation will primarily take place by strengthening our international partner organisation. In cooperation with them, EASY is set to invest in the expansion of market development.

CONSOLIDATING THE VALUE CHAIN

The aim of EASY Group is to further increase efficiency and effectiveness in the next few years and to reduce complexity through harmonised processes and simplified structures. To this end, core competencies are to be developed further, promoted and bundled in-house. EASY will rely on proven business relationships as well as new developments and potential acquisitions. This increases profitability sustainably as well as the design capability of our own development roadmap, and thus the investment security of our customers at the same time.

1.3 CONTROL SYSTEM

The management of the parent company controls the interests of the Group in ordinary meetings of the company's executive bodies and by those held between the Supervisory Board and the Executive Board. Issues are also regularly discussed in regular management meetings attended by representatives from all areas of the Group.

The Executive Board places great emphasis on sustainable development of the Group. The essential financial and non-financial control figures of the company are presented individually below. They serve for internal control of the Group and are reported to the Executive Board as part of Group reporting on a monthly basis. The exact presentation of the earnings, assets and financial position of the Group is shown under point 2.5.

1.3.1 FINANCIAL PERFORMANCE INDICATORS

The financial performance indicators used to manage the parent company are EBITDA and revenues, and those used to manage the group are consolidated EBITDA and consolidated revenues. The basis for calculating these indicators are the single-entity financial statements of EASY SOFTWARE AG and the consolidated financial statements of EASY Group.

SALES

Due to the fact that EASY focuses more on scalable products and technologies, revenue development plays an important role in corporate and group management. Sales are broken down into license and cloud sales, as well as maintenance and service revenues. Each sales area has its own indicators. Sales revenues of EASY SOFTWARE AG declined from €32.9 million to €32.0 million. Total consolidated revenue increased from €46.6 million to €50.6 million in the reporting period. To achieve these goals, the (further) development of innovative platforms and solutions forms an important part of the EASY SOFTWARE business.

EBITDA MARGIN

EASY places great emphasis on the successful monetization of our product and service portfolio. The goal is to achieve profitable growth. Against this background, the (Group) EBITDA plays an important role in corporate and group management. The EBITDA margin is calculated from (Group) earnings before depreciation, interest and taxes divided by (consolidated) sales. In the reporting period, the Group generated an EBITDA of €4.2 million (2018: €-0.9 million, without IFRS 16) and EASY SOFTWARE AG generated an EBITDA of €5.5 million (2018: €-1.1 million).

1.3.2 NON-FINANCIAL PERFORMANCE INDICATORS

In addition to the financial performance indicators, a number of non-financial performance indicators (KPIs) play an important role in the management of the parent company and EASY Group. The satisfaction of staff and corporate social responsibility of the group are particularly noteworthy in this context.

EMPLOYEE SATISFACTION

Increasing employee satisfaction is important to position EASY as an attractive and future-oriented employer in the competition for employees, and to counter the increased employee fluctuation in 2019.

As part of the "Women in IT" (WINIT) women's promotion program, EASY is committed to making the EASY Group more attractive as an employer for female specialists. Part of this program is the promotion of women as managers as well as targeted training events for women at EASY. Further support programs for specific groups of employees were created in the EASY Talent Program with first subject-specific online seminars and one-day training courses. A part of these programs is a dedicated promotion of executives or promising team members with leadership potential. The in-house training program EASY Academy also provided the entire staff of the EASY Group with new detailed information on EASY products and related topics, which is freely accessible at any time.

Bonusly, an evaluation system to promote mutual rewards and appreciation among employees, was introduced in the second half of 2019. All members of the EASY Group can communicate with each other on the Bonusly platform and award points for successful teamwork, which, in turn, can be exchanged for gift certificates or donations to charitable organisations.

EASY conducted two extensive anonymous surveys of the entire workforce during 2019. The first survey was done in the first quarter of 2019, the second in the fourth quarter. In particular, the areas of teamwork, knowledge sharing, company-wide communication, and working conditions and equipment received a positive response in correlation to the corresponding employer projects in 2019. These projects to improve employee satisfaction include increased promotion of mobile working and flexible working hours, expanded internal communication and internal company events.

EASY is committed to promoting future talent, among other things by awarding four scholarships and a sponsored professorship at the university of Ruhr-West. (see "Artificial Intelligence", Section 1.4)

SUSTAINABILITY (CSR)

In 2019, EASY continued to rely on its partnership with AfB gGmbH for the protection of the environment. As in the previous year, decommissioned hardware from the EASY Group – including company telephones that were taken out of service at the end of the year – was recycled by the highly qualified, disabled employees of AfB Social & Green IT. Professional processing or deconstruction for subsequent recycling has considerably reduced electronic waste and CO2.

In addition, EASY expanded the company's internal vehicle fleet with the first electric car. This will be used in future for emission-free travel to neighbouring areas of the headquarters in Mülheim an der Ruhr.

In the United Kingdom, EASY started an in-house volunteering programme in the fourth quarter of 2019. Under this scheme, all employees receive two paid days per year to support a volunteer institution of their choice.

1.4 RESEARCH AND DEVELOPMENT

EASY SOFTWARE manages its research and development activities of the entire group via business units. It is in these units that new products and solutions are created, and with that, the revenue drivers of the business. Early recognition of trends and a customer-centric approach are the basis for the development of new solutions. EASY's active participation in various IT professional associations supports this focus.

In the 2019 financial year, research and development work focused primarily on optimising the new EASY solution architecture, which enables combining different products and solutions. Customers can freely choose whether a solution should be operated in the cloud or locally. Hybrid scenarios are the future deployment models of customers expecting new digital offerings as applications become ever more mobile. To this end, numerous existing core products were also revised and divided into individual components for modular use.

In addition to the previously available system platforms such as Microsoft or Linux servers, container technologies, such as Docker, are now also supported in many cases. In addition, the integrations in ERP, CRM and collaboration systems were adapted to the manufacturers' cloud versions and further interfaces and procedures such as support for SAP Information Lifecycle Management and integration with SAP Success Factors were implemented. EASY applications have been extended by cloud services from various providers, enabling digital collaboration and signature processes as well as further automation in personnel management and procurement.

In the reporting period, Group expenses for the research and development of software products amounted to €5,023K (previous year €5,778K). In the EASY Group, €1,502K (previous year €348K) were capitalised, of which €183K can be attributed to EASY SOFTWARE AG and €1,319K to EASY APIOMAT GmbH.

ARTIFICIAL INTELLIGENCE

On 10.09.2019, an agreement was signed to support the endowed professorship in the field of "Applied Artificial Intelligence" at the University of Ruhr West in Mülheim an der Ruhr. In the course of this, companies of different sizes from various industries are recruited, which, in a so-called circle of friends, support the university in the promotion and establishment of a competence centre for "Applied Artificial Intelligence".

This enables EASY SOFTWARE AG to potentially gain an influx of knowledge carriers at low recruiting costs. The sponsored professorship supports the Group's image enhancement activities and ensures a positive visibility of the company in the region. Another benefit is that a network is created and synergy effects are utilised within the circle of friends of digitalisation. EASY SOFTWARE would like to be perceived as an attractive employer and employ students in the company at an early stage to make use of the expertise they have already acquired.

In addition, the funding of sponsored professorship and establishment of the competence centre will provide opportunities to gain applied research knowledge. With the newly acquired technical know-how, EASY SOFTWARE is striving for a competitive advantage and a beacon project in the region.

As part of the program, EASY SOFTWARE AG has undertaken to invest €80K each for three years to support the sponsored professorship from the time it comes into existence in 2020 and to establish the competence centre.

2. ECONOMIC REPORT

2.1 GENERAL ECONOMIC CONDITIONS

EASY Group predominantly operates in the German-speaking market and is therefore primarily affected by the general economic conditions prevailing here.

The economy in Germany suffered significantly in the 2019 financial year. While the German economy still recorded a 1.5% increase in gross domestic product (GDP) in 2018, growth in 2019 was only 0.6% according to figures from the Federal Ministry of Economics and Energy (BMWi). While recovery in the first quarter had the effect of expanding production, the German economy practically stagnated from the summer months onwards. The main reason for the ongoing downturn was the significant decline in industrial production. According to the Kiel Institute for the World Economy, capacity utilisation fell below the normal level in the course of the year. The weak industrial economy also increasingly affected the business-related service sectors, which had long enjoyed robust growth. In contrast, consumer-related sectors and the construction industry continued to expand.

The split economic picture largely reflected opposing developments between the domestic and global economy. While the consumer-related sectors benefited from robust labour market development and income tax support for private households, the industrial sectors were exposed to dampening foreign trade forces. While global trade in goods had already been declining since autumn 2018, international production in the manufacturing sector also stagnated in the reporting period. On the whole, global economic growth weakened year-on-year from 3.2% to only 2.6%. The trade restrictions between USA and China as well as the uncertainty about the introduction of further tariffs also dampened foreign trade and impaired the willingness to invest. Uncertainty about UK's withdrawal from the EU had the same effect. The German economy, which specialises in the production of capital goods, was particularly hard hit by this.

While a moderate increase in economic growth was originally expected for 2020, both in Germany and globally, the economy is now collapsing worldwide as a result of the coronavirus pandemic. To contain the spread of new infections and to counteract overburdening of the healthcare system, many countries are now experiencing considerable restrictions on freedom of movement and a virtual standstill in public life. The economy is also severely affected by supply bottlenecks, staff shortages and even production stoppages due to temporary plant closures. The globally networked German economy is particularly affected by this, as companies are equally dependent on the worldwide demand for German goods and on supplies from the rest of the world. In the Ifo Business Climate Index of mid-March, business expectations accordingly slumped by 11.2 index points, 4.9 points more than the previous record decline in October 2008.

Similarly, most economists fear a significant economic slump for the German economy. While it is likely that there will be a slight increase in gross domestic product in the first quarter of 2020 due to the strong start to the year, the full impact of the crisis will be felt in the second quarter, leading to a 4.5% drop in GDP for the year as a whole in a base scenario from the Ifo Institute. World trade and the global economy are also likely to suffer considerably from the coronavirus crisis. In its baseline scenario, the Ifo Institute assumes that global GDP will stagnate in 2020. However, the downside risk of the present forecasts is considerable. As such, it is not unlikely that the crisis will drag on for long, for instance, because the pandemic can be contained much more slowly or because the recovery of economic activity is not functioning smoothly. In such a risk scenario, the economic slump would therefore be strengthened, the recession prolonged and the recovery slowed down.

In order to avoid insolvencies and subsequent long-term production losses, most countries are attempting to mitigate the expected economic consequences with extensive monetary and fiscal policy measures. Particularly in the Euro zone, this entails new risks for the stability of public finances. Member states with a high debt, such as Italy, could suffer a massive loss of investor confidence. A precise prediction of the economic costs of the coronavirus crisis is almost impossible at this stage because of the high level of uncertainty about the further spread of the virus and, in particular, the measures taken by governments to contain the pandemic.

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2.2 MARKET AND MARKET ENVIRONMENT

Although the past year was economically characterised by trade conflicts, economic slowdown and Brexit disputes, the ITC market was able to exceed expectations. According to figures published by the German Federal Association for Information Technology, Telecommunications and New Media e.V. (Bitkom), industry sales in 2019 were up by 2.0% to €169.6 billion. At the start of the year, Bitkom expected a growth of 1.5%. After the subdued expectations in the second half of the year, the Bitkom-Ifo digital index also recovered significantly towards the end of the year, reaching 26.9 points in December, its highest level since May 2019. The stable growth of the Bitkom industry reflects the increasing digitalisation of the economy, state and society. Current debates on artificial intelligence, 5G networks and digital sovereignty show the enormous importance of the digital economy in Germany.

Within the industry, the software sector developed best, with an increase of 6.4% to €27.6 billion. The market for IT services, including project business and IT consulting, also showed above-average growth of 2.4% to €41.9 billion. Companies are gradually changing their organisational structure and increasingly developing digital strategies, which stimulate the demand for IT consulting and software applications. On the whole, information technology continued to gain ground compared with the other two upper segments, telecommunications and consumer electronics. The shortage of skilled workers remains a problem for the industry: Although 42,000 additional jobs were created in the ITC sector in 2019, according to a recent Bitkom study, 124,000 jobs for IT experts were still unoccupied at the end of 2019. This is an increase of 51% compared to 2018 with 82,000 open positions. According to a Bitkom survey, German companies are latecomers in digitisation on an international comparison despite the growth of the industry. 58% of the interviewed managing directors and board members came to this conclusion. Only about one in three companies (36%) considers itself a pioneer in digitisation. Also due to this pent-up demand, Bitkom predicted a further 1.5% increase in sales to €172.2 billion and 39,000 additional jobs in the ITC sector in 2020 at the beginning of the year. However, the coronavirus pandemic does not leave the digital industry untouched, which is particularly strongly networked globally. The Bitkom-Ifo Digital Index already fell slightly in February, and the decline will certainly be even more pronounced in the next report. However, the coronavirus crisis also illustrates the importance and opportunities of digital processes in business, administration and healthcare. Digital technologies are proving to be indispensable, particularly for maintaining social and economic life. Just about all industries are affected and face new challenges in digitizing their business processes and developing new business models for the digital economy. In the medium term, the necessary digitisation promises clear impulses for the markets in which the products of the EASY Group operate.

Sources:
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Gartner
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2.3 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

ACQUISITION OF APINAUTEN GMBH, LEIPZIG

EASY SOFTWARE AG has concluded a purchase agreement for 72.3% of the shares in Apinauten GmbH of Leipzig with the aim of increasing growth in the B2B market segment for cloud-based and mobile software solutions. This became effective with the approval of the Supervisory Board on 27.12.2018.

In addition to the acquisition of the shares, the purchase agreement also provided for Apinauten GmbH to be merged with EASY ENTERPRISE SERVICES GmbH, a wholly owned subsidiary of EASY SOFTWARE AG. The merger was implemented in the financial year retroactively as of January 2, 2019.

The remaining shares are set to be acquired in 2020. The purchase price for the first share purchase amounted to approximately €8,000 million, in addition, EASY SOFTWARE AG will also provide Apinauten GmbH with approximately €850K in equity for the replacement of silent shareholdings. The purchase price for the remaining acquisition planned for mid-2020 amounts to at least €1,750K in cash or 360,000 EASY shares or their equivalent in cash as of June 30, 2020. The remaining purchase price is capped at €5,250K.

ONGOING COURT PROCEEDINGS

EASY SOFTWARE AG./. Wagner (LG Duisburg 25 O 41/12; OLG Düsseldorf I-17 U 29/16; BGH II ZR 152/17) "ScanOptic" etc.

On April 7, 2017, the Düsseldorf Higher Regional Court OLG ruled on EASY SOFTWARE AG's claims for damages against former board members. To allow an appeal against the ruling of the Düsseldorf Higher Regional Court, which was partially unfavourable for EASY SOFTWARE AG, it had filed a non-admission appeal with the Federal Supreme Court (BGH). By decision of July 24, 2018, the BGH approved the appeal and returned the matter to OLG Düsseldorf.

In the reporting year, the Düsseldorf Higher Regional Court OLG announced that the action was apparently well-founded with regard to the extension of the action amounting to €130K. The merits with regard to the further claim were deemed doubtful. The Senate proposed to terminate the legal dispute by means of a settlement by payment of between €133K and €1,513K to the defendant. A response from the defendant in the reporting year indicated that he was not willing to settle. The oral hearing in this matter took place in February 2020. The date of the pronouncement is scheduled for mid-June 2020 by the Düsseldorf Higher Regional Court due to settlement talks that have been started in the meantime.

EASY SOFTWARE AG./. Neuhaus etc. (LG Duisburg 25 O 20/15; OLG Düsseldorf I-17 U 111/19 "SBR Health IT"

The complaint is based on the payments made by EASY SOFTWARE AG to sbr health IT GmbH, or payments to third parties to repay liabilities of sbr health IT GmbH. The defendant in the lawsuit is former member of the Management Board, Mr Neuhaus.

With a counter-claim, Mr Neuhaus is asserting alleged claims for remuneration in the amount of €587,750.00. As a precautionary measure, the company thereupon announced the dispute to the former Chairman of the Supervisory Board Manfred A. Wagner with respect to the counter-claim, who, in turn, announced the dispute to Mr René Scheer and Prof. Dr. Helmut Balzert (former members of the Company's Supervisory Board) and the law firm Heuking Kühn Lüer Wojtek. In view of his threatening claim from the action, the defendant Wagner has notified the defendant Neuhaus of the dispute.

In the end, EASY SOFTWARE AG asserted claims to the amount of €1,512,128.08 in the suit. In its ruling dated 29.04.2019, the Duisburg Regional Court granted the company's claim against Mr. Neuhaus and Mr. Wagner as follows and dismissed the counter-claim: The defendants were ordered as joint and several debtors to pay Easy Software AG €1,022,676.03 plus interest at five percentage points above the base rate on specified partial amounts and periods. Mr. Neuhaus was further ordered to pay the applicant €250,334 plus interest at five percentage points above the base rate since 06.09.2014. Furthermore, Mr. Neuhaus was ordered to pay to the company a further €164,118.05 plus interest in the amount of five percentage points above the base rate since 17.07.2015. The remainder of the claim and counter-claim were dismissed.

On 27.05.2019, the opposing party filed an appeal against the judgement with the Düsseldorf Higher Regional Court; the appeal was substantiated in August 2019. The proceedings are conducted at the OLG Düsseldorf under I-17 U 111/19. The company's statement of appeal has been filed. The date for the oral proceedings has not been set.

2.4 ASSESSMENT OF BUSINESS DEVELOPMENT

The Group's performance for the entire 2019 financial year did not meet expectations in terms of either revenue or EBITDA, although the year under review got off to an initially record-breaking start. In the 1st half of 2019, total revenues increased by 20% year-on-year – including the licence and cloud new business even by 57%. As all other areas, in particular the consulting business and the international subsidiaries, also increased their revenues well above market growth, Group EBITDA grew disproportionately. Excluding the effects of IFRS 16, Group EBITDA for the first half of the year rose from €-600K in 2018 to €1,000K in 2019. As a result of the implementation of IFRS 16, reported EBITDA for the first half of 2019 amounted to €2,000K. Business initially slumped in the second half of the year, and despite countermeasures and the final quarter of 2019, which is important for business development, it was no longer possible to lift the company into the forecast corridor for revenues and EBITDA. The main reasons were pull-forward effects into the first half of the year and significantly lower partner sales of EASY SOFTWARE AG than expected.

Adjusted for the sales revenues of Apinauten GmbH, which was acquired at the beginning of the reporting year, the EASY Group was not able to achieve organic sales growth in 2019, although the service business was expanded very significantly and the sales revenues of the Austrian subsidiary also grew significantly. On the whole, the EASY Group increased its foreign sales revenues from €8,454K in the previous year to €10,019K.

The cloud and subscription business rose from €989K to €2,345K in the year under review due to acquisitions, and represents just under 5% of consolidated sales in 2019. Under consideration of software maintenance contracts, the share of contractually secured sales amounts to a total of around 55% of annual sales in 2019.

Group EBITDA for 2019 is just under 10% below the forecast corridor at €4.25 million. Due to the first-time application of IFRS 16 in the reporting year with an EBITDA effect of €1.9 million, the EBITDA figure for the previous year cannot be compared directly. In the year under review, own work amounting to €1.5 million (previous year €0.35 million) was capitalised.

Capital gains in connection with the sale of the investment in otris software AG in the amount of €3.9 million had a significant impact on consolidated earnings in 2019.

2.5 SITUATION

EASY SOFTWARE AG is accounted for in the individual financial statements according to HGB, and in accordance with IFRS in the consolidated financial statements. There may be rounding differences between the numbers in the financial report and (key) indicator figures stated here.

2.5.1 EARNINGS SITUATION OF THE GROUP

SALES DEVELOPMENT

Consolidated sales of EASY Group amounted to €50.6 million in the 2019 financial year (2018: €46.6 million). This corresponds to an increase of 8.4%. 50% of Group sales were accounted for by maintenance revenues (2018: 52%), 29% on services and the cloud (2018: 24%), 20% on software licences (2018: 23%), 1% (2018: 1%) to other sales.

Revenues in the cloud business continued to develop well in the reporting period, mainly due to the acquisition of Apinauten GmbH, Leipzig, and contributed 4.6% to consolidated revenues (2018: 2.1%). In regional terms, the German and Austrian markets again developed particularly well. Please refer to the segment reporting in the notes to the consolidated financial statements for information on the sales development of the foreign subsidiaries.

Total revenues under consideration of own work capitalised and other operating income amounted to €52.9 million (2018: €47.3 million). Own work capitalised consisted of developments in the DMS and cloud business and amounted to €1,502K (2018: €348K), which was higher than the previous year and on par with expectations.

EARNINGS DEVELOPMENT

Along with an increase in revenues, expenses also increased during the reporting period. The cost of materials decreased from €11.1 million in the previous year to €10.1 million, and personnel expenses increased from €25.6 million to €27.7 million due to the acquisition of Apinauten GmbH, Leipzig.

The cost of materials ratio again fell in 2019 from 23.8% to 19.9% despite increased revenues, which was mainly due to a lower proportion of purchased licences. At 54.8%, the personnel expenses ratio remained constant year-on-year (2018: 54.9%).

Other operating expenses fell to €10.9 million (2018: €11.4 million). This is partly due to lower leasing expenses as a result of the first-time application of IFRS 16.

Against this background, earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to €4.2 million in the 2019 financial year (2018: €-0.9 million, without IFRS 16). Amortisation of intangible assets and depreciation of property, plant and equipment rose from €2.7 million to €6.1 million due to the acquisition of Apinauten GmbH, Leipzig and the application of IFRS 16. EBIT (earnings before interest and taxes) increased to €-1.9 million (2018: €-3.6 million).

The result of the financial assets of otris software AG and friendWorks GmbH valued at equity amounted to €4.1 million, mainly due to the one-time effect of the sale of the shares in otris software AG (2018: €1.2 million). On the whole, the financial result including the investment earnings increased to €3.6 million (2018: €1.1 million). Consolidated earnings before taxes (EBT) increased correspondingly to €1.8 million (2018: €-2.4 million). Consideration of the tax income of €0.3 million (2018: €0.2 million) resulted in a consolidated net surplus (operating result) amounting to €2.0 million (2018: consolidated net loss of €2.3 million). This corresponds to earnings per share of €0.32 (2018: €-0.43).

2.5.2 PROFIT SITUATION OF EASY SOFTWARE AG

The EASY SOFTWARE AG sales revenues reduced slightly to €32.0 million in the 2019 financial year (2018: €32.9 million). Total operating performance including own work capitalised, changes in inventories and other operating income increased to €38.7 million (2018: €33.2 million). This is mainly due to the sale of the shares in otris software AG, whose capital gain of €6.2 million was reported under other operating income.

Owing to an organisational restructuring of direct sales and consulting, which are now completely located in EASY SOFTWARE Deutschland GmbH, sales revenues decreased by a total of € 0.9 million as compared to the previous year. This is particularly evident in sales of licences and services.

At the cost side, the cost of materials rose from €9.4 million to €9.6 million due to a higher share of purchased services within the Group. Personnel expenses fell from €15.9 million to €13.4 million in the reporting period. The previous year included one-off costs as part of HR restructuring. In addition, employees were transferred to EASY SOFTWARE Deutschland GmbH as part of the strategic orientation.

Other operating expenses rose to €10.2 million (2018: €9.0 million), resulting in an EBITDA of €5.5 million (2018: €-1.0 million).

Depreciation and amortisation reduced by €0.2 million compared to the previous year, resulting in an EBIT of €4.4 million (2018: €-2.3 million). The financial result grew to €2.9 million, mainly due to very positive developments in EASY SOFTWARE DEUTSCHLAND GmbH and the related profit transfer agreement (2018: €2.6 million). The EBT amounted to €7.3 million (2018: €0.3 million). The annual net profit (operating result) rose to €7.3 million (2018: €0.3 million). The one-off effect from the sale of the shares in otris software AG amounting to €6.2 million should be noted here.

2.5.3 ASSETS AND FINANCIAL POSITION OF THE GROUP

2.5.3.1 ASSET SITUATION

CAPITAL STRUCTURE

Compared to the previous year, the balance sheet total increased from €36.1 million to €51.5 million in the reporting period. On the assets side, the increase is mainly due to higher software development costs, property, plant and equipment (through the application of IFRS 16), goodwill and increased cash and cash equivalents. The increased software development costs and goodwill are mainly related to the acquisition of Apinauten GmbH, Leipzig.

On the liabilities side, equity increased to €28.7 million owing to the increase in the capital and the improved group performance (2018: €22.1 million). Long-term liabilities increased as compared to the previous year due to the taking up of a redeemable loan and the passivation of the outstanding purchase price liability from the acquisition of Apinuaten GmbH. The short-term borrowed capital increased as a result of increased payables from supplies and services and financial liabilities that had to be balanced in accordance with the application of IFRS 16. As a result, EASY Group continues to have a very solid equity ratio of 55.8% as of December 31, 2019 (2018: 61.0%).

LONG-TERM ASSETS

In connection with the acquisition of Apinauten GmbH, Leipzig, software development costs rose from €1.1 million to €7.8 million and goodwill from €6.2 million to €11.5 million. Financial assets valued at equity fell from €6.5 million to €0.3 million due to the sale of the shares in otris software AG. The increase in property, plant and equipment is mainly due to the application of IFRS 16.

Deferred tax assets decreased from €3.0 million to €1.1 million. Other items changed only slightly, so that non-current assets increased from €24.8 million as of December 31, 2018 to €32.2 million as of December 31, 2019. This corresponds to a share of the balance sheet total of 62.5% (2018: 68.7%).

SHORT-TERM ASSETS

Short-term assets increased to €19.3 million, mainly due to higher other receivables and payment methods (December 31, 2018: €11.3 million), with a 37.5% share of the balance sheet total (2018: 31.3%).

LONG-TERM LIABILITIES

Non-current financial liabilities expanded in the past financial year and amounted to €7.4 million as of December 31, 2019 (December 31, 2018: €3.4 million). Personnel provisions relate to pension obligations and increased by €0.2 million as compared to the previous year, resulting in the long-term borrowed capital increasing to €7.8 million as of December 31, 2019 (December 31, 2018: €3.7 million). This corresponds to a share of 15.3% in the balance sheet total (2018: 10.2%).

SHORT-TERM BORROWED CAPITAL

Short-term borrowed capital increased in the reporting period from €10.4 million as of December 31, 2018 to €15.0 million as of December 31, 2019, which corresponds to a share of 29.0% in the balance sheet total (2018: 28.8%). Significant changes compared to the previous year resulted in financial liabilities of €7.1 million (December 31, 2018: €3.0 million) and payables from supplies and services amounting to €2.1 million (December 31, 2018: €1.6 million).

EQUITY

As of December 31, 2019, equity including non-controlling interests increased to €28.7 million (December 31, 2018: €22.1 million). The increase is mainly due to the capital increase and the higher consolidated net income for the year.

The subscribed capital increased from €5.4 million to €6.4 million during the reporting period. The capital reserve increased from €10.0 million to €14.0 million due to the premium on the capital increase. The equity ratio decreased slightly from 61.0% as of December 31, 2018 to 55.8% as of December 31, 2019.

2.5.3.2 FINANCIAL SITUATION

The net cash inflow from operating activities increased to €3.1 million in the past financial year (2018: €-0.1 million).

The net cash inflow from investment activities amounted to €1.4 million in the reporting period (2018: Net cash outflow €1.0 million). Payments for business acquisitions and intangible assets amounted to €8.7 million during the financial year (2018: €1.7 million). This was compounded by investments in property, plant and equipment amounting to €0.5 million (2018: €0.3 million). The sale of the shares in otris software AG resulted in proceeds of €9.2 million.

The net cash inflow from financing activities amounted to €3.7 million in the 2019 financial year (2018: €0.9 million). Payments for the scheduled repayment of loans to the amount of €2.8 million were offset by proceeds from the raising of loans to the amount of €4.0 million. Interest payments amounted to €0.4 million (2018: €0.1 million). The proceeds from the capital increase amounted to €5.0 million.

This resulted in a very positive total cash flow of €7.4 million for the 2019 financial year (2018: €-0.3 million). Cash and cash equivalents amounted to €8.9 million as of December 31, 2019 (December 31, 2018: €1.5 million).

2.5.4 ASSET AND FINANCIAL SITUATION OF EASY SOFTWARE AG

CAPITAL STRUCTURE

Compared to the previous year, the balance sheet total increased from €31.0 million to €46.1 million in the reporting period.

The increase on the assets side is mainly due to the €9.2 million rise in shares in affiliated companies following the acquisition of Apinauten GmbH. On the other hand, investments decreased by €3.2 million due to the sale of the shares in otris software AG. Receivables from affiliated companies increased by €3.0 million in the fiscal year, while cash and bank balances amounted to €5.0 million (2018: €0.1 million).

The main factors on the liabilities side were the increase in equity from €18.7 million to €30.7 million and the rise in other liabilities by €2.9 million. Other liabilities mainly relate to the remaining purchase price of €3.5m for the shares in Apinauten GmbH, Leipzig. As a result, the equity ratio changed from 60.4% as of December 31, 2018 to 66.7% as of December 31, 2019.

ASSETS

Long-term assets rose from €19.2 million to €27.5 million in the reporting period. This increase was primarily due to the increase within shares in affiliated companies as a result of the acquisition of Apinauten GmbH and merger with EASY ENTERPRISE SERVICES GmbH.

Property, plant and equipment decreased due to the sale of the personal-use property in Borna. Financial assets are tested for impairment annually. As in the previous year, no impairments were reported as of the balance sheet date on December 31, 2019. On the whole, 59.6% (2018: 61.9%) of the balance sheet were attributed to total assets.

CURRENT ASSETS

Receivables and other assets increased from €11.4 million as of December 31, 2018 to €13.1 million as of December 31, 2019. This could primarily be attributed to higher cash pooling receivables of €4.5 million (2018: €3.1 million) and increased other receivables of €5.5 million (2018: €3.9 million) against affiliated companies. Trade receivables decreased by €1.7 million as compared to the previous year on the reporting date. Other assets increased by €0.3 million as compared to the previous year. In total, current assets increased to €18.1 million as of December 31, 2019 (2018: €11.6 million) corresponding to a share of 39.3% in the balance sheet total (2018: 37.3%).

DEFERRED ACCOUNTING COSTS AND EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY

Prepaid expenses increased from €0.2 million as on December 31, 2018 to €0.5 million at the end of the reporting period. As in the previous year, the excess from the netting of a pension obligation amounted to less than €0.1 million.

EQUITY

The equity of the company increased by €12.0 million to €30.7 million as a result of increase in capital and the annual net profit for the financial year (2018: €18.7 million). Subscribed capital and capital reserves increased as a result of the capital increase and the premium on the newly issued shares. As a result, the equity ratio increased from 60.4% as of December 31, 2018 to 66.7% as of December 31, 2019.

PROVISIONS

Provisions reduced during the reporting period from €1.9 million as of December 31, 2018 to €1.4 million as of December 31, 2019. Of these, €1.4 million could be attributed to other provisions (2018: €1.8 million). The other provisions mainly comprise liabilities due to annual special payments and employee commissions of €0.6 million (2018: €0.8 million) for severance payments from personnel restructuring of €0.1 million (2018: €0.4 million) and outstanding holidays of €0.1 million (2018: €0.1 million).

LIABILITIES

Liabilities to banks increased from €6.2 million to €7.4 million, while payables from supplies and services increased from €1.2 million to €1.3 million. Liabilities to affiliated companies decreased to €1.0 million (2018: €1.4 million). Due to the sale of the shares in otris software AG at the end of the financial year, there were no liabilities to companies, in which an investment is held (2018: €0.5 million). Other liabilities rose to €3.8 million, mainly due to the passivation of the remaining purchase price of €3.5 million for the acquisition of Apinauten GmbH. Total liabilities as of December 31, 2019 amounted to €13.4 million (2018: €10.1 million), corresponding to a share of 29.2% in the balance sheet total (2018: 32.5%).

DEFERRALS

Deferred income relates to software maintenance agreements with service periods that exceed the financial year and that are billed and paid in advance. At the end of the reporting period, these amounted to €0.5 million (2018: €0.3 million).

FINANCIAL POSITION

The cash and cash equivalents amounted to €4,983K on 31 December 2019 (31 December 2018: €91K). A current account credit line of €1.0 million was available, which was not utilised as of the balance sheet date.

2.5.5 FINANCE MANAGEMENT

The financial management of EASY SOFTWARE AG and EASY Group has set itself the central goal of keeping sufficient liquidity reserves available at all times, minimizing financial risks and securing financial flexibility. The operating activities of the individual companies and the resulting cash inflow are the main source of liquidity. This also includes income from associated companies at the group level or from participating interests and profit transfer agreements at individual company level. Extensive financing by interest-bearing debt is only required for large investments such as company acquisitions, and is therefore conducted on a case-by-case basis. The loans have regular fixed interest rates.

The target of adequate capitalisation in excess of 50%, which was reached at both the parent company and group level, is intended to bolster the external rating by banks. The consistent adherence to covenants is monitored. The interest-bearing liabilities come with covenants that take into consideration the equity ratio and a multiple of group EBITDA. A covenant on the equity ratio was not complied with as of December 31, 2019. However, we do not expect this to have any effect on the loan relationship.

Target fulfillment is monitored as part of corporate and group planning. At Group level, all consolidated subsidiaries are covered by this planning as a matter of principle. This ensures that sufficient liquidity is available at all times. EASY Group believes that the essential prerequisites for future development have been created in the form of available capital resources and agreed financing measures.

An integral part of the financial management is the monitoring of the value of the shares in affiliated companies in the individual financial statements or rather an impairment test of goodwill in the consolidated financial statements. Annual impairment tests are carried out, and also during the year in the case of special events.

In the context of continued successful internal financing, no dividend payment is planned this year.

2.5.6 INVESTMENTS

In the past financial year, EASY Group made investments amounting to €3.1 million (2018: €1.0 million). Of which €1.6 million (2018: €0.3 million, without IFRS 16) was transferred to property, plant and equipment and €1.5 million (2018: €0.7 million) to intangible assets and development costs.

EASY SOFTWARE AG made investments amounting to €12.8 million (2018: €2.3 million). €0.2 million of the invested funds flowed into intangible assets, €0.4 million into property, plant and equipment and, through the acquisition of Apinauten GmbH and merger with EASY ENTERPRISE SERVICES GmbH, €12.2 million into shares in affiliated companies. Investments in a much lower volume of €1.5 million to €2.5 million are planned for the 2020 financial year.

2.5.7 ORDERS SITUATION

The order backlog of EASY Group at the end of the reporting year was in line with the overall economic situation. As on 31.12.2019, the order backlog in Germany amounted to €4.4 million (31.12.2018: €4.8 million). For the 2020 financial year, the Management Board expects a stable order backlog for new business across all group companies (subject to the currently unforeseeable effects of sustained coronavirus restrictions).

2.5.8 EMPLOYEES

Qualified and motivated employees are an essential asset for EASY. In the reporting period, the average number of employees in the Group increased from 318 to 365. Above all, the staff taken on from Apinauten GmbH is also reflected in the number of employees.

In the 2019 financial year, EASY SOFTWARE AG employed an average of 173 (2018: 197) employees. At the end of the financial year, the number of EASY SOFTWARE AG employees was 182 (2018: 193).


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2.6 REMUNERATION REPORT

The remuneration of the Executive Board consists of a non-performance-related and a performance-related component. The non-performance-related part consists of a fixed salary, which is paid as a monthly basic salary, insurance fees and a value for non-cash benefits to be applied in accordance with the tax regulations. The performance-based component consists of a bonus, which is dependent on sales and earnings. Other variable remuneration components such as stock options are not in place.

The total compensation granted to active members of the Board amounted to €389K in the 2019 financial year (previous year €580K).

Mr. Dieter Weißhaar received fixed remuneration of €325K, performance-related remuneration of €45K and fringe benefits of €19K for the financial year. A provision of €97K was formed for variable compensation that is yet to be paid out. In the 2019 financial year, additional short-term and long-term performance-related remuneration was agreed with Dieter Weißhaar (bonuses 1-3), which in total amount to a maximum of €300K per financial year (total remuneration cap). The long-term targets amount to a maximum of €220K per fiscal year and will be paid out until the 2024 financial year if the targets are met. The goals are based on individually set annual targets and the multi-year group EBITDA. The employment contract of Mr Dieter Weißhaar contains provisions for benefits in the event of premature termination of the contract, according to which claims may be granted pro rata temporis.

Granted benefits €K	**Dieter Weißhaar** **Executive Board** Entry: 01.06.2018			
	2018	**2019**	**Min.**	**Max.**
Fixed compensation	175	325		
Ancillary benefits	11	19		
Total	**186**	**344**	**0**	**0**
One-year variable compensation	50	54		81
Benefit expenses	0	0		
Total compensation	**236**	**398**	**0**	**81**

Inflow €K	**Dieter Weißhaar** **Executive Board** Entry: 01.06.2018			
	2018	**2019**	**Min.**	**Max.**
Fixed compensation	175	325		
Ancillary benefits	11	19		
Total	**186**	**344**	**0**	**0**
One-year variable compensation	0	45		
Benefit expenses	0	0		
Total compensation	**186**	**389**	**0**	**0**

In accordance with § 21 of the Articles of Association, members of the Supervisory Board are to receive compensation of €15,000.00 (previous year €15,000.00) per financial year. The chairperson receives 2.5 times and the deputy 1.75 times the amount. Furthermore, the members of the Supervisory Board receive an attendance fee of €1,500.00 per meeting for attending the meetings. Performance-related compensation components were neither granted nor paid. No consultancy contracts with Supervisory Board members. For 2018 and 2019, the members of the Supervisory Board were granted the following compensation (excluding expenses, value added tax):

Granted remuneration	Fixed compensation		Attendance fees		Total compensation	
€	2018	2019	2018	2019	2018	2019
Oliver Krautscheid (Chairperson)	37,500	37,500	22,500	33,000	60,000	70,500
Stefan ten Doornkaat (Deputy)	26,250	26,350	22,500	33,000	48,750	59,350
Thomas Mayerbacher (supervisory board until August 6, 2019)	15,000	9,008	22,500	25,500	37,500	34,508
Armin Steiner (supervisory board until August 6, 2019)	0	6,000	0	7,500	0	13,500
Total	**78,750**	**78,858**	**67,500**	**99,000**	**146,250**	**177,858**

All remuneration relates exclusively to short-term benefits.

2.7 CORPORATE GOVERNANCE AND DECLARATION ON CORPORATE MANAGEMENT ACCORDING TO § 289F HGB AND § 315D HGB

The Corporate Governance Statement includes the Corporate Governance Report in accordance with the recommendation of the German Corporate Governance Code (DCGK). The corporate governance declaration required by § 289f HGB and § 315d HGB has been made permanently accessible to the public by EASY SOFTWARE AG by way of an entry on its website (easy-software.com).

2.8 OTHER INFORMATION

COMPOSITION OF THE SUBSCRIBED CAPITAL

By utilising the authorised capital of 2014, a capital increase was carried out in March 2019 with the authorisation of the annual general meeting and the approval of the Supervisory Board, and 1,039,039 new bearer shares with a proportional amount of share capital of €1.00 per share were issued.

As of December 31, 2019, the share capital of EASY SOFTWARE AG amounted to €6,442,039.00. It is divided into 6,442,039 bearer shares with a pro rata amount of the share capital of €1.00 per share. As of 31 December 2019, there were no treasury shares.

RESTRICTIONS CONCERNING VOTING RIGHTS OR SHARE TRANSFERS

The EASY SOFTWARE AG shareholders are neither limited by German law nor by the Articles of Association of the company in their decision to purchase or dispose of shares. The acquisition and sale of shares does not require the approval of the company's executive bodies for effectiveness. The company is not aware of any restrictions on the transferability of shares.
Each share grants one vote at the Annual General Meeting. The voting rights of shareholders are not subject to any restrictions under either the law or the Articles of Association of the company, The voting rights are not limited to a certain number of shares or a certain number of votes. All shareholders who have registered in time for the Annual General Meeting and have demonstrated their entitlement to attend and to exercise their voting rights are entitled to do so for any shares held and registered by them. Only the statutory prohibitions on voting rights apply (e.g. § 136 AktG (German Stock Corporation Act)).

THE COMPANY RECEIVED THE FOLLOWING NOTICES IN THE REPORTING PERIOD PURSUANT TO § 33 WPHG (GERMAN SECURITIES TRADING ACT):

Notice date	Notifiable name of the shareholder	Date of threshold contact	Reason for the message	Total voting rights shares
12.06.2019	Wilhelm K. T. Zours, Deutsche Balaton Aktiengesellschaft	07.06.2019	Purchase	30.18% (attributed)
24.04.2019	Wilhelm K. T. Zours, Deutsche Balaton Aktiengesellschaft	18.04.2019	Purchase	29.17% (attributed)
24.04.2019	Axxion S. A., Greven-macher (Luxembourg)	18.04.2019	Disposal	3.88% (direct)
24.04.2019	Petra Neureither PEN GmbH	24.04.2019	Disposal	2.98% (attributed)
02.04.2019	Thorsten Wagner Global Derivative Trading GmbH	28.03.2019	Purchase	32.17% (attributed)*
26.03.2019	Petra Neureither PEN GmbH	19.03.2019	Disposal	4.53% (direct)
22.03.2019	Wilhelm K. T. Zours, Deutsche Balaton Aktiengesellschaft	19.03.2019	Purchase	21.41% (attributed)

*2.33% return transfer claim from securities lending; due date: 28.02.2021

SHARES WITH SPECIAL RIGHTS CONFERRING CONTROL POWERS

Shares with special rights conferring control powers have not been issued by the company.

TYPE OF VOTING RIGHTS FOR WORKERS WITH A CAPITAL STAKE WITHOUT DIRECT EXERCISE THEREOF

Employees do not hold a stake in the capital with directly exercisable control rights.

STATUTORY PROVISIONS AND PROVISIONS OF THE STATUTES OF APPOINTMENT AND REJECTION OF BOARD MEMBERS AND AMENDMENTS TO THE STATUTE

The appointment and dismissal of the members of the Executive Board are regulated in §§ 84, 85 AktG and in § 23 of the Articles of Association of EASY SOFTWARE AG. The Supervisory Board appoints the members of the Executive Board accordingly. According to § 23 of the Articles of Association the Executive Board must be composed of at least one person. Otherwise, the

Supervisory Board determines the number of members of the Executive Board. The Supervisory Board is to appoint the members for a maximum of five years. A repeated appointment for a maximum of five years or an early cancellation thereof are both permissible. The Supervisory Board may appoint a member of the Executive Board as Chairperson, as well as deputy board members.

The Articles of Association are amended in accordance with § 179, 133 AktG and § 13 (4) of the Articles of Association; this requires a resolution by the Annual General Meeting to be passed by a three-quarters majority of the share capital represented at the time of the resolution. The amendment to the Articles of Association becomes effective upon entry in the commercial register pursuant to § 181 (3) AktG. 1Pursuant to § 19 of the Articles of Association, the Supervisory Board is authorized to make amendments to the Articles of Association that only affect the wording independently.

POWERS OF THE EXECUTIVE BOARD TO ISSUE OR RETURN SHARES

The Executive Board was authorised by resolution of the Annual General Meeting on August 8, 2014 to issue the share capital of the company until August 7, 2019 with the approval of the Supervisory Board once or several times in instalments of up to €1,350,750.00 (in words: One million three hundred and fifty thousand seven hundred and fifty Euro) by issuing new shares for cash (Authorised Capital 2014). The shareholders are in principle entitled to subscription rights. The Board is authorized to restrict shareholders' statutory subscription rights for fractional amounts with the approval of the Supervisory Board.

The company utilized the Authorized Capital 2014 partially in March 2019 by issuance of 1,039,039 new no-par-value bearer shares.

ACQUISITION OF OWN SHARES

The company was authorised by resolution of the annual general meeting of June 8, 2017 to acquire treasury shares of up to 10% of the share capital by June 7, 2022, at the time of the resolution on June 8, 2017. The acquired shares must not account for more than 10% of the share capital together with other treasury shares held by the company or attributable to it in accordance with §§ 71 a et seq. AktG at any given time. This authorization must not be used for the purpose of trading in own shares.

So far this authorization has not been exercised.

SIGNIFICANT AGREEMENTS OF THE COMPANY WHICH ARE UNDER THE CONDITION OF A CHANGE OF CONTROL UNDER A TAKEOVER OFFER

There were and are no agreements for the event of a change of control following a takeover bid.

COMPENSATION AGREEMENTS OF THE COMPANY PROVIDED IN THE EVENT OF A TAKEOVER OFFER WITH BOARD MEMBERS OR EMPLOYEES.

The company has not entered into any compensation agreements for the event of a takeover bid with members of the Board or staff.

3. RISK AND OPPORTUNITY REPORT

Risks refer to the general possibility of the occurrence of internal or external events that may take an adverse effect on the net assets, financial position or results of operations of EASY SOFTWARE AG or its subsidiaries, or whose occurrence jeopardizes the achievement of set target values. The EASY SOFTWARE AG business activities are exposed to a multitude of risks that are inextricably linked to entrepreneurial activity. The opportunities and risks arising from entrepreneurial activity are constantly defined and assessed by the Executive Board. The key elements of the management and leadership instruments are the monitoring, analysis, evaluation and control of risks, as required by § 91 Para. 2 of the German Stock Corporation Act. The risks are categorised. The categorical exclusion or fundamental avoidance of special risks is not provided for. Risks are minimized or transferred to third parties as far as possible and in an entrepreneurial sense.

3.1 RISK MANAGEMENT

At EASY SOFTWARE AG and the EASY Group, consistent control and risk management forms an essential instrument for securing the long-term security of the company or rather group. EASY Group has a corporate and group-wide early-warning system for identifying potential risks that covers both internal and external risk factors. Compliance with the strategic requirements is monitored by the respective specialist departments. An ongoing central review of the key performance indicators (sales and EBITDA, but also the development of new customer acquisition, KPIs, maintenance inventory development and liquidity) and their development, deviations from planning, process control, as well as market and competition analyses round off risk management. EASY has a control and monitoring system that ensures recognition, analysis, including assessment and communication, and control of (life-threatening) risks and their changes. Risk management basically covers all risks. The risk management system covers only risks, not opportunities.

The EASY accounting-related internal control and risk management system includes tools and measures that are used in a coordinated manner to prevent or rather identify, evaluate, and eliminate accounting-related risks in a timely manner. The Finance Department has drawn up guidelines and approval structures for risk prevention and detection and the control of risks in this context. The internal control and risk management system is fully integrated into the quality assurance process of the company or Group with regard to the accounting process. The overall responsibility for all processes involved in preparing the annual and the consolidated financial statements of EASY Group rests with the Executive Board.

The efficiency of the entire risk management system is regularly monitored and evaluated. The nearly completed conversion of all EASY companies, through which the EASY Group exercises operational management, to a uniform ERP system throughout the Group will further improve these control and risk management systems. Potentials for improvement will be implemented immediately.

3.2 RISK MANAGEMENT WITH REGARD TO THE ACCOUNTING PROCESS

The accounting process of the EASY Group is designed appropriately for the size of the company and group. In addition to complying with the accounting regulations, the parent company also monitors adherence to further group requirements, such as with regard to processes. The accounting-related business data of the group entities included in the consolidation is merged into EASY SOFTWARE AG as the parent company of the group. Significant information and facts relevant to the accounting of the consolidated group companies are discussed with the individual departments prior to their recognition and reviewed by the accounting department for their compliance with the applicable accounting standards. The financial statements of the subsidiaries included in the consolidated financial statements are analysed by means of appropriate reporting systems and their accuracy is reviewed by including other specialist departments. EASY SOFTWARE AG is supported by external consultants. The financial statements of the EASY Group entities are prepared in accordance with the accounting rules applicable in their respective country of residence. In Germany, these are based on the provisions of the German Commercial Code (HGB). In the scope of consolidation as part of the preparation of the consolidated financial statements, the reconciliation to financial reporting in accordance with the International

Financial Reporting Standards (IFRS), which is the usual method in the EU, takes place. In addition to risks arising from non-compliance with accounting rules, risks may also arise from disregarding formal deadlines and terms. In order to avoid such risks, as well as to document the work processes carried out as part of the preparation of the consolidated financial statements, EASY prepares a closing calendar to record the chronology of the individual activities and the assignment of responsibilities. This final calendar is used to monitor both the adherence to the given work processes as well as to given deadlines for the preparation of financial statements. The final calendar also alerts the responsible employees with timely warnings of any scheduling or technical problems. It also enables status tracking of the build process to identify and resolve risks in a timely manner. Compliance with IT security regulations is ensured by way of individual access regulations in the accounting-related EDP systems. The annual and consolidated financial statements of EASY SOFTWARE AG are audited for compliance with the applicable accounting standards by the auditors. The EASY SOFTWARE AG annual and consolidated financial statements are subject to auditing. The final result of the examination is published in the form of a memorandum containing the respective financial statements.

3.3 RISKS

In addition to the general national and international economic development, industry-specific risks and the rapid technological change may take a negative impact on the business development of EASY SOFTWARE AG and EASY Group. Certain revenue and earnings risks related to economic and industry-related development cannot be entirely ruled out despite permanent internal control and the presence of early-warning systems.

GENERAL MARKET RISKS

The markets for the EASY SOFTWARE AG and EASY Group products are characterized by very high competition. The European market – and in this context particularly the German-speaking region – is subject to the world's highest competitive density. However, a large number of companies with functionally similar products have been coexisting for decades, since there is also great demand for corresponding products. In addition to the general acceptance and sales risk for newly developed products, there's also a recognizable earnings risk caused by high expenses for market development, product launch and subsequent market penetration. Despite intensive market research, achieving the set sales targets for new products is always subject to risks. During product development, which sometimes goes on for several years, markets and customer requirements may change. However, the acceptance of new products by the customer is a key factor in achieving sales targets.

EASY Group sells its products and solutions for the perception of growth opportunities internationally as well. Our international customers are served by regional subsidiaries or business partners. As a result, EASY Group and its subsidiaries are also exposed to risks from international transactions, such as changed legal, tax or political conditions. Risks currently arise here, in particular, from the Brexit transition. However, since EASY Group is primarily active in Germany, the risks from international business is regarded as manageable.

PRODUCT RISKS

The software EASY Group products and solutions offer comprehensive functionalities. This enables the company to meet most customer requirements. For new product developments, however, the large range of functions also represents a risk since new product generations must also offer the full functional scope.

The ever-increasing complexity also entails increasing risks in terms of product development. In addition, there is a risk that new products contain previously unknown or undetected errors on delivery. Resolving such errors may consume significant resources, leading to higher costs and delays due to further product releases.

Delays or quality issues cannot be entirely ruled out. These may affect the market acceptance of EASY products and solutions, jeopardize the group's market position and negatively impact economic development. The EASY Group thus takes extensive measures to ensure punctual delivery at high quality levels. Major quality problems have not occurred to date.

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DISTRIBUTION AND SALES RISKS

Many products and solutions of the EASY Group cannot be installed by the customers themselves. The sale is usually only possible after a comprehensive consultation involving different departments of the client company. This places high demands on the knowledge and skills of the salespersons and consultants. EASY conducts regular training sessions with all sales staff to keep them up-to-date with the latest technical knowledge and sales practices. New staff may use this training program to get up and running faster and advise customers on improving their processes using EASY products. There is a risk that customer behaviour change and turns to other business models.

CHANGE TO CLOUD AND SUBSCRIPTION MODELS

To meet the growing demand for cloud-based solutions, EASY has continued to invest in developing these solutions. As a rule, the sales revenues generated by these models are lower than in licence business, but are generated over longer periods and with higher customer loyalty.

The change from traditional licence business to cloud and rental models (subscriptions) could therefore have an impact on the EASY Group's net assets, financial position and results of operations in the future.

DEPENDENCE ON STAFF AND KNOW-HOW CARRIERS

The EASY operations require highly specialized know-how in many areas. There is a risk that important know-how carriers leave the company. At the same time, recruiting suitable people may prove difficult. EASY therefore takes appropriate measures to counteract unwanted employee fluctuation. At the same time, the group is working on introducing multi-faceted recruitment measures and creating framework conditions so as to be perceived as an attractive employer both internally and externally.

RISKS IN THE PARTNER BUSINESS

The indirect sales channel opens up a large sales market for EASY Group. Thanks to our broad industry diversification of the distribution partners, EASY is relatively insensitive to negative developments in individual industries. However, indirect market access also carries the risk of missing direct customer contact. This may lead to misjudgements and incorrect planning. The partner management at EASY cooperates closely with partners to minimize this risk. The Group also conducts events and other activities that seek to engage directly with EASY customers and distributors. The acquisition of new distribution partners is subject to fierce competition. EASY Group therefore offers its partners a very comprehensive program, which enables new sales partners to generate first sales of EASY products swiftly.

VALUATION ALLOWANCES

There is a risk concerning valuation allowances on shares in affiliated companies in the separate financial statements or goodwill in the consolidated financial statements within EASY Group, provided that they do not achieve the expected positive results (in the future). The shares or goodwill are subject to annual impairment tests. No value adjustments were necessary in 2019, as in the previous year.

LIQUIDITY RISK

Liquidity risks arise from the potential inability of EASY Group companies to meet existing or future payment obligations due to insufficient cash availability. EASY Group has established and documented appropriate processes to manage financial risks. Thus, a cashpool agreement was signed between the parent company, EASY SOFTWARE Deutschland GmbH, EASY SOFTWARE GmbH, Salzburg and EASY APIOMAT GmbH. Financial planning, which serves as the basis for determining the liquidity risk and the future foreign exchange and interest rate risk, and whereby all subsidiaries relevant from a cash flow point of view also form an important component. Financial planning has a planning horizon of twelve months and is updated regularly. Liquidity risk is determined and managed centrally within the framework of daily and medium-term liquidity planning.

Due to the high volume of advance payments from software maintenance contracts, which were received at the beginning of the year, sufficient liquidity during the course of the year is largely secured, so that financing is generally provided from own funds. The shift from the current priority license business to cloud services, coupled with elements such as volume-based billing systems, will occur in the medium to long term. There are currently no material liquidity risks. Further to internal financing, the servicing of financial liabilities is ensured by keeping the liquidity reserves resulting from advance payments, by existing overdraft facilities, long-term debt financing, the introduction of cash pooling and the daily monitoring of cash flows.

Compliance with the aforementioned covenants from loan agreements is constantly monitored.

CREDIT RISK

EASY Group continuously monitors the development of the receivables portfolio and the receivables structure throughout the Group to avoid payment delays or difficulties in collecting receivables. As a result, possible risks can be identified at an early stage, and appropriate countermeasures initiated.

The EASY Group takes sufficient account of the special business risks by creating specific valuation allowances. The group-wide specific valuation allowances amount to €0.9 million (2018: €0.4 million). Information about the creditworthiness of new clients are regularly obtained to assess the risk of default. The knowledge gained is taken into account when designing the service relationships with the customers.

RISKS OF MARKET PRICE CHANGES

Risks from changes in market prices in the currency area are controlled centrally by (Group) accounting and are currently not hedged due to their manageable impact on EASY Group. The turnover of EASY Group invoiced in currencies other than EUR amounts to the equivalent of €2.5 million, corresponding to 4.9% of total sales (2018: €2.6 million or 5.5%), with the German and Austrian companies invoicing exclusively in EUR.

Risks from changes in market prices in the interest rate area are also controlled centrally by (group) accounting. Interest rate risks are counteracted by agreeing fixed-interest loans. Negative interest on credit balances is controlled via cash pooling, wherever possible. The risk from a decline in interest income is considered insignificantly due to the low importance of interest income for the group.

DATA SECURITY

All products and services are protected against unauthorized access to customer and employee data through comprehensive security concepts. This is especially true for the growing cloud business. EASY Group audits the security by way of security testing.

LEGAL DISPUTES

Insofar as the company is party to out-of-court and judicial proceedings with external third parties, there is always the possibility of default. Adequate provisions are made on balance sheet to counteract the risk of a high financial burden arising from legal disputes.

CORONAVIRUS (COVID-19)

Due to the spread of the novel coronavirus (SAR-SCoV-2), the EASY Group is exposed to risks both on the procurement and, in particular, the sales side. The measures ordered by the German Federal Government to restrict public life may have a particular impact on the provision of services at customers' premises, subsequently leading to declining sales. Furthermore, the negative macroeconomic effects of these circumstances cannot yet be foreseen. If the outbreak cannot be significantly contained in a timely manner, this could have a significant negative impact on the business and earnings situation of the EASY Group despite risk-minimising measures.

3.4 OPPORTUNITY MANAGEMENT

The markets relevant to EASY are subject to constant change, which may result in new opportunities on an ongoing basis. An important factor for the success of EASY Group is in the timely identification as well as the correct assessment and exploitation of such opportunities. The can be internal as well as external potentials. EASY does not operate an opportunity management system, i.e. there is no quantification of the opportunity potential.

The analysis of opportunities falls within the remit of the Executive Board. The analysis of opportunities is the source for the strategic orientation of the company and the operational measures derived from it. The resulting opportunities also involve risks. The task of risk management is in assessing and reducing them where possible. By contrast, the identification, analysis and evaluation of potential opportunities for the group is assigned to the strategy process. In principle, EASY strives for a balance between opportunities and risks.

3.5 OPPORTUNITIES

The following describes the most significant opportunities of EASY Group. However, this list is only a selection of the possibilities at hand. Furthermore, the assessment of opportunities is subject to constant change as the relevant markets and technological environment continue to evolve. At the same time, new opportunities may emerge from these developments.

INCREASING DIGITALISATION

The steady increase in digital communication, for example via digital media, platforms or networked devices, is leading to increasing digitization pressure. Due to the dynamic technological development in IT, new applications and requirements are constantly being created. Digitization holds great social opportunities and opens up enormous potential for added value. In doing so, companies must question their business models and processes openly, flexibly and innovatively, and develop new ones. Together with flexible cloud technologies and robust security concepts, digitalisation concepts and programs are a central component of the future strategy and IT budgets of many companies of all sizes. The steady improvement of the technological performance of devices and the predicted increase in the volume of data transferred require companies to continue to expand and increase the flexibility of their IT capabilities significantly.

The EASY portfolio forms an integral part of the digital transformation, and the demand for mobile, digital solutions is increasing significantly. As a technology leader in the field of software solutions for digital business processes, progressive digitalisation offers great opportunities for the EASY Group to meet the growing demand for simplifying and automating all document-related processes. Over the past few years, a modern portfolio of solutions, which largely standardizes even complex content and covers important topics such as mobility and collaboration, has been established. EASY has already won its first innovative projects in the field of Internet of Things (IoT) on its strength. The acquisition of Apinauten GmbH aims at these opportunities in digitization. This may take a correspondingly positive impact on the asset, financial and earnings position of the Group in the future.

ADVANCING REGULATION

The net assets, financial position and results of operations of the company and the group are influenced by changes in regulation in Germany and the European Union. Other political or legal changes, in particular as a result of changes in the law, could have a positive effect on the net assets, financial position and results of operations of the company and EASY Group. For instance, the Federal Cabinet recently decided to adapt German law to the EU General Data Protection Regulation (EU GDPR), which will apply without restriction as of May 2018. The European Commission wishes to grant its citizens better control over their own data. This has a huge impact on IT and compliance processes in most companies. Businesses need to fundamentally revise the existing IT, security and privacy policies in relation to the requirements of the GDPR, as well as the use of their software systems to fulfil affected user rights.

The Basic Data Protection Regulation also places new demands on content management. Many companies still have plenty of catching up to do. EASY SOFTWARE AG and the EASY Group assume that these and other regulatory innovations will continue to generate additional demand in the future. This could have a positive effect on the asset, financial and earnings position of EASY SOFTWARE AG and the Group.

INCREASING ESTABLISHMENT OF OWN PRODUCTS AND SOLUTIONS

EASY Group has developed a modern portfolio with the aim of increasing sales with products developed in-house. Depending on the customer's interest, this can be extended by individual solution modules. This results in benefit-oriented solutions that are capable of extremely swift integration and that are compatible with a range of systems and infrastructures as standard. The positioning of the EASY Group with the increasing establishment of its own products and solutions in the market could have a positive impact on the net assets, financial position and results of operations of the EASY Group.

EXPLOITING NEW TARGET GROUPS AND MARKETS

The acquisition of Apinauten GmbH opens up new customer segments in the wholesale segment with a focus on the financial industry for the EASY Group. Thanks to the range of SAP-based solutions available, EASY Group is an attractive partner for larger and international companies. The cloud technology also offers the opportunity to build marketing of the EASY solutions abroad in the future. Especially companies with many international locations are dependent on processes standardization. The first successful projects in this context have already been completed and the further expansion may have a positive effect on the asset, financial and earnings position of the EASY Group.

INCREASING SCALABILITY

The growing segment of software-as-a-service solutions will become even more important in the future. EASY Group with the EASY archive and solution based in the cloud opens up considerable scaling opportunities, particularly via the new online operation and co-operations. This is developing very positively. Partners have the opportunity to participate in the success and create an ecosystem with self-developed (workflow) apps that further strengthen the EASY solution world. As the market leader in Germany with more than 13,600 installations and solutions capable of seamless integrating into all common application programs, EASY is excellently positioned to benefit from the prevailing trends.

INORGANIC GROWTH

In addition to improving internal processes and organic business expansion, EASY has continued to grow its value-driven, strategic acquisitions and partnerships.

On December 20, 2018, EASY SOFTWARE AG concluded a purchase agreement for 72.3% of the shares in Apinauten GmbH, Leipzig, Germany, with economic effect from January 1, 2019, and implemented it during the fiscal year with the objective of increasing the company's growth in the B2B market segment for cloud-based and mobile software solutions.

The Executive Board of EASY SOFTWARE AG is also constantly exploring interesting opportunities for collaborations and holding talks with potential partners to supplement the Group. The successful completion of further acquisitions would help to expand the market position of EASY Group achieved to date, and may have a correspondingly positive impact on the net assets, financial position and results of operations of the Group.

3.6 MANAGEMENT ASSESSMENT OF THE OVERALL RISK AND OPPORTUNITY SITUATION

In summary, the Management Board assumes that the risks of the EASY Group – with the exception of the possible effects of the Corona crisis – are limited and manageable. Apart from this, there are no discernible risks from which significant effects on the Group, its financial position, results of operations or net assets are considered probable. Our assessment of the probability of occurrence of individual risks and their potential effects has not changed significantly compared to the previous year. EASY SOFTWARE AG does not recognize any risks that could jeopardize the continued existence of the group today or in the future.

4. OUTLOOK

A recession is expected for 2020, the extent and duration of which cannot be currently estimated. The statements given below do not take full account of the possible effects of the coronavirus, as these are unknown at this time. A sustained decline in the buying behaviour of our customers due to the coronavirus could affect EASY's business development in 2020.

The first quarter of 2020 was not yet affected by this. Group sales increased by more than 6% as compared to the same period of the previous year. Group EBITDA increased disproportionately. Order volume and sales pipeline still appear to be intact for the second quarter of 2020. Thanks to the excellent mobile IT equipment and preparatory work in agile online marketing, sales activities could be shifted online quickly and without losses so far. Services for existing orders can also be carried out from home through remote access to the customer's IT infrastructure. The EASY Development department is also currently working largely decentralised.

Despite the high adaptability of the EASY organisation and employees to the new situation, unknown factors and increased uncertainty exist for the second half of 2020. Traditionally, however, the 4th quarter of a fiscal year is of outstanding importance for revenue growth and for achieving the EBITDA forecast.

The Management Board is currently planning Group sales in 2020 in the range of €49 to €54 million and assumes the possibility of further growth in the single-digit percentage range. Depending upon customer demand for subscription solutions, as IT investment budgets are frozen or cancelled due to coronavirus-related factors, revenues could also decline. However, EASY is striving to further expand its contract portfolio, including subscriptions, which will make it easier to plan revenues.

Consolidated EBITDA without special effects is planned to be in a range of €4.0 million to €6.2 million. In case of the planned sales growth (upper limit), the Management Board expects a double-digit consolidated EBITDA margin. Income planning continues to include a portion of own work capitalised, which serves to expand the cloud-portfolio. Extraordinary effects in the annual result may result from damage compensation proceedings by or against former members of executive bodies and the amount of the remaining purchase price for Apinauten GmbH.

Due to the close business relations between EASY SOFTWARE AG, EASY SOFTWARE Deutschland GmbH and EASY APIOMAT GmbH, as well as our dynamic structure within the Group, no separate quantitative forecast is given for EASY SOFTWARE AG. We assume that the same market and growth forecast applies here.

In the area of non-financial targets, the Management Board intends to reduce the fluctuation by increasing employee satisfaction.

DEVELOPMENTS IN THE BUSINESS SEGMENTS

EASY Group has positioned itself as a partner for the digitization of business processes for customers of all sizes with the acquisition of Apinauten GmbH from Leipzig. Today, EASY has a product portfolio that can be combined as desired, providing customers with solutions to digitize and automate their processes locally or in the cloud. Using EASY ApiOmat as a multi-experience platform, a modern and mobile application can also be made available to existing customers quickly and easily.

In existing business, EASY SOFTWARE has increased sales and customers through content services solutions based on the EASY Archive and in the EASY Cloud. The technology acquisition of EASY ApiOmat opened up new market segments, customer groups and sales potential for the EASY Group. New business with licences and cloud subscriptions grew by around 7.3% to €12.5 million.

The largest business division, Support (50% of total revenue), is characterised by high customer loyalty and subsequently growing revenues (+3.6% to €25.3 million). Other service units (advisory, training and managed services) grew to €12.5 million.

EASY Group also continues to pursue a strategy of growing inorganically. Acquisitions are primarily aimed at increasing market share and broadening the portfolio through technology purchases, and allow us to attract qualified employees and new talent. In the past financial year, EASY was able to increase the number of employees across the group to 393.

IMPACT OF CORONAVIRUS CRISIS ON THE FORECAST REPORT

The first quarter of 2020 has not yet shown any effects of the coronavirus crisis. The revenue and earnings situation developed in line with our expectations.

Moreover, the possible negative macroeconomic effects, accompanied by the impact on the planned business development of the EASY Group for 2020, cannot yet be foreseen. This circumstance had to be taken into account in our forecast by stating a broader sales and EBITDA corridor, despite risk-minimising measures.

The main value addition of the EASY Group's business activities is the provision of software maintenance contracts, the sale of software licences and provision of services at customers' premises, as well as the sale of cloud and lease contracts. Services in the cloud, software maintenance and licences are provided digitally; services can still be provided largely from the home office via remote connections to the customers' IT systems.

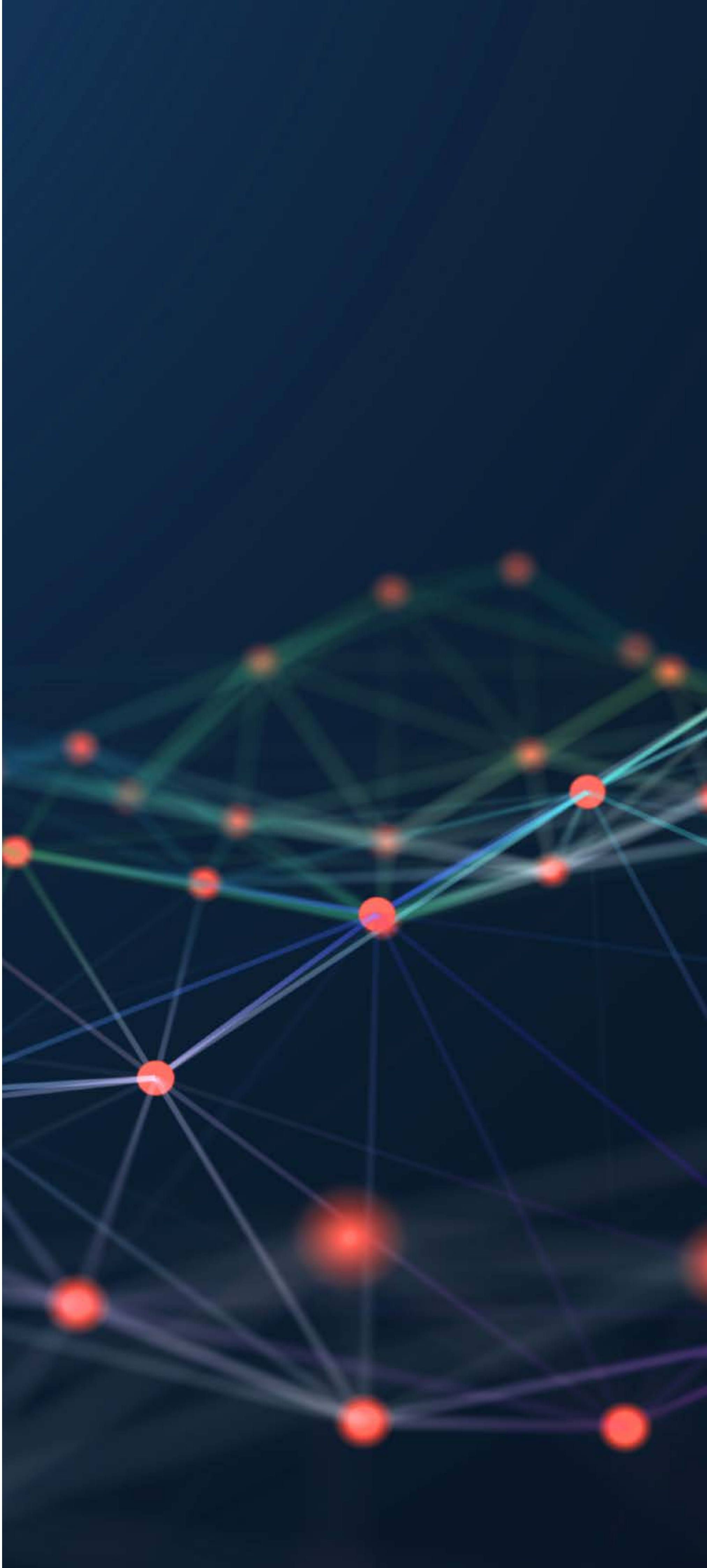
The impact on our production and procurement processes has been minimal so far. Our technology partners also deliver predominantly digitally, so that there are no delivery delays for processing our customer orders. Our software development employees work from home, which ensures the further and new development of our products.

Our digital infrastructure was expanded by upgrading virtual private network capacities for all employees through our IT. Our finance and ERP systems run in the cloud. The nationwide provision of employees with notebooks, mobile phones and Internet access has already been implemented in the past. Business trips are avoided. Meetings have been replaced by phone and video conferences.

The analysis of accesses to the EASY SOFTWARE AG website shows that there has been a significant increase in visits to the site. From this, it can be concluded that the importance of central document management is again being pushed by the coronavirus crisis. In the medium and long term, this could even have positive effects on the EASY Group's business.

Mülheim an der Ruhr, April 27, 2020

Oliver Krautscheid
Executive Board

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CONSOLIDATED FINANCIAL STATEMENTS 2019 (IFRS)

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

CONSOLIDATED BALANCE SHEET OF EASY SOFTWARE AG, MÜLHEIM AN DER RUHR AS OF DECEMBER 31, 2019

CONSOLIDATED BALANCE SHEET – ASSETS

	Notes	31.12.2019 €K	31.12.2018 €K
Long-term assets			
Software development costs	(1)	**7,778**	1,099
Goodwill	(2)	**11,547**	6,176
Other intangible assets	(3)	**6,771**	6,555
Property, plant and equipment	(4)	**4,473**	1,204
At-equity financial assets	(5)	**341**	6,494
Financial assets	(6)	**0**	193
Other receivables and assets	(11)	**149**	119
Deferred tax assets	(7)	**1,127**	2,994
		32,186	24,834

Short-term assets			
Inventories	(8)	**13**	33
Trade receivables and other assets	(9)	**8,554**	8,706
Receivables from income taxes	(10)	**773**	521
Other receivables and assets	(11)	**1,104**	571
Means of payment	(12)	**8,900**	1,468
		19,344	11,299
Total assets		**51,530**	36,133

CONSOLIDATED BALANCE SHEET – LIABILITIES

	Notes	31.12.2019 €K	31.12.2018 €K
Equity	(13)		
Subscribed capital		**6,442**	5,403
Reserves			
Capital reserve		**13,965**	10,017
Retained earnings		**2,558**	2,632
Overall result		**5,660**	3,953
Equity interests of shareholders of the parent company		**28,625**	22,005
Non-controlling interests		**111**	51
		28,736	22,056
Debts			
Long-term debt			
Personnel provisions	(14)	**458**	315
Financial liabilities	(16)	**7,374**	3,361
		7,832	3,676
Short-term debt			
Income tax liabilities	(15)	**29**	118
Financial liabilities	(16)	**7,150**	3,019
Accounts payable trade	(17)	**2,131**	1,591
Other debts	(18)	**5,652**	5,673
		14,962	10,401
Total liabilities		**51,530**	36,133

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019

	Notes	2019 €K	2018 €K
Revenues	(20)	**50,586**	46,647
Own work capitalized	(21)	**1,502**	348
Other operating income	(22)	**861**	255
Cost of materials	(23)	**10,050**	11,100
Personnel expenses	(24)	**27,731**	25,604
Other operating expenses	(25)	**10,922**	11,452
Earnings before interest and depreciation (EBITDA)		**4,246**	-906
Depreciation on intangible assets and property, plant and equipment	(1), (3), (4)	**6,104**	2,665
Not income from investments accounted for at equity	(26)	**4,066**	1,236
Financial income	(27)	**5**	13
Financial expenses	(27)	**459**	105
Earnings before taxes (EBT)		**1,754**	-2,427
Taxes on income and earnings	(28)	**267**	135
Group result		**2,021**	-2,292
thereof attributable to non-controlling interests		**-3**	30
thereof attributable to the shareholders of EASY SOFTWARE AG	(29)	**2,024**	-2,322
Earnings per share (in €) (diluted and undiluted)	(29)	**0.32**	-0.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

	Notes	2019 €K	2018 €K
Group result		**2,021**	-2,292
Other income			
Items that will not be reclassified to the income statement in the future			
Actuarial gains and losses from the calculation of personnel provisions	(14)	**-102**	-18
Items that may be reclassified to the income statement under certain conditions in the future			
Currency translation differences from the consolidation of foreign business units		**43**	-77
thereof attributable to the minorities		**-10**	-10
Other income		**-59**	-95
Total result for the period		**1,962**	-2,387
thereof attributable to non-controlling companies		**-13**	20
thereof attributable to shareholders of EASY SOFTWARE AG as total result.		**1,975**	-2,407

CONSOLIDATED CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

				Cumulative income and expenses recognised directly in other comprehensive income					
	Subscribed capital €K	Capital reserves €K	Retained earnings €K	Balance sheet loss (-)/profit (+) €K	Actuarial profits/ losses according to IAS 19 €K	Difference from foreign currency translation €K	Equity attributable to the shareholders of the parent company €K	Non-controlling interests €K	Total equity €K
2018 Development									
January 1, 2018	5,403	10,017	35	9,264	-233	-74	24,412	31	**24,443**
Retained earnings	0	0	2,597	-2,597	0	0	0	0	0
Total result for the period	0	0	0	-2,322	-18	-67	-2,407	20	**-2,387**
December 31, 2018	5,403	10,017	2,632	4,345	-251	-141	22,005	51	**22,056**
Change through IFRS 16	0	0	-84	0	0	0	-84	0	**-84**
2019 Development									
January 1, 2019	5,403	10,017	2,548	4,345	-251	-141	21,921	51	**21,972**
Retained earnings	0	0	10	-10	0	0	0	0	**0**
Dividend payout	0	0	0	-258	0	0	-258	0	**-258**
Total result for the period	0	0	0	2,024	-102	53	1,975	-13	**1,962**
Capital gain	1,039	3,948	0	0	0	0	4,987	73	**5,060**
December 31, 2019	6,442	13,965	2,558	6,101	-353	-88	28,625	111	**28,736**

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

		2019 €K	2018 €K
	Group result	**2,021**	-2,292
	Net interest receipts / payments that can be attributed to financing and investing activities	**352**	92
	Depreciation on non-current assets	**6,104**	2,665
	Profit / loss from the disposal of property, plant and equipment	**23**	-1
	Profits from the sale of shares to otris software AG	**-3,900**	0
	Increase / decrease in inventories, receivables from supplies and services as well as other assets	**-254**	-513
	Increase / decrease in deferred tax assets and liabilities	**-226**	-214
	Other non-cash expenses and income	**-166**	-1,236
	Increase / decrease in payables from supplies and services as well as other liabilities	**-583**	1,410
	Currency translation differences	**15**	27
	Income taxes paid	**-300**	-58
=	Cash flow from ongoing activities	**3,086**	-120
	Deposits from the sale of property, plant and equipment	**351**	40
	Proceeds from sale of shares to otris software AG	**9,196**	0
	Payments for investments in intangible assets	**-1,507**	-470
	Payments for investments in property, plant and equipment	**-531**	-311
	Payments for business acquisitions	**-7,157**	-1,242
	Distributions received from equity investments	**1,024**	931
	Interest received	**5**	13
=	Cash flow from investing activities	**1,381**	-1,039
	Proceeds from capital gains	**5,060**	0
	Bank loans taken out	**4,050**	4,000
	Repayment of bank loans	**-2,838**	-2,082
	Repayment portion of lease payments	**-1,840**	0
	Repayment of other financial liabilities	**-851**	-925
	Interest paid	**-357**	-105
	Dividend payments	**-258**	0
=	Cash flow from financing activities	**2,966**	888
=	Net change in cash and cash equivalents	**7,433**	-271
	Effect of exchange rate changes on cash and cash equivalents	**-1**	-3
	Cash and cash equivalents at the beginning of the period	**1,468**	1,742
=	Cash and cash equivalents at the end of the period	**8,900**	1,468


18840.425
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2019 FINANCIAL YEAR

A: GENERAL INFORMATION

EASY SOFTWARE AG, Mülheim an der Ruhr, was founded on 6 March 1990 as EASY Elektronische Archivsysteme GmbH and converted into a stock corporation on 8 September 1998 in accordance with §§ 190 et seq. UmwG. The purpose of the company is the development and distribution of hardware and software for electronic archive systems and document management systems.

The company is listed with the competent District Court in Duisburg, Germany under commercial register number HRB 15618. The EASY SOFTWARE AG share is admitted to trading on the regulated market (general standard) of the Frankfurt Stock Exchange under the securities identification number A2Y-N99.

In addition to the headquarters in Mülheim an der Ruhr, EASY SOFTWARE AG operates German branches Munich, Frankfurt, Borna, Hamburg, Nuremberg, Paderborn, Bobingen, Rostock and Potsdam. The EASY Group also operates subsidiaries in Frankfurt and Bielefeld (Germany), Salzburg and Vienna (Austria), Suffolk (UK), Exton (USA), Istanbul (Turkey) and Singapore, as well as associated companies in Dortmund and Straubing. The shares in the associated company in Dortmund were sold in 2019.

Based on the circumstances on the balance sheet date, EASY SOFTWARE AG is to be regarded as the parent company of a group domiciled in Germany. It is thus required to prepare consolidated financial statements and a group management report. The company thereby prepares the consolidated financial statements for the largest and smallest scope of consolidation.

The consolidated financial statements were prepared in Euro. All amounts are stated in thousands of Euro, unless otherwise noted. Amounts below €500 are rounded down and reported as €0K. As a result, rounding differences may occur at various points in the present Notes to the Consolidated Financial Statements.

B: OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES

A) CONFORMITY OF THE CONSOLIDATED FINANCIAL STATEMENTS WITH IFRS

The consolidated financial statements for the financial year 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standard Board (IASB), London/United Kingdom, as they are to be applied in the European Union as of December 31, 2019. It also complies with the commercial law provisions of § 315e (1) HGB. In preparing the consolidated financial statements, the same accounting policies have been applied to them except for the first-time mandatory standards and interpretations or amendments and additions.

B) NEW STANDARDS AND INTERPRETATIONS TO BE APPLIED IN THE YEAR UNDER REVIEW

The consolidated financial statements have applied IASB's revised, amended and newly issued accounting standards and interpretations, which were mandatory for EASY SOFTWARE AG in the 2019 financial year, for the first time.

The following table contains a detailed statement of the new or amended standards and interpretations to be applied as of 31 December 2019:

Standard	Title/regulatory content	First mandatory application in the EU	EU endorsement
Amend. IFRS 9	Prepayment arrangements with negative compensation	**01.01.2019**	22.03.2018
Amend. IAS 19	Plan change, reduction or settlement	**01.01.2019**	13.03.2019
Amend. IAS 28	Long-term shareholdings in associated companies and joint ventures	**01.01.2019**	08.02.2019
Various	Annual improvement project IASB 2015-2017	**01.01.2019**	15.03.2019
IFRS 16	Leases	**01.01.2019**	09.11.2017
IFIC 23	Uncertainty regarding income tax treatment	**01.01.2019**	23.10.2018

The first-time application of these standards or interpretations resulted in the following material effects on the EASY Group's net assets, financial position and results of operations as well as the disclosures in the notes in the reporting period.

IFRS 16: LEASES

Since January 1, 2019, leases have been balanced as rights of use and corresponding lease liabilities. Each lease payment is divided into repayment and interest expenses. The interest expense is recognised in the income statement over the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right of use is amortised on a straight-line basis over the shorter of the useful life and the lease term.

IFRS 16 was applied for the first time retrospectively when the resulting effects were recognised in retained earnings as of January 1, 2019 (shortened retrospective transition method). The comparative figures for the 2018 financial year were not adjusted.

Leases previously classified as operating leases under IAS 17 are now recognised in the balance sheet. Lease liabilities are recognised at the present value of the lease payments, discounted at the marginal borrowing rates. The weighted average marginal borrowing rate is 2.39%.

The rights of use under the leases were measured retrospectively as if IFRS 16 had always been applied.

The change in accounting policy affected the following balance sheet items as of January 1, 2019 as follows:

- Tangible assets: Increase by €4,295K
- Financial liabilities: Increase by €4,421K
- Deferred tax claims: Increase by €41K.

The net effect on retained earnings was a decrease of €85K.

The following simplifications were applied when IFRS 16 was applied for the first time:

- The application of a single discount rate to a portfolio of similarly structured leases.
- The retrospective determination of the lease term for agreements with renewal or termination options.

- Accounting for leases with a remaining term of less than 12 months as of January 1, 2019, as short-term leases.

C) NEW STANDARDS TO BE APPLIED IN LATER PERIODS

A number of other accounting standards and interpretations have been newly adopted or revised by the IASB and must be applied by EASY SOFTWARE AG as of 1 January 2020 at the earliest, provided they have been approved by the European Commission and are relevant to EASY SOFTWARE AG. Their application has also been waived voluntarily for the present financial statements.

Standard	Title/regulatory content	First mandatory application in the EU	EU endorsement
IFRS 17	Insurance contracts	**Still pending**	Still pending
Various	Changes to the referencing scheme for the conceptual framework	**Still pending**	Still pending
Amend. IFRS 3	Definition of a business operation	**Still pending**	Still pending
Amend. IAS 1 and IAS 8	Definition of materiality	**Still pending**	Still pending

The option of early adoption of standards/interpretations that was previously adopted by the IASB was not exercised. According to current estimates, the new or revised standards/interpretations will not have a material impact on the EASY Group's net assets, financial position and results of operations.

D) CONSOLIDATION PRINCIPLES, SCOPE OF CONSOLIDATION

In addition to EASY SOFTWARE AG, Mülheim an der Ruhr, the parent company included subsidiaries controlled by it. The company obtains control if it exercises control over the investee, is exposed to variable returns on its investment, and may influence the amount of the returns due to its power of disposal.

Enterprises	Shareholding	
	31.12.2019	**31.12.2018**
EASY SOFTWARE Deutschland GmbH, Mülheim an der Ruhr	**100%**	100%
EASY APIOMAT GmbH, Leipzig (formerly: EASY ENTERPRISE SERVICES GmbH, Mülheim an der Ruhr	**100%**	100%
EASY MOBILE SERVICE GmbH, Mülheim an der Ruhr	**100%**	100%
EASY SOFTWARE GmbH, Salzburg, Austria	**100%**	100%
EASY SOFTWARE (UK) Ltd., Suffolk, UK	**100%**	100%
EASY SOFTWARE INC., Exton, PA/USA	**100%**	100%
EASY SOFTWARE TÜRKİYE LTD. STI., Istanbul, Turkey	**51%**	51%
EASY SOFTWARE (ASIA PACIFIC) PTE. LTD., Singapore	**100%**	100%

EASY SOFTWARE AG indirectly holds 52.0% of the shares in friendWorks GmbH, Straubing via EASY SOFTWARE Deutschland GmbH. Despite holding a majority of the voting rights, this company is not controlled since the articles of association require a majority of 75.0% of the voting rights for significant resolutions, and the management is a minority shareholder.

CHANGES IN THE SCOPE OF CONSOLIDATION

On December 20, 2018, EASY SOFTWARE AG concluded a purchase agreement for 72.3% of the shares in Apinauten GmbH, Leipzig, with economic effect from January 1, 2019. The acquisition is intended to promote growth in the B2B market segment for cloud-based and on-premises software solutions.

The remaining shares are set to be acquired in 2020. Due to the contractual arrangement, EASY SOFTWARE AG can no longer avoid acquiring the remaining shares, and as such will have all shares in Apinauten GmbH at its disposal as early as January 1, 2019. Therefore, no minority interests are reported, but a corresponding purchase price liability.

The purchase price for the first share purchase amounted to approximately €8,053K, in addition, EASY SOFTWARE AG will also provide Apinauten GmbH with approximately €851K in equity for the replacement of silent shareholdings. The purchase price for acquiring the remaining shares amounts to 360,000 EASY shares or their equivalent as of June 30, 2020. The discounted expected purchase price for the remaining acquisition is estimated at €3,422K. The purchase price for the first partial acquisition including the redemption of the silent shareholdings amounting to €8,904K was paid in the current financial year through the transfer of cash and cash equivalents. Ancillary costs of the acquisition, which cannot be capitalised, amounting to €246K were recognised under other operating expenses.

The following balance sheet items were taken over as a result of the acquisition of the company:

	Carrying amounts 01.01.2019 €K
Software development costs	6,842
Goodwill	5,343
Other intangible assets	2,363
Property, plant and equipment	32
Deferred tax assets	804
Inventories	5
Trade receivables and other assets	218
Other receivables and assets	166
Means of payment	896
Assets	**16,669**
Deferred tax liabilities	2,940
Financial liabilities	851
Accounts payable trade	212
Other debts	1,919
Liabilities	**5,194**

Depreciation of €1,448K is attributable to the assets acquired in the course of the financial year. The values of the receivables correspond to their fair values on the acquisition date. There are no signs of uncollected claims. All claims are due in the short term.

At a purchase price of €11,475K and an equity of €6,132K measured at fair value on the basis of purchase price allocation, the goodwill amounts to €5,343K. The goodwill results in particular from the benefits of future sales growth and company staff. These benefits are not recognized separately from goodwill since they do not meet the recognition criteria for intangible assets. The goodwill is not deductible for tax purposes.

Apinauten GmbH was merged with EASY ENTERPRISE SERVICES GmbH effective January 2, 2019. As a result, the revenues and net income included in the consolidated statement of comprehensive income cannot be disclosed since the date of acquisition.

There have been no other changes in the scope of consolidation since 31 December 2018.

CONSOLIDATION PRINCIPLES AND DEADLINE

The consolidated financial statements are based on the annual financial statements of the subsidiaries and parent company prepared in accordance with uniform accounting policies as of December 31, 2019.

All subsidiaries are included in the consolidated financial statements by way of full consolidation.

The capital consolidation of the consolidated companies was performed according to the purchase method at the time of the establishment of control (acquisition date). Assets and liabilities of the subsidiary were measured at fair value.

Intra-group profits and losses were eliminated; revenues, expenses and income as well as receivables and liabilities between the group companies were consolidated. Non-controlling interests are shown separately under equity.

The reporting date is the same as for all consolidated companies, namely December 31.

E) CURRENCY CONVERSIONS

The individual financial statements of the subsidiaries value business transactions in foreign currencies at the prevailing exchange rate. Exchange rate fluctuations occurring up to the balance sheet date are taken into account in the valuation of foreign currency receivables and liabilities; profits and losses from this effect are recognised under profit or loss. Currency translation differences on assets and liabilities that are to be recognized as a net investment in a foreign business operation are recognized directly in the foreign currency translation adjustment item.

The financial statements of the foreign subsidiaries EASY SOFTWARE (UK) Ltd., Suffolk/UK, EASY SOFTWARE INC., Exton/USA, EASY SOFTWARE (ASIA PACIFIC) PTE. LTD. / Singapore and EASY SOFTWARE TURKIYE Ltd, Sti., Istanbul/Turkey are converted into Euro according to the functional currency concept as per IAS 21. Accordingly, the functional currency is the currency of the primary economic environment the subsidiary operates in. Since all involved companies conduct their business independently in financial, economic and organizational terms, the applicable national currency is generally the functional currency. The assets and liabilities are therefore converted at the closing rate on the balance sheet date; the items of the income statement are converted at the annual average exchange rate. The differences from the translation of financial statements are recognized directly in equity through the adjustment item from the currency conversion. In the year of de-consolidation of foreign subsidiaries, these currency differences are reversed with an effect on income.

The following exchange rates were used for currency translation:

	Average price per EUR		Closing price per EUR	
	2019	**2018**	**2019**	**2018**
US Dollars (USD)	**1.1193**	1.1798	**1.1199**	1.1447
British Pound (GBP)	**0.8773**	0.8846	**0.8539**	0.9017
Singapore Dollars (SGD)	**1.5272**	1.5924	**1.5113**	1.5652
Turkish Lira (TRY)	**6.3492**	5.5741	**6.6622**	6.0533

The exchange rate risk only has a insignificant impact on the net income and/or equity of the group.

F) ACCOUNTING AND VALUATION PRINCIPLES

The balance sheet is structured by current and non-current assets and liabilities according to IAS 1.60. The profit and loss account is prepared according to the total cost method.

Specifically, the main accounting policies are as follows:

Development costs for software products that have been developed in-house, insofar as they can be identified, are capitalized at cost where a clear allocation of expenses is possible and both the technical feasibility and the marketing of the newly developed products are ensured (IAS 38). The development activity must also be sufficiently likely to generate future cash flows. The production costs thereby include the costs directly attributable to the development process. Capitalized development costs for self-developed software products include the personnel costs incurred by the staff involved in software development, including statutory social security contributions borne by the employer and the costs of external development. Subsequent valuation is based on the amortized acquisition or rather production costs. The acquisition or rather manufacturing costs are reduced by the scheduled straight-line amortization based on the estimated sales period of the software products of five to eight years. Research costs cannot be capitalized in accordance with IAS 38 and are therefore recognized directly as expenses in the income statement.

Goodwill is capitalised at cost in accordance with IFRS 3, and reviewed regularly for impairment, i.e. once a year in accordance with IAS 38 in conjunction with IAS 36, and, if there are any indications of impairment, including during the year, written down as necessary. A write-up takes place if the reasons for a write-down conducted in previous years has ceased to apply.

The recoverable amount for the goodwill allocated to the cash-generating unit is determined as part of the impairment test on the basis of the value in use. If the carrying amount of the cash-generating unit, exceeds the recoverable amount determined in this way including the goodwill allocated to it, the difference represents the necessary impairment that is recognized in profit or loss. If the book value is less than the calculated amount, the goodwill is considered to be recoverable. In this case, there is no need for adjustment. If there is a need for recognition for an impairment loss for this test, the corresponding expense is shown under depreciation.

Other intangible assets, in particular the acquired customer bases, are valued at acquisition cost less scheduled depreciation. Other intangible assets are depreciated using the straight-line method over a limited useful life.

Tangible fixed assets are valued at acquisition cost (purchase price including incidental acquisition costs), less scheduled depreciation and impairment losses. The optional revaluation method according to IAS 16 is not applicable. Property, plant and equipment are depreciated using the straight-line method.

Maintenance expenses, which will not be associated with any additional economic benefits, are shown as incurred.

Scheduled depreciation is based on the following useful lives throughout the group:

	Useful life/years
Customer bases	**8**
Other intangible assets	**3 – 9**
Buildings	**40**
Fixtures in third party buildings	**10**
Technical equipment and machinery	**3 – 5**
Office equipment	**10 – 13**

If there are indications of impairment and the recoverable amount is below the amortized cost, the property, plant and equipment are written off as unscheduled depreciation. If the reasons for the unscheduled depreciation cease to apply, appropriate write-ups are made up to the amount of the updated carrying amounts without unscheduled depreciation.

Leases are accounted for as rights of use and corresponding lease liabilities. Each lease payment is divided into repayment and interest expenses. The interest expense is recognised in the income statement over the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right of use is amortised on a straight-line basis over the shorter of the useful life and the lease term. IFRS 16 does not apply to leases of small amounts (small-ticket leases for amounts of less than US$5,000).

At-equity financial assets are recognized at cost, which is divided into the acquired pro rata equity of the associated company and goodwill where appropriate. The book value is increased or reduced annually by the proportionate after-tax profits, distributed dividends and other changes in equity. The entire equity carrying amount is tested for impairment in accordance with IAS 36 if there are any indicators of possible impairment. If the recoverable amount falls below the carrying amount of an investment accounted for at equity, an impairment loss is recognized in the amount of the difference. Subsequent reversals of impairment losses are recognized in profit or loss.

Shareholdings belong to the class of financial instruments recognized as "Financial investments in equity instruments measured at fair value through profit or loss" under IFRS 9, which are measured at fair value including transaction costs at the time of initial recognition. If the fair values can be reliably determined in subsequent periods, they are recognized; in cases without active markets where the fair values cannot be determined with reasonable effort, the acquisition costs are shown.

In the case of **inventories,** in accordance with IAS 2, product licences and merchandise are carried at the lower of cost or net realisable value, which is determined from expected sales proceeds less costs yet to be incurred.

Work in progress – which does not fall within the scope of IFRS 15 – is carried at the lower of cost or net realisable value.

Receivables from supplies and services are measured at fair value at the time of addition, which corresponds to the acquisition costs. Trade receivables are classified as "financial assets measured at amortized cost" in accordance with IFRS 9. In the subsequent valuation, the receivables are recognized at amortized cost. If there is doubt as to their viability, customer receivables are valued at the lower present value of the estimated future cash flows. In case of identifiable risks, individual value adjustments are made. Foreign currency amounts are translated into Euro at the closing rate. Objective indications of the impairment of receivables are non-payment on maturity, the presence of a default or economic difficulties of the debtor. It is assumed that all claims that are neither overdue nor impaired are fully recoverable as per the creditworthiness of the customers.

The financial assets recognized **other receivables and assets** in accordance with IFRS 9 are classified as "financial assets measured at amortized cost".

Receivables from income tax as well as **income tax liabilities** are recognised at the amount expected to be refunded by or paid to the tax authority.

Means of payment are valued at their face value.

Deferred taxes are calculated in accordance with IAS 12 by way of the temporary method. This stipulates for deferred tax assets and liabilities to be derived by temporarily different approaches for tax accounts and financial statements in accordance with IFRS (HB II) due to tax loss carry forwards and consolidation measures.

The assessment basis for the deferred taxes is determined at the respective income tax rate that is expected to be valid at the time the differences are realized. The tax rates for the calculation of deferred taxes in Germany and abroad are adjusted to the legal position applicable at the respective reporting date. When measuring deferred taxes for the current year and future deferred taxes, an overall tax rate of 31.9% to 33.7% was applied in Germany, depending on the individual company's trade tax assessment rate (previous year 32.625%). In the US, a tax rate of 30.99% (previous year 30.99%) and in the United Kingdom, a tax rate of 17.0% to 19.0% (previous year 17.0% to 19.0%) was used.

Deferred tax assets from temporary differences and tax-deductible loss carry forwards are recognised only insofar it can reasonably be assumed that sufficient taxable income will be realised to obtain the corresponding benefit or rather that the temporary differences are taxable to an extent sufficient for the formation of deferred tax liabilities.

To determine the recoverable amount of deferred tax assets to be recognised for tax loss carry forwards, forecasts are made on the future taxable income on the basis of the forecasts insofar as sufficient deferred tax liabilities are not available. Deferred tax assets are recognized to the extent that taxable income is likely to be generated in subsequent financial years.

In case of doubts about the future usability of the deferred tax assets, deferred tax assets must not be recognized or previously recognized deferred tax assets are to be adjusted for impairment.

The calculation of deferred tax assets from losses carried forward is based on a forecast period of five years as was the case in the previous year.

Personnel provisions from performance-oriented benefit plans are calculated as the Group's net obligation for each plan separately by estimating the future benefits that employees have earned in prior periods and, if applicable, in the current period. This amount is discounted and the fair value of any plan assets deducted.

The calculation of defined benefit obligations is performed by a recognized actuary using the projected unit credit method on an annual basis. If the calculation results in a potential asset for the group after offsetting against plan assets, the recognised asset is limited to the present value of an economic benefit in the form of any future repayments from the plan or reductions in future contributions to the plan. Any applicable minimum funding requirements are taken into account when calculating the present value of an economic benefit.

Revaluation of the net liability from defined benefit plans are recognized directly under other comprehensive income. The revaluation includes the actuarial gains and losses, the return on plan assets (excluding interest) and the impact of any asset ceiling (excluding interest). The group calculates the net interest expense (income) on the net liability (benefit) from defined benefit plans for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual reporting period. This discount rate is applied to the net liability (asset) of the defined benefit plan at that time. In doing so, any changes that arise as a result of contributions and benefits over the reporting period to the net liability (asset) of defined benefit pension plans are considered. Net interest and other expenses for defined benefit plans are recognized under profit or loss.

If the benefits of a plan are changed or a plan is reduced, the resulting change in of the benefit or profit or loss affecting the past service is recognized directly in profit or loss at the time of the cut. The group recognizes gains and losses from the settlement of a defined benefit plan at the time of settlement.

At the time of initial recognition, **financial liabilities** are stated at their fair value as at the balance sheet date. Due to market conformance of long-term interest rates, the values reported correspond to the fair values. Financial liabilities are to be allocated to the category "Liabilities carried at amortized cost" as per IFRS 9.

The valuation of **payables from supplies and services** is carried at amortised cost. Generally, all financial liabilities are carried at amortized cost using the effective interest method in accordance with IFRS 9, since the fair value option is not applied by the company.

Other debts are set to the repayment amount.

Revenue from the sale of software and from the provision of software maintenance and services and cloud, as well as from the sale of hardware and miscellaneous, is recognised when the goods or services owed have been delivered or rendered, the risk has been transferred or the service has been provided, the inflow of benefits is probable and the amount of the expected consideration can be determined reliably.

Software maintenance revenues are recognised over the term of the contract. In case of other services, revenue is recognised when the agreed service has been provided. Revenue from the sale of software licences is recognised when the licence is finally made available to the customer. Revenue from the sale of hardware and other goods is recognised as soon as the customer gains control of the assets sold. With SaaS (Software as a Service) contracts, EASY SOFTWARE AG provides its customers with software products in a cloud. Revenue from these agreements is recognised in the amount of the period-specific usage fees for the software products. Multi-component contracts exist in the sale of software licences in conjunction with maintenance contracts or in conjunction with other services. Sales are recognised separately in accordance with the principles for the respective service.

Expenses and income for the fiscal year are recognized at the time of their occurrence or rather realization irrespective of the actual time of payment.

Interest is recognized as an expense or income at the time it arises.

Taxes on income and earnings recognize current income and deferred taxes and are recognized in the income statement, unless the underlying circumstances are immediately offset against equity. Current income taxes mainly relate to trade and corporation tax and are calculated using the tax rates valid as of the balance sheet date.

Contingent assets and liabilities may be possible claims or obligations that result from past events, the existence of which is confirmed only by the occurrence or non-occurrence of uncertain future events that are not fully under the control of the company. On the other hand, contingent assets or liabilities represent current claims or obligations resulting from past events where a resource inflow or outflow is considered unlikely or where the sum cannot be reliably determined. Such liabilities are not to be recognized in the notes rather than the balance sheet under IAS 37.

G) SEGMENT REPORTING

According to IFRS 8, segment reporting must be carried out in accordance with the internal organizational and reporting structure of the group. For EASY Group, this takes place geographically and is divided into the segments Germany, Austria, England, USA, Singapore and Turkey. The accounting and valuation principles of the consolidated financial statements also apply for the segments.

H) RISK PROVISION

The special risks of the business are fully taken into account by the posting of individual value adjustments. The creditworthiness of new customers is generally obtained to assess the credit risk. The results obtained are taken into consideration when entering into service relationships. The maximum default risk corresponds to the amount of recognized financial assets. The default risk is considered to be relatively low due to the high credit standing of the EASY customer base, as well as its diversification. There are no dependencies on major individual customers.

The company is mainly exposed to credit risk from its operating business. Credit risk is an unexpected loss on financial assets e.g. if the customer is unable to meet its obligations within the due dates. The receivables for business operations are monitored on an ongoing basis in a decentralized manner. Credit risks are taken into account by means of value adjustments.

The maximum credit risk is represented by the carrying amounts of the financial assets recognized in the balance sheet.

The interest rate risk is of insignificant importance due to the relative and absolute subordinate importance of the interest income, and the fact that fixed interest rates are generally agreed with lenders. The presentation of a sensitivity analysis for interest rate risk is thus waived.

Since the company is only exposed to foreign currency risks to a negligible extent, the presentation of a sensitivity analysis for the currency risk is waived for materiality reasons.

Due to the high volume of advance payments from software maintenance contracts, which are received at the beginning of the year, sufficient liquidity is secured throughout the year; the financing of the operating business is thus always financed from own funds. In addition to the formation of the resulting liquidity reserves and the presence of an overdraft facility, the liquidity required to service financial liabilities is ensured by daily monitoring of cash flows.

The relevant Board Directive prescribes risk management as a process with a systematic approach and documentation. Developments and internal guidelines that endanger the company's existence are identified on an ongoing basis and reported to the Management Board.

For additional information please refer to the risk report in the combined management and group management report.

I) ESTIMATES AND ASSESSMENTS

For some items, the preparation of the consolidated financial statements requires estimates and assumptions that affect the reported assets, liabilities, contingent assets and liabilities as of the balance sheet date, as well as income and expenses during the period. The actual amounts may differ from the estimates.

The assumptions and estimates are based on premises that are derived from the currently available state of knowledge. Specifically, the assessment regarding expected future business development is based on the circumstances prevailing at the time the consolidated financial statements were prepared and realistic assumptions about the future development of the global and industry-specific environment. As a result of developments in these framework conditions that deviate from the assumptions and lie beyond managerial control, the resulting amounts may deviate from the originally expected estimates. Insofar as actual developments deviates from expectations, the assumptions and carrying amounts of the assets and liabilities in question are adjusted accordingly as required.

At the balance sheet date, the Executive Board made the following essential forward-looking assumptions and identified material sources of estimation uncertainty that may give rise to a risk that would necessitate a material adjustment to the reported assets and liabilities within the next financial year:

Pension provisions: The valuation of the pension obligation is based on a method that uses various parameters such as expected discount percentage, salary and pension trends, life expectancy and income from plan assets. If any of the above parameters develop significantly differently than expected, this may have an impact on the personnel provisions. For the book values, please refer to the consolidated balance sheet and note 14.

Value impairments: Goodwill, other intangible assets and property, plant and equipment are generally tested for impairment on the basis of discounted cash flows from the continued use and sale of the assets. Factors such as lower than expected sales and the resulting lower net cash flows as well as changes in the discount rates may lead to an impairment. Please refer to the consolidated balance sheet and notes 1 to 4 for the book values.

Furthermore, estimates and assumptions are made in particular in assessing the recoverability of deferred tax assets on loss carry forwards. For the book values, please refer to the consolidated balance sheet and note 7.

In the context of business combinations, the fair values must be determined for acquired assets and assumed liabilities. The choice of different valuation methods as well as the making of appropriate assumptions are subject to company discretion.

The scheduled depreciation on non-current assets is based on their economic useful life. The determination of useful life is based on empirical values. These assumptions are made subject to the exercise of discretion. Please refer to the consolidated balance sheet and notes 1 to 4 for the book values.

In the scope of activating software development costs, assumptions regarding the classification of development costs and the specific activation requirements are made. The classification and the making of assumptions grant the company discretionary leeway. For the book values, please refer to the consolidated balance sheet and note 1.

J) CAPITAL MANAGEMENT

The goals of the management are sales growth and EBITDA growth. The goals of capital management are subordinated to these goals. These processes are to guarantee the financial flexibility and long-term maintenance of the business. In particular, this involves securing liquidity, limiting economic risks and optimizing the cost of capital. Adequate equity resources (over 50.0%) should also support the external rating by banks. Overall, the aim is to attain a strong increase in the value of the group. The operating business is generally financed by equity and debt. The capital management strategy of EASY SOFTWARE AG has not changed in comparison to the previous year. Goal fulfilment is monitored as part of corporate planning. This ensures that sufficient liquidity is available at all times.

Financial security is essentially measured using the key figures equity and debt ratios. These key figures are composed of the balance sheet total of the consolidated financial statements, the equity reported in the consolidated balance sheet and the liabilities that are managed as capital.

EASY SOFTWARE AG is subject to the minimum capital requirements for public limited companies. Compliance with these requirements is constantly monitored. The requirements were met in the current and in the previous financial year. In addition, there are capital requirements from credit agreements. Please refer to the explanations in note 16 for further information. Compliance with the covenants from the loan agreements is constantly monitored.

The capital structure can be managed by the EASY Group by adjusting dividends, capital reductions or the issuance of new shares or financial instruments qualifying as equity under IFRS.

Equity	**31.12.2019**	**31.12.2018**
	€K	€K
Equity	**28,736**	22,056
Total assets	**51,530**	36,133
Equity ratio	**56%**	61%

Debts	**31.12.2019**	**31.12.2018**
	€K	€K
Financial liabilities and accounts payable trade	**16,655**	7,971
Other debts	**6,139**	6,106
Total assets	**51,530**	36,133
Debt ratio	**44%**	39%

C: INFORMATION AND EXPLANATIONS ON THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED INCOME STATEMENT

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

The composition and development of intangible assets and property, plant and equipment as of December 31, 2019 are shown in the attached development of Group fixed assets.

1. SOFTWARE DEVELOPMENT COSTS

Software development costs are amortized on a straight-line basis over the expected product life of five to eight years. Depreciation to the amount of €1,664K (previous year €214K) are included in the consolidated income statement under the item amortisation of intangible assets and property, plant and equipment.

2. GOODWILL

The goodwill resulting from a business merger was determined at the time of first-time consolidation in accordance with the requirements of IFRS 3.

Goodwill is broken down into the cash-generating units defined as legal units in the EASY Group as follows, with the exception of the PCM division.

	31.12.2019	**31.12.2018**
	€K	€K
EASY APIOMAT GmbH (Apinauten GmbH)	**5,343**	0
EASY SOFTWARE Deutschland GmbH	**3,928**	3,928
EASY SOFTWARE AG (Business unit PCM)	**783**	783
EASY SOFTWARE (UK) Ltd.	**429**	406
EASY SOFTWARE Deutschland GmbH (Systec GmbH)	**479**	479
EASY SOFTWARE GmbH	**352**	352
EASY SOFTWARE INC.	**233**	228
	11,547	6,176

In accordance with the requirements of IFRS 3 in conjunction with IAS 36, an annual impairment test is performed on the goodwill figures. In doing so, the relevant book value is compared with the respective recoverable amount. The recoverable amount corresponds to the value in use calculated as the present value of future cash flows. The expected cash flows are based on a qualified planning process under consideration of company-internal experience as well as external economic data collected from outside the company. The cash flows are calculated using the indirect method based on profit before tax adjusted for non-cash expenses and income, as well as the change in working capital. The discounted net cash flows were calculated based on the current prospects of success and the financial and earnings planning for the next three years. For all companies with expected average increases, gains in sales revenues of between -0.3% and 20.3% (previous year between 2.0% and 8.0%) as well as average growth rates of personnel costs of -8.3% to 1.3% (previous year 0.0% to 9.0%) are planned as key assumptions. After the detailed planning phase, a growth rate of 1.0% (previous year 1.0%) is expected. Planned special effects are also taken into account. The pre-tax discount rate, at which the planned cash flows are discounted on the balance sheet date, is in line with the industry risk at 11.3% (previous year 12.95%) p.a.

There was no need for a value adjustment in 2019, as was the case in previous years. Since the determined recoverable amounts significantly exceed the book values, no changes in the valuation parameters, which would lead to a recoverable amount short of the book values, are to be realistically expected.

3. OTHER INTANGIBLE ASSETS

Depreciation to the amount of €2,153K (previous year €2,058K) are included in the consolidated income statement under the item amortization of intangible assets and property, plant and equipment. There were no impairments. The customer bases reported under other intangible assets amounting to €6,432K (previous year €5,748K) were due to acquired customer relationships. These will be fully written off within the next 2 – 8 years (previous year 3 – 8 years).

4. PROPERTY, PLANT AND EQUIPMENT

Depreciation to the amount of €2,287K (previous year €393K) are included in the consolidated income statement under the item amortization of intangible assets and property, plant and equipment. There were no impairments.

Property, plant and equipment includes rights of use for leased land and buildings amounting to €2,438K (previous year €0K) and profits in the amount of €1,087K (previous year €0K). In 2019, additions to rights of use for land and soil amounting to €484K and for operating and office equipment amounting to €588K were recorded. The leased land and buildings are subject to depreciation amounting to €1,011K (previous year €0K), leased operating and office equipment in the amount of €830K (previous year €0K).

5. AT-EQUITY FINANCIAL ASSETS

The shares in associated companies concern the following companies:

Enterprises	Shareholding 31.12.2019	31.12.2018
otris software AG, Dortmund	**0%**	46%
friendWorks GmbH, Straubing	**52%**	52%

The above companies are accounted for at equity since EASY SOFTWARE AG exercises significant influence over its business and financial policies.

The item is composed as follows:

	31.12.2019 €K	31.12.2018 €K
otris software AG	**0**	6,214
friendWorks GmbH	**341**	280
	341	6,494

The shares were sold to otris software AG during the financial year. This resulted in a capital gain of €3,900K.

The following overviews show the significant pro rata items of the balance sheets and the profit and loss statements of the associated companies accounted for by way of the equity method:

	friendWorks GmbH **2019** €K
Long-term assets	88
Short-term assets	1,191
Debts	471
Net assets	808
Revenues	3,385
Net income	320

The result for associated companies accounted for using the at equity method does not include impairments. The shares in associated companies are not subject to any restrictions on disposal, and there is no quoted market price for the shares. The associated companies are active in the software development, sales and consulting segment.

The reconciliation of these shareholdings to the book value is outlined below:

	friendWorks GmbH **2019** €K
As of 01.01.2019	280
proportionate period surplus	166
Dividend payout	-105
As of 31.12.2019	341

6. FINANCIAL ASSETS

The financial assets in the previous year resulted from part of the purchase price payment for the acquisition of Apinauten GmbH. The fair values were determined according to hierarchy levels 3. The acquisition costs and book values for the shareholdings correspond to the fair values.

7. DEFERRED TAX ASSETS

The deferred tax assets and liabilities relate to the following balance sheet items:

	31.12.2019 €K	31.12.2018 €K
Property, plant and equipment	**1,184**	0
Pension provisions	**201**	145
Losses carried forward	**4,745**	4,421
Deferred tax assets	**6,130**	4,566
Software development costs	**2,336**	349
Other intangible assets	**1,525**	1,223
Property, plant and equipment	**1,142**	0
Deferred tax liabilities	**5,003**	1,572
Balance sheet disclosure after netting	**1,127**	2,994

Income taxes include both allocations and claims.

If the taxable income accrued in the following financial years proves insufficient, the recoverability is not viable.

The loss carry forwards not yet taken into account in the calculation of the deferred tax assets amount to €6,857K (previous year €7,265K). The unrecognised deferred taxes attributable to this amount to €2,311K (previous year €2,370K).

8. INVENTORIES

Inventories relate to product licences.

9. TRADE RECEIVABLES AND OTHER ASSETS

All trade receivables come with a term of up to one year and are thus fully reported under current assets.

Gross sum before value adjustment	Net sum = balance sheet value	neither reduced in value nor overdue	thereof not impaired as of the balance sheet date and overdue in the following time bands				
			less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	greater than 180 days
€K	€K	€K	€K	€K	€K	€K	€K
As of December 31, 2019							
9,515	**8,554**	**5,088**	**1,783**	**494**	**129**	**229**	**831**
As of December 31, 2018							
9,187	8,706	5,499	1,452	610	452	386	307

The development of allowances for credit losses on trade receivables is shown below:

	2019 €K	2018 €K
January 1	**481**	158
Reversals	**363**	99
Addition	**843**	422
December 31	**961**	481

The increase in allowances compared with the previous year reflects improved risk provisioning, particularly, in the area of customer receivables from licence measurements in the compliance area.

In the year under review, trade receivables due to uncompleted projects according to the percentage of completion method included receivables of €0K (previous year €52K) are recognized in the year under review.

10. RECEIVABLES FROM INCOME TAXES

Income tax receivables relate to the corporate and trade tax receivables for domestic companies.

11. OTHER RECEIVABLES AND ASSETS

The other receivables mainly consist of accruals of €755K (previous year €408K). €149K (previous year €119K) of the other sums are shown as non-current.

As was the case in the previous year, there were no value adjustments as of the balance sheet date.

12. MEANS OF PAYMENT

Cash and cash equivalents comprise cash, checks, sight deposits with banks and other short-term and highly liquid financial assets with an original term of up to three months; they are composed as follows:

	31.12.2019 €K	31.12.2018 €K
Cash on hand	**19**	8
Bank deposits	**8,881**	1,460
	8,900	1,468

13. EQUITY

As of December 31, 2019, the subscribed capital remained at €6,442,039.00 (previous year €5,403,000.00). It is divided into 6,442,039 ordinary bearer shares (individual shares) with no par value with a notional share in the subscribed capital of €1.00 each. All shares grant equal rights.

The Executive Board was authorised by resolution of the annual general meeting on August 8, 2014 to issue the share capital with the approval of the Supervisory Board once or several times in instalments of up to €1,350,750.00 by issuing new shares for cash by August 7, 2019 (Authorised Capital 2014). The Board is authorized to restrict shareholders' statutory subscription rights for fractional amounts with the approval of the Supervisory Board. The Authorised Capital 2014 was utilised by issuing 1,039,039 new shares at a placement price of €4.81 per share in March 2019.

The Board was authorised to acquire and dispose of treasury shares pursuant to § 71 Para. 1(8) AktG by resolution of the annual general meeting on June 8, 2017 and with the consent of the Supervisory Board under the possible exclusion of shareholders' offer and subscription rights. The Board is authorized to restrict shareholders' statutory subscription rights for fractional amounts with the approval of the Supervisory Board. The acquisition or sale of treasury shares has not been carried out to date. The capital reserve was formed by the issue of units above their nominal value. The capital reserves are treated in accordance with stock corporation law.

The statutory reserve of €35K is reported under revenue reserves. Of the net retained profits of €268K in previous years, €258K was distributed to the shareholders and €10K was transferred to other revenue reserves.

The non-controlling interests relate to the shareholders holding 49.0% of the subscribed capital of EASY SOFTWARE TÜRKİYE Ltd.

14. PERSONNEL PROVISIONS

The personnel provisions relate to pension obligations arising from pension commitments to a former Executive Board member of the parent company as well as a former managing director of a subsidiary, which are linked to defined benefits and to the length of service and are to be granted in fixed sums. The amount of pension obligations prior to offsetting against plan assets is determined using actuarial methods in accordance with IAS 19, and corresponds to the projected benefit obligation as per the defined benefit obligation (DBO). Actuarial gains or losses are recognized in other comprehensive income for the year they are incurred. The following calculation parameters were used:

	31.12.2019 %	**31.12.2018** %
Actuarial interest rate for pensioners	**1.60**	1.60
Actuarial interest rate for entitled persons	**1.30**	2.27
Pension dynamic	**1.00 – 2.00**	1.00 – 2.00

Biometric probabilities according to "Guidelines tables 2018 G" by Prof. Dr. Klaus Heubeck

Salary trend and a turnover rate were not taken into account because the candidate is no longer employed by EASY group. The projected benefit value of the defined benefit obligation is determined on the basis of mortality rates. An increase in the life expectancy of the beneficiary employees leads to an increase in plan liability. In addition to the longevity risk, EASY SOFTWARE AG bears the interest rate risk for changes in the general capital market interest rates. These risks were countered by conclusion of a reinsurance policy. Ceteris paribus, pension obligations have increased in recent years as a result of the generally lower capital market interest rates.

The net liability for pension obligations has developed as follows:

	2019 €K	2018 €K
Projected benefit value as of January 1	**1,143**	1,090
current service cost	**32**	32
interest expense	**23**	19
Actuarial gains (-)/losses from changes in financial assumptions	**152**	-30
Actuarial gains (-)/losses from experience adjustments	**1**	56
Claim	**-24**	-24
Projected benefit value as of December 31	**1,327**	**1,143**

	2019 €K	2018 €K
Plan assets as of 1 January	**828**	789
Contributions	**31**	31
Interest income	**11**	8
Result from plan assets that are not included in interest income	**-1**	0
Plan assets as of 31 December	**869**	828
Net debt (-)	**-458**	**-315**

Plan assets relate to receivables from reinsurance policies, Plan assets earn interest at 0.0% to 2.0%.

Any increase (decrease) in the discount rate by 0.5 percentage points would have led to a decrease (increase) in the present value of the defined benefit obligation by €85K (€95K). Any increase (decrease) in the pension dynamic by 1.0% would have led to an increase (decrease) in the present value of the defined benefit obligation by €137K (€111K). The sensitivity analysis may not be representative of the actual change to the pension obligation; that's because deviations from the assumptions are unlikely to arise in isolation since there are interactions between the assumptions.

Reinsurance policies have been taken out to account for the pension obligation. The amount shown as of the reporting date relates to the difference between the projected benefit value and the fair value of the reinsurance policy. As was the case in the previous year, the asset-liability management of the group aims to hedge part of the risks arising from pension commitments through reinsurance policies.

For the coming financial year, contributions of €31K (previous year €31K) as well as pension payments of €24K (previous year €24K) are expected. No significant changes are expected in coming years.

The average term of the defined benefit obligation amounted to 13 (previous year 10) years.

Defined contribution pension plans, whereby the company pays contributions to state pension funds on the basis of the statutory provisions, are also in place. The company has no obligations beyond the payment of contributions. The contributions to state pension insurance funds, which are recognized as costs, amount to €1,714K (previous year €1,471K).

15. INCOME TAX LIABILITIES

Income tax liabilities relate to corporate income tax and trade tax obligations.

16. FINANCIAL LIABILITIES

The financial liabilities result from bank loans, purchase price liabilities as well as leasing liabilities. Current account loans with a book value of €50K (previous year €1,835K) are charged interest at rates of 4.75% (previous year 4.75%). A repayment loan with a book value of €0 (previous year €340K) bears interest at 1.47%. Further repayment loans with a book value of €3,349K (previous year €4,000K) are charged interest at 2.25% as well as the ones with a book value of €4,000K (previous year €0K) bear interest at 2.95%. These were included to finance the purchase price from the acquisition of Apinauten GmbH. For the bank loans, it has been agreed with the bank that the equity ratio of the consolidated balance sheet must be at least 30.0% of adjusted total assets and that the ratio of interest-bearing liabilities to EBITDA is not to exceed 3. In case of a breach of the covenants, the company will be granted a reasonable period of time to make good the breach. On the balance sheet date, the first key figure (previous year: second key figure) could not be complied with. The breach of the covenants at the balance sheet date is not expected to have any effect on the continuation of the loan relationship. The liability for part of the purchase price for the acquisition of Apinauten GmbH has a book value of €3,473K (previous year €193K) and no interest is charged on it. The undiscounted nominal value of the leasing liabilities amounts to €3,762K, of which €1,778K is due within one year and €1,984K is due in more than one year. In the previous year, there was a liability from the silent partnership in a subsidiary with a carrying amount of €12K. The compensation for the silent partner is 49.0% of the profit or loss of the subsidiary.

17. ACCOUNTS PAYABLE TRADE

Trade payables relate to operating business and are carried at amortized cost. The liabilities are interest-free and have a remaining term of less than one year.

18. OTHER DEBTS

Other debts amount to €1,846K (previous year €1,149K) in deferred income, and €3,806K (previous year €4,524K) in other liabilities. Other liabilities include personnel liabilities of €2,509K (previous year €2,713K) and liabilities from other taxes of €786K (previous year €786K) and liabilities towards associated companies of €15K (previous year €483K). All other debts are non-interest bearing.

Deferred income mainly relates to software maintenance contracts already settled and paid by customers with service periods in excess of the financial year.

19. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

		Book value		Fair value	
		31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
		€K	€K	€K	€K
Financial assets					
Shareholdings	(1)	**0**	193	**0**	193
Trade receivables and other assets	(2)	**8,554**	8,706	**8,554**	8,706
Means of payment	(2)	**8,900**	1,468	**8,900**	1,468
Financial liabilities					
Liabilities to banks	(3)	**7,398**	6,187	**7,398**	6,187
Leasing liabilities	(3)	**3,653**	0	**3,653**	0
Residual purchase liabilities	(3)	**3,473**	193	**3,473**	193
Accounts payable trade	(3)	**2,131**	1,591	**2,131**	1,591
Other liabilities (financial instruments only)	(3)	**3,017**	3,739	**3,017**	3,739

Valuation categories according to IFRS 9:
(1) Assets recognized at fair value in other comprehensive income through profit or loss
(2) Assets carried at amortized cost
(3) Liabilities carried at amortized cost

The methods and assumptions used to determine the fair values of the financial instruments are as follows:

The fair value of the investments has not been determined since there are no quoted market prices in an active market and the fair value cannot be reliably determined. There is no active market for shares in GmbHs, and no sale is currently intended.

Trade receivables, cash and cash equivalents, liabilities to banks and trade payables and other liabilities approximate their book value due to the short maturities of these instruments.

Generally, EASY Group uses the following hierarchy for determining and reporting fair values:

- Level 1: Quoted, (unadjusted) prices in active markets for equivalent assets or liabilities;
- Level 2: Input factors other than level 1 prices that are observable for the asset or liability, either directly or indirectly, and
- Level 3: Factors not based on observable market data for valuation of the asset or liability.

The expected cash outflows from the financial instruments are distributed as follows:

	Book value	expected	thereof due in the following time bands			
		cash outflow	up to 2 months	2-12 months	1-2 years	2-5 years
	€K	€K	€K	€K	€K	€K
Financial liabilities	14,525	14,525	531	6,620	3,092	4,282
Accounts payable trade	2,130	2,130	2,130	0	0	0
Other liabilities (financial instruments only)	3,017	3,017	1,627	1,390	0	0
	19,672	**19,672**	**4,288**	**8,010**	**3,092**	**4,282**

In the previous year, the situation was as follows:

	Book value	expected	thereof due in the following time bands			
		cash outflow	up to 2 months	2-12 months	1-2 years	2-5 years
	€K	€K	€K	€K	€K	€K
Financial liabilities	6,380	6,368	2,555	930	1,116	1,767
Accounts payable trade	1,591	1,591	1,591	0	0	0
Other liabilities (financial instruments only)	3,739	3,739	2,252	1,488	0	0
	11,710	**11,698**	**6,398**	**2,418**	**1,116**	**1,767**

The following net gains and losses were recorded from financial instruments in the financial years 2019 and 2018:

		Gains / Losses (-)		
		2019	**2018**	**Disclosed in the statement of comprehensive income**
		€K	€K	
Financial assets				
Trade receivables and other assets	(1)	**-470**	-705	Other operating income, other operating expenses
Means of payment	(1)	**5**	13	Financial income
Financial liabilities				
Liabilities to banks	(2)	**-339**	-100	Financial expenses
Leasing liabilities	(2)	**-102**	0	Financial expenses

Valuation categories according to IFRS 9:
(1) Assets carried at amortized cost
(2) Liabilities carried at amortized cost

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

20. REVENUES

Group sales are broken down by sales markets or rather field of activity as follows:

	2019 €K	2018 €K
Domestic	**40,567**	38,193
Abroad	**10,019**	8,454
	50,586	46,647
Software maintenance	**25,319**	24,439
Services and Cloud	**14,855**	11,439
Total services	**40,174**	35,878
Sale of software	**10,120**	10,628
Sales of hardware and other	**292**	141
Sale of goods in total	**10,412**	10,769
	50,586	46,647

Of the reported revenue, €0K (previous year €52K) were derived from construction contracts according to IFRS 15.

The order proceeds resulted in contract costs amounting to €0K (previous year €52K).

21. OWN WORK CAPITALIZED

Capitalized own work relates to software development costs; these include directly attributable personnel costs as well as external costs.

22. OTHER OPERATING INCOME

The other operating income relates to:

	2019 €K	2018 €K
Reduction of value adjustments	**363**	99
Investment subsidies	**258**	0
Insurance compensations	**110**	78
Income from receivables written off	**59**	0
Writing off of liabilities	**25**	3
Exchange rate differences	**0**	38
Residual	**46**	37
	861	255

23. COST OF MATERIALS

The cost of materials is composed as follows:

	2019 €K	2018 €K
Software	**2,357**	3,239
Hardware and other goods	**346**	619
Software maintenance and other services	**7,347**	7,242
	10,050	11,100

24. PERSONNEL EXPENSES

The personnel expenses are composed as follows:

	2019 €K	2018 €K
Wages	**23,753**	21,107
Severance	**22**	953
Social contributions	**3,956**	3,544
	27,731	25,604

25. OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

	2019 €K	2018 €K
Travel and entertainment costs	**1,706**	1,425
IT costs	**1,621**	1,384
Advertising and trade fairs	**1,557**	1,045
External development/work	**1,034**	1,319
Consulting and auditing costs	**860**	586
Value adjustments and bad debt losses	**833**	804
Rent and ancillary costs	**503**	1,433
Telephone and postage	**468**	441
Car costs	**427**	1,463
Insurance	**290**	235
Recruitment costs	**253**	74
Training costs	**171**	260
Capital market costs	**118**	101
Other taxes	**38**	36
Sales commissions	**33**	113
Exchange rate differences	**2**	47
other remaining expenses	**1,008**	686
	10,922	11,452

Rent, motor vehicle costs and other miscellaneous expenses include payments from operating leases to the amount of €22K (previous year €2,371K) (leased objects with a low value). The decrease results from the first-time application of IFRS 16 in fiscal year 2019.

26. RESULT FROM INVESTMENTS ACCOUNTED FOR AT EQUITY METHOD

The result is attributable to the following associates:

	2019 €K	2018 €K
otris software AG	**3,900**	1,098
friendworks GmbH	**166**	138
	4,066	1,236

27. FINANCIAL RESULTS

The financial income relates to income from the current interest on bank balances on current and term money accounts. They are based on assets classified as "assets measured at amortized cost" under IFRS 9. Financial expenses relate to expenses from borrowings from banks and leasing liabilities and come from the category "liabilities measured at amortised cost". Please refer to Note 19.

28. TAXES ON INCOME AND EARNINGS

In addition to deferred taxes, tax expenses include corporation and trade taxes for domestic companies as well as comparable income taxes of the companies abroad.

The taxes on income and earnings are composed as follows:

	2019 €K	2018 €K
Deferred tax income	**238**	**205**
Current tax revenue (previous year expense)	**29**	**-70**
Total tax income	**267**	**135**

Reconciliation of expected to actual tax expense:

	2019 €K	2018 €K
Earnings before income tax	**1,754**	-2,427
Expected income tax (EBT x tax rate 33.7% (previous year 32.625%))	**-591**	792
plus / minus differences from:		
Unusable losses	**-1,402**	-1,377
Non-tax deductible expenses / tax-exempt income	**721**	339
Use of loss carry forwards	**1,506**	386
Differences from foreign tax rates	**-25**	-5
Taxes previous years	**58**	0
Other	**0**	0
Actual tax income	**267**	135

The income taxes attributable to other comprehensive income break down as follows:

	31.12.2019		
	Amount before income tax €K	income taxes €K	Amount after income tax €K
Actuarial gains and losses from the calculation of per-sonnel provisions	-153	51	**-102**
Currency translation differences from the consolidation of foreign business units	43	0	**43**
	-110	**51**	**-59**

In the previous year, the situation was as follows:

	31.12.2018		
	Amount before income tax €K	income taxes €K	Amount after income tax €K
Actuarial gains and losses from the calculation of per-sonnel provisions	-26	8	**-18**
Currency conversion differences from the consolidation of foreign business units	-77	0	**-77**
	-103	**8**	**-95**

29. EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF EASY SOFTWARE AG

		2019	2018
Surplus for the period	€K	**2,021**	-2,292
Result attributable to other shareholders	€K	**3**	-30
Profit for the year attributable to equity holders of the parent company	€K	**2,024**	-2,322
Weighted average number of shares outstanding during the reporting period	Units	**6,268,866**	5,403,000
Earnings per share	€/ share	**0.32**	-0.43

Earnings per share are calculated in accordance with IAS 33 by dividing the profit/loss after tax attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the reporting period. A dilutive effect was not due for consideration either in the reporting year or in the previous year.

The distribution of a dividend is not planned until further notice.

30. EXPENSES FOR RESEARCH AND DEVELOPMENT

In the reporting period, expenses for the research and development of software products amounted to €5,023K (previous year €5,778K), which are included in the current expenses of the period.

31. CONTINGENCIES

As part of the existing risk management system, the financing risks and thus also the risks arising from the use of contingent liabilities are closely monitored. Contingent liabilities are only entered into after risk assessment.

As of December 31, 2019, there were no reportable contingent liabilities.

32. CONTINGENT RECEIVABLES

EASY SOFTWARE AG currently has two ongoing legal proceedings, including against a former chairperson of the Supervisory Board.

The amount of the claim for damages in the first trial amounts to €1.5 million plus interest. The District Court of Duisburg almost completely upheld the complaint. This verdict was overturned by OLG Düsseldorf and the claim of EASY SOFTWARE AG was dismissed. The company filed a non-admission complaint with the BGH in 2017 against this decision. The Federal Court of Justice (BGH) allowed the appeal by order dated July 24, 2018 and dismissed the case by the appeal judgement dated September 18, 2018 to the Düsseldorf Higher Regional Court OLG. The Düsseldorf Higher Regional Court subsequently communicated its preliminary opinion that the claim amounting to €0.1 million was apparently well-founded. With regard to the merits of the further claim, the Düsseldorf Higher Regional Court has expressed concerns. The Senate proposed to terminate the legal dispute by means of a settlement by payment of between €133K and €1,513K to the defendant. After the defendant initially rejected a settlement, the parties are currently holding talks to explore the possibility of a settlement.

EASY SOFTWARE AG is also conducting a lawsuit against a former member of the Executive Board and the former Chairman of the Supervisory Board. In these proceedings, EASY SOFTWARE AG is asserting claims from payments in breach of duty to a company controlled by the defendants, which has since gone bankrupt, amounting to €1.5 million plus interest. In the counter-claim, the former Board member has lodged a claim for compensation of €0.6 million. By judgement dated April 29, 2019, the Regional Court of Duisburg sentenced the former Management Board member and the former Supervisory Board member jointly and severally to pay €1.0 million and the former Management Board member to pay a further €0.4 million and dismissed the former Management Board member's counter-claim.
The defendants have filed an appeal against the judgement. EASY SOFTWARE AG has filed a follow-up appeal.

We continue to expect verdicts in our favour.

33. OTHER FINANCIAL OBLIGATIONS

The other financial obligations (minimum lease payments under operating leases) break down as follows by total terms of the underlying contracts in the financial year:

	up to 1 year €K	1 to 5 years €K	over 5 years €K	Total €K
Other leases	22	88	0	**110**
	22	**88**	**0**	**110**

In the previous year, the situation was as follows:

	up to 1 year €K	1 to 5 years €K	over 5 years €K	Total €K
Rental fee	923	2,350	0	**3,273**
Other leases	686	865	0	**1,551**
Software licenses	250	0	0	**250**
	1,859	**3,215**	**0**	**5,074**

D: CONSOLIDATED CASH FLOW STATEMENT

34. INFORMATION ON THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated statement of cash flows shows in accordance with IAS 7, how cash and cash equivalents for the group changed during the year under review.

The consolidated statement of cash flows distinguishes between cash flows from operating, investing and financing activities.

In contrast to the previous year, the distributions of companies accounted for using the equity method were recognised as cash flow from investing activities rather than as cash flow from operating activities. The figure for the previous year has been adjusted accordingly.

Cash and cash equivalents are identical to the balance sheet item with the same designation.

The reconciliation of the change in recognized financial liabilities to cash flow from financing activities is as follows:

	2019 €K	**2018** €K
Financial liabilities as of January 1	**6,380**	5,194
Financial liabilities as of December 31	**14,524**	6,380
Change	**8,144**	1,186
Non-cash purchase price liability	**-3,472**	-193
Interest paid	**-357**	-105
First application of IFRS 16	**-4,421**	0
Additions 2019 IFRS 16	**-1,072**	0
Repayment of liabilities of Apinauten GmbH	**-658**	0
Proceeds from capital gains	**5,060**	0
Paid dividends	**-258**	0
Cash flow from financing activities	**2,966**	888

E. SEGMENT REPORTING

35. PRESENTATION OF SEGMENT REPORTING

The segment reporting is prepared in accordance with IFRS 8. The segmentation by region follows the internal management of the Group and the reporting to the Management Board (responsible entity). For the segments abroad, only sales services are provided; in the domestic segment, all products and services of EASY Group are provided and distributed. The following figures were shown for financial year 2019:

	Germany €K	Austria €K	England €K	United States €K	Singapore €K	Turkey €K	Consolidation €K	Total €K
Revenues	47,420	3,216	1,280	1,014	0	1,253	-3,597	**50,586**
- External sales	45,493	2,639	1,139	1,014	0	301	0	**50,586**
- Inter-segment sales	1,927	577	141	0	0	952	-3,597	**0**
Earnings before interest and depreciation (EBITDA)	3,901	256	-59	145	-9	12	0	**4,246**
Depreciation	5,979	81	26	0	0	18	0	**6,104**
Interest income	2	0	7	6	0	1	-11	**5**
Interest expenses	470	0	0	0	0	0	-11	**459**
Result from associated companies	4,066	0	0	0	0	0	0	**4,066**
Earnings before taxes (EBT)	1,520	175	-78	151	-9	-5	0	**1,754**
Income tax expenses	457	-49	-142	3	0	-2	0	**267**
Profit / loss	1,977	126	-220	154	-9	-7	0	**2,021**
Total book value of the assets	47,421	794	1,854	1,218	22	960	-739	**51,530**
Additions to fixed assets	17,169	45	54	0	0	422	0	**17,690**
Investments in associated companies	341	0	0	0	0	0	0	**341**
Long-term assets	31,520	82	373	160	0	51	0	**32,186**
Deferred tax assets	670	0	299	158	0	0	0	**1,127**
Debts	20,609	465	1,022	702	3	732	-739	**22,794**

In the previous year, the situation was as follows:

	Germany €K	Austria €K	England €K	United States €K	Singapore €K	Turkey €K	Consoli-dation €K	Total €K
Revenues	42,665	2,181	1,143	1,009	0	418	- 769	**46,647**
- External sales	41,966	2,122	1,133	1,008	0	418	0	**46,647**
- Inter-segment sales	699	59	10	1	0	0	-769	**0**
Depreciation	2,561	82	11	9	0	2	0	**2,665**
Interest income	13	0	7	14	0	0	- 21	**13**
Interest expenses	126	0	0	0	0	0	- 21	**105**
Result from associated companies	1,236	0	0	0	0	0	0	**1,236**
Earnings before taxes (EBT)	- 2,617	163	8	- 35	- 7	61	0	**- 2,427**
Income tax expenses	- 95	- 49	372	- 93	0	0	0	**135**
Profit / loss	- 2,712	114	380	- 128	- 7	61	0	**- 2,292**
Total book value of the assets	33,107	544	1,361	1,133	30	330	- 372	**36,133**
Additions to fixed assets	2,969	16	11	5	0	3	0	**3,004**
Investments in associated companies	6,494	0	0	0	0	0	0	**6,494**
Long-term assets	24,031	137	484	177	0	5	0	**24,834**
Deferred tax assets	2,380	0	440	174	0	0	0	**2,994**
Debts	12,899	222	329	771	2	226	- 372	**14,077**

The accounting and valuation methods of the segments correspond to the Group's accounting and valuation methods described in section B. f).

F. OTHER INFORMATION

36. DISCLOSURE IN ACCORDANCE WITH § 160 (1) NO. 8 AKTG

In the financial year, the company received the following notices pursuant to section 33 WpHG:

Notice date	Name of the share-holder subject to notification	Date of threshold contact	Reason for the message	Total new voting rights
12.06.2019	Wilhelm K. T. Zours, Deutsche Balaton Aktiengesellschaft	07.06.2019	Purchase	30.18% (attributed)
24.04.2019	Wilhelm K. T. Zours, Deutsche Balaton Aktiengesellschaft	18.04.2019	Purchase	29.17% (attributed)
24.04.2019	Axxion S. A., Greven-macher (Luxembourg)	18.04.2019	Disposal	3.88% (direct)
24.04.2019	Petra Neureither PEN GmbH	24.04.2019	Disposal	2.98% (attributed)
02.04.2019	Thorsten Wagner Global Derivative Trading GmbH	28.03.2019	Purchase	32.17%* (attributed)
26.03.2019	Petra Neureither PEN GmbH	19.03.2019	Disposal	4.53% (direct)
22.03.2019	Wilhelm K. T. Zours, Deutsche Balaton Aktiengesellschaft	19.03.2019	Purchase	21.41% (attributed)

*2.33% return transfer claim from securities lending; due date: 28.02.2021

Voting rights notifications from previous years informing the company of overshoots or shortfalls in reporting thresholds are as follows:

01.06.2018	Wilhelm K. T. Zours, Deutsche Balaton Aktiengesellschaft	28.05.2018	Purchase	15.01% (attributed)
16.04.2018	Axxion S. A., Greven-macher (Luxembourg)	11.04.2018	Disposal	13.14% (direct)
07.07.2017	Stephan Kaleske	07.07.2017	Purchase	5.40% (direct 2.997%, attributed 2.41%)
04.07.2017	Petra Neureither, PEN GmbH	04.07.2017	Purchase	5.55% (attributed)

On April 16, 2013, VV Beteiligungen Aktiengesellschaft, Heidelberg/Germany, informed us in accordance with § 21 Para. 1 WpHG that the voting rights of VV Beteiligungen Aktiengesellschaft in EASY SOFTWARE AG, Am Hauptbahnhof 4, 45468 Mülheim an der Ruhr, Germany, exceeded the thresholds of 3.0% and 5.0% of the voting rights as of April 12, 2013, reaching 5.73% of the voting rights (309,807 voting rights) on that day. The voting rights can be attributed to VV Beteiligungen Aktiengesellschaft pursuant to § 22 Para. 1 Clause 1(1) WpHG via Deutsche Balaton Aktiengesellschaft of Heidelberg/Germany.

On April 16, 2013, Delphi Unternehmensberatung Aktiengesellschaft, Heidelberg/Germany, informed us in accordance with § 21 Para. 1 WpHG that the voting rights of Delphi Unternehmensberatung Aktiengesellschaft in EASY SOFTWARE AG, Am Hauptbahnhof 4, 45468 Mülheim an der Ruhr, Germany, exceeded the thresholds of 3.0% and 5.0% of the voting rights as of April 12, 2013, reaching 5.73% of the voting rights (309,807 voting rights) on that day. The voting rights are attributed to Delphi Unternehmensberatung Aktiengesellschaft via VV Beteiligungen Aktiengesellschaft and Deutsche Balaton Aktiengesellschaft, Heidelberg/Germany in accordance with § 22 (1) sentence 1 no. 1 WpHG.

On June 25, 2012, Lupus alpha Kapitalanlagegesellschaft mbH, Frankfurt/Germany, informed us in accordance with § 21 Para. 1 WpHG that its share of the voting rights in EASY SOFTWARE AG, Am Hauptbahnhof 4, 45468 Mülheim an der Ruhr, Germany, exceeded the thresholds of 3.0% and 5.0% as of June 21, 2012, reaching 6.38% (345,000 voting rights) on this day. Of which 1.48% (80,000 voting rights) are directly held by Lupus alpha Kapitalanlagegesellschaft mbH in accordance with § 21 Para. 1 WpHG. A further 4.90% of the voting rights (265,000 voting rights) are attributed to Lupus alpha Kapitalanlagegesellschaft mbH pursuant to § 22 Para. 2 WpHG from shares held by Lupus alpha Investment SA.

On June 25, 2012, Lupus alpha Investment SA, Luxembourg, informed us in accordance with § 21 (1) WpHG that its voting rights in EASY SOFTWARE AG, Am Hauptbahnhof 4, 45468 Mülheim an der Ruhr, Germany exceeded the threshold of 5.0% on June 21, 2012, reaching 6.38% (345,000 voting rights) on that day. Of which 4.9% of the voting rights (265,000 voting rights) are held directly by Lupus alpha Investment SA, Luxembourg in accordance with § 21 Para. 1 WpHG. Another share of voting rights of 1.48% (80,000 voting rights) is attributed to Lupus alpha Investment SA in accordance with § 22 Para. 2 WpHG.

On February 24, 2012, Mr Thorsten Wagner, Germany, informed us in accordance with § 21 Para 1 WpHG that his share of the voting rights in EASY SOFTWARE AG, Mülheim an der Ruhr, Germany, exceeded the threshold of 25.0% on February 24, 2012, reaching 25.08% (1,355,285 voting rights) on that day; thereof, 25.08% (1,355,285 voting rights) are attributable to him in accordance with § 22 Para 1 Clause 1 No. 1 WpHG. The voting rights attributed to Mr. Thorsten Wagner are held via the following company controlled by him, whose voting rights in EASY SOFTWARE AG amount to 3.0% or more: Global Derivative Trading GmbH.

On April 18, 2011, Global Derivative Trading GmbH, Lehrte, Germany, informed us in accordance with § 21 Para. 1 WpHG that its share of the voting rights in EASY SOFTWARE AG, Mülheim an der Ruhr, Germany, exceeded the threshold of 20.0% on April 15, 2011, reaching 20.73% (1,119,853 voting rights) on that day.

37. TOTAL REMUNERATION OF THE EXECUTIVE AND SUPERVISORY BOARDS AS WELL AS LOANS GRANTED

The key management of EASY Group are the parent company Executive and Supervisory Boards.

The remuneration of the Executive Board consists of a non-performance-related and a performance-related component. The non-performance-related part consists of a fixed salary, which is paid as a monthly basic salary, insurance fees and a value for non-cash benefits to be applied in accordance with the tax regulations. The performance-based component consists of a bonus, which is dependent on sales and earnings. Other variable remuneration components such as stock options are not in place.

The total compensation granted to active members of the Board amounted to €389K in the 2019 financial year (previous year €580K).

Mr Dieter Weißhaar received fixed remuneration of €325K, performance-related remuneration of €45K and fringe benefits of €19K for the financial year. A provision of €97K was formed for variable compensation that is yet to be paid out. In the 2019 financial year, additional short-term and long-term performance-related remuneration was agreed with Dieter Weißhaar (bonuses 1-3), which in total amount to a maximum of €300K per financial year (total remuneration cap). The long-term targets amount to a maximum of €220K per fiscal year and will be paid out until the 2024 financial year if the targets are met. The goals are based on individually set annual targets and the multi-year group EBITDA. The employment contract of Mr Dieter Weißhaar contains provisions for benefits in the event of premature termination of the contract, according to which claims may be granted pro rata temporis.

A pensions provision of €397K (previous year €388K) was formed for a former member of the Executive Board. Remuneration to the amount of €24K (previous year: €24K) was remitted.

In accordance with § 21 of the Articles of Association, members of the Supervisory Board are to receive compensation of €15,000.00 (previous year €15,000.00) per financial year. The chairperson receives 2.5 times and the deputy 1.75 times the amount. Furthermore, the members of the Supervisory Board receive an attendance fee of €1,500.00 per meeting for attending the meetings. Performance-related compensation components were not paid. For 2019, the members of the Supervisory Board received compensation of €180K (previous year €142) including attendance fees. All remuneration relates exclusively to short-term benefits.

There are no credit agreements with members of the Supervisory Board and Management Board.

For further details, please refer to the comments in the combined management and group management report.

38. RELATIONSHIPS WITH RELATED PERSONS AND COMPANIES

Related parties and companies, as defined in IAS 24, are legal or natural persons that can influence EASY SOFTWARE AG and its subsidiaries, or are subject to control or significant influence by EASY SOFTWARE AG or its subsidiaries.

EASY SOFTWARE AG maintained various contractual business relationships with related parties.

The benefits to the amount of €744K (previous year €359K), which EASY SOFTWARE AG provided to associated companies, consisted mainly of the sale of software licences.

The benefits to the amount of €461K (previous year €4,996K), which EASY SOFTWARE AG received from associated companies, mainly consisted of purchasing software licences and providing services in customer training. They are entirely attributable to associated companies.

The amount of outstanding balances in relation to related parties and companies consists of liabilities to associated companies amounting to €15K (previous year €483K). The accounts receivable are unsecured and settled in cash. No guarantees were granted or received.

The shareholdings of members of the Executive and Supervisory Boards are composed as follows:

	31.12.2019 Units (%)	31.12.2018 Units (%)
Executive Board		
Dieter Weißhaar	**1,200** (0.02%)	**1,000** (0.02%)
Oliver Krautscheid	**4,769** (0.07%)	
Supervisory Board		
Oliver Krautscheid		**2,000** (0.04%)
Stefan ten Doornkaat	**1** (0.00%)	**1** (0.00%)
Armin Steiner	**0** (0.00%)	
Thomas Mayerbacher		**0** (0.00%)

There were no other significant disclosures or related party transactions in the financial year.

39. ORGANS

EXECUTIVE BOARD

Dieter Weißhaar, Essen, Graduate Economist, Chief Executive Officer (until March 20, 2020)

Oliver Krautscheid, Frankfurt am Main, graduate in business administration, CFO (from February 11, 2020)

The members of the Executive Board carry out their work on a full-time basis.

SUPERVISORY BOARD

Oliver Krautscheid, Chairman and Member of the Supervisory Board, Frankfurt am Main (until February 10, 2020), Managing Director of Change Capital GmbH, Zug (Switzerland), and Managing President of the Board of Directors of The Fantastic Company AG, Zug (Switzerland)

Mr. Krautscheid has additional Supervisory Board mandates as Chairman of MOLOGEN AG (in liquidation), Berlin (until July 30, 2020), as Chairman of EPG Engineered nanoProducts Germany AG, Griesheim, and as Chairman of CD Deutsche Eigenheim AG, Berlin (until February 07, 2020).

Mr. Stefan ten Doornkaat, Deputy Chairman of the Supervisory Board, Düsseldorf, lawyer and specialist lawyer for tax law, self-employed in his own law firm, Düsseldorf

Mr. ten Doornkaat has additional supervisory board mandates as Chairman of Global Oil and Gas AG, Dortmund, as a member of Mox Deals AG in liquidation, Ratingen on behalf of the insolvency administrator, and as a member of EPG nanoProducts Germany AG.

Mr. Thomas Mayerbacher, Kaiserslautern, graduate industrial engineer, member of the Executive Board, CFO of SALT Solutions AG, Munich, independent management consultant (until August 6, 2019)

Mr. Mayerbacher has no further supervisory board mandates.

Mr Armin Steiner, Supervisory Board member, Hanover, (since 6 August 2019) Graduate in business administration

Mr. Steiner is a member of the Management Board of Beta Systems Software AG, Berlin and holds various executive positions within the Beta Systems Group.

40. FEES AND SERVICES OF THE AUDITOR (INFORMATION PURSUANT TO § 314 (1) NO. 9 HGB)

The fee for the services of the auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, which was calculated for the financial year, amounts to €119K for the audit of individual and consolidated financial statements in 2019 and €38K for other services. Other confirmation and tax consultancy services were not provided for the financial year.

41. STAFF

In the 2019 financial year, an average of 365 (previous year 318) were employed in the group. By geographical location, 318 (previous year 294) employees were located in Germany, 8 (previous year 5) employees were located in Austria, 12 (previous year 11) employees were located in the UK and 4 (previous year 3) employees were located in the USA, and 23 (previous year 5) employees were located in Turkey and Singapore.

42. EVENTS AFTER THE BALANCE SHEET DATE

Uncertainties in connection with the coronavirus pandemic that has been rampant worldwide since the beginning of the current fiscal year offer both opportunities and risks for the EASY targets. In this regard, we refer to the statements in the combined management report, in particular in the sections "1.2.3 Goals and strategies", "3.3 Risks" and "4. Forecast report". There are no other events of particular significance for the net assets, financial position and results of operations occurring after the end of the fiscal year.

43. EXEMPTION ACCORDING TO § 264 PARA. 3 HGB

EASY SOFTWARE Deutschland GmbH waives the preparation of the notes and the management report as well as the disclosure of the annual financial statements for the financial year 2019. For this company, EASY SOFTWARE AG publishes its consolidated financial statements and group management report in the Federal Gazette as a relief measure.

44. APPROVAL OF THE FINANCIAL REPORT

The Management Board of EASY SOFTWARE AG approved the consolidated financial statements and group management report for handover to the Supervisory Board on April 27, 2020.

45. STATEMENTS ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE

In the year under review, the Management Board and the Supervisory Board issued a declaration on compliance with the corporate governance code as per § 161 (1) AktG. A statement on corporate governance in accordance with § 289f and 315d HGB was also issued by the Executive Board. These statements are permanently publicly available on the company website at www.easy-software.com.

Mülheim an der Ruhr, April 27, 2020

Oliver Krautscheid
Executive Board

APPENDIX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DEVELOPMENT OF THE GROUP FIXED ASSETS AS OF DECEMBER 31, 2019

2019	Acquisition and production costs						
	01.01.2019 €K	Change in accounting €K	Additions €K	Additions from company acquisition €K	Disposals €K	Currency translation €K	31.12.2019 €K
Software development costs	**1,912**	**0**	**1,502**	**6,841**	**495**	**0**	**9,760**
Goodwill	**6,229**	**0**	**0**	**5,343**	**0**	**28**	**11,600**
Customer bases	11,199	0	0	2,363	0	0	13,562
Intellectual property rights	6,496	0	6	0	0	0	6,502
Other intangible assets	**17,695**	**0**	**6**	**2,363**	**0**	**0**	**20,064**
Land and buildings	951	2,965	508	0	487	0	3,937
Operating and office equipment	2,257	1,329	1,095	32	112	5	4,606
Property, plant and equipment	**3,208**	**4,294**	**1,603**	**32**	**599**	**5**	**8,543**
	29,044	**4,294**	**3,111**	**14,579**	**1,094**	**33**	**49,967**

DEVELOPMENT OF THE GROUP FIXED ASSETS AS OF DECEMBER 31, 2018

2018	Acquisition and production costs						
	01.01.2018 €K		Additions €K	Additions from company acquisition €K	Disposals €K	Currency translation €K	31.12.2018 €K
Software development costs	**2,030**		**348**	**0**	**466**	**0**	**1,912**
Goodwill	**5,847**		**0**	**479**	**0**	**- 97**	**6,229**
Customer bases	9,782		0	1,439	22	0	11,199
Intellectual property rights	6,369		372	46	291	0	6,496
Other intangible assets	**16,151**		**372**	**1,485**	**313**	**0**	**17,695**
Land and buildings	942		9	0	0	0	951
Operating and office equipment	2,801		302	9	848	- 7	2,257
Property, plant and equipment	**3,743**		**311**	**9**	**848**	**- 7**	**3,208**
	27,771		**1,031**	**1,973**	**1,627**	**-104**	**29,044**

Cumulative depreciation					Net book value	
01.01.2019 €K	of the fiscal year €K	Disposals €K	Currency translation €K	31.12.2019 €K	31.12.2019 €K	31.12.2018 €K
813	**1,664**	**495**	**0**	**1,982**	**7,778**	**1,099**
53	**0**	**0**	**0**	**53**	**11,547**	**6,176**
5,451	1,679	0	0	7,130	6,432	5,748
5,689	474	0	0	6,163	339	807
11,140	**2,153**	**0**	**0**	**13,293**	**6,771**	**6,555**
531	1,032	116	0	1,447	2,490	420
1,473	1,255	109	4	2,623	1,983	784
2,004	**2,287**	**225**	**4**	**4,070**	**4,473**	**1,204**
14,010	**6,104**	**720**	**4**	**19,398**	**30,569**	**15,034**

Cumulative depreciation					Net book value	
01.01.2018 €K	of the fiscal year €K	Disposals €K	Currency translation €K	31.12.2018 €K	31.12.2018 €K	31.12.2017 €K
1,066	**214**	**467**	**0**	**813**	**1,099**	**964**
53	**0**	**0**	**0**	**53**	**6,176**	**5,794**
4,090	1,383	22	0	5,451	5,748	5,692
5,269	675	255	0	5,689	807	1,100
9,359	**2,058**	**277**	**0**	**11,140**	**6,555**	**6,792**
513	18	0	0	531	420	429
1,945	375	844	-3	1,473	784	856
2,458	**393**	**844**	**-3**	**2,004**	**1,204**	**1,285**
12,936	**2,665**	**1,588**	**-3**	**14,010**	**15,034**	**14,835**


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11082.662
-25207.231
-10210.688
-1590.951
2006.939

FINAL REMARKS

BALANCE SHEET OATH OF THE BOARD

INDEPENDENT AUDITOR'S REPORT

SUPERVISORY BOARD REPORT

BALANCE SHEET OATH OF THE BOARD

We assure to the best of our knowledge that the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations in accordance with the applicable accounting principles, and that the combined management report including the business results and the position of the group conveys a true impression of the actual circumstances, and that the significant opportunities and risks of the expected development of the group are presented appropriately.

Mülheim an der Ruhr, April 27, 2020

EASY SOFTWARE AG

Oliver Krautscheid

INDEPENDENT AUDITOR'S REPORT

For EASY SOFTWARE AG, Mülheim an der Ruhr

NOTE ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of EASY SOFTWARE AG, Mülheim an der Ruhr, and its subsidiaries (the Group) – consisting of the consolidated balance sheet as of December 31, 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1 to December 31, 2019 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

We have also examined the combined management and group management report (hereinafter referred to as the combined management report) of EASY SOFTWARE AG, Mülheim an der Ruhr, for the financial year from January 1 to December 31, 2019. In accordance with German law, we have not examined the content of the (Group) corporate governance statement published on the Company's website, to which reference is made in section 2.7 of the combined management report.

In our opinion, based on the findings of the audit;

- the accompanying consolidated financial statements comply with the IFRS as adopted by the EU and the additional statutory provisions of German law pursuant to § 315e (1) HGB in all material respects, and provide a true and fair view of the asset and financial standing of the Group as of 31 December 2019 and its results of operations for the financial year from January 1 to December 31, 2019, and
- the attached combined management report furnishes a true picture of the situation of the Group. This combined management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development in all material respects. Our opinion on the combined management report does not cover the above-mentioned components of the combined management report that are not examined in terms of content.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the consolidated financial statements and the combined management report.

BASIS FOR THE AUDIT OPINION

We have audited the consolidated financial statements and the combined management report in accordance with § 317 HGB and the EU Auditors Ordinance (No. 537/2014, hereinafter referred to as "EU-APrVO") and under observance of the German principles for a proper statutory audit as established by the Institut der Wirtschaftsprüfer (Institute of Chartered Accountants) (IDW). Our responsibilities under these rules and policies are further described in the section entitled "Auditors' responsibilities for the audit of the consolidated financial statements and the combined management report" of our opinion. We are independent of the Group companies in accordance with the European and German commercial and professional regulations, and have fulfilled our other German professional obligations in accordance with these requirements. In addition, we declare in accordance with Article 10 (2) (b) letter f) EU-APrVO that we have not provided any prohibited non-audit services in accordance with Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to form the basis for our opinion on the consolidated financial statements and the combined management report.

PARTICULARLY IMPORTANT AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particularly important audit matters are matters that were, to our best judgement, most significant in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2019. These matters were taken into account in the scope of our audit of the consolidated financial statements as a whole and in our opinion on the audit; we do not furnish a separate opinion on these matters.

In the following, we present what we consider to be particularly important audit matters:

1. Identification and valuation of assets and liabilities within the scope of initial consolidations (purchase price allocation)
2. Recoverability of goodwill

1 IDENTIFICATION AND VALUATION OF ASSETS AND LIABILITIES WITHIN THE SCOPE OF INITIAL CONSOLIDATIONS (PURCHASE PRICE ALLOCATION)

A) RISK TO THE FINANCIAL REPORT

In the 2019 financial year, Apinauten GmbH, Leipzig, was acquired for a total purchase price of €11,475K. The goodwill resulting from the purchase price allocation amounted to €5,343K.

The company's disclosures on the first-time consolidation are contained in the notes to the consolidated financial statements in sections "B. Overview of significant accounting policies", subsection "d) Consolidation principles", paragraph "Changes in the scope of consolidation".

The complete identification and correct valuation of assets and liabilities in the context of the purchase price allocation of newly acquired companies is subject to a high degree of complexity. In addition, identified assets and liabilities are regularly measured on the basis of expected future cash flows.

In this respect, the purchase price allocation is subject to a considerable degree of discretionary powers exercised by the Group's legal representatives. In addition, the complete identification and correct valuation of the net assets acquired in each case is of great importance, as goodwill that is not subject to scheduled amortisation in subsequent years is a residual figure resulting from the purchase price and the net assets acquired. Against this background, we consider these matters to be of particular importance in the context of our audit.

B) AUDIT PROCEDURE AND CONCLUSIONS

The main objective of our audit activities was to ensure the complete identification of all relevant assets and liabilities to be recognised in the context of initial consolidation.

To this end, we reviewed the documents prepared by the company and its advisors and interviewed the client's responsible employees and their advisors in order to gain an understanding of the business model of the acquired company and an overall impression of the assets and liabilities to be recognised.

We also reviewed the report prepared by one of the company's advisors on the purchase price allocation, the reports on the financial, legal and technical due diligence, the company purchase agreements and other relevant documents and agreements and assessed any indications of facts that had not been taken into account.

The plans used in the evaluations were checked for plausibility. In addition, the methodological and mathematical accuracy of the valuations carried out and the parameters used were checked and the overall result was analytically assessed.

We have examined the information on company acquisitions contained in the notes to the consolidated financial statements based on the findings obtained. We have examined the information on company acquisitions contained in the notes to the consolidated financial statements on the basis of the findings obtained.

2 RECOVERABILITY OF GOODWILL

A) RISK TO THE FINANCIAL REPORT

As of the balance sheet date, the consolidated balance sheet shows seven goodwill items (six in previous year) with a total book value of €11.5 million (previous year: €6.2 million). This corresponds to around 22.4% (previous year: 17.1%) of the balance sheet total.

The information provided by the company on goodwill is located in the sections "B. Overview of significant accounting policies ", subsection "f) Accounting policies", paragraph "Goodwill" and "C. Information and explanatory notes to the consolidated balance sheet and the consolidated income statement, subsection "2. Goodwill" of the notes to the consolidated financial statements.

According to IAS 36.90, cash-generating units with goodwill allocation are subject to an impairment test at least once a year.

As part of this audit, the company uses complex valuation models based on expectations about the future development of the respective operating business and the resulting cash flows. The result of the impairment test is therefore largely subject to the influence of estimated values. Against this background, we feel that these issues were of particular importance during our audit.

B) AUDIT PROCEDURE AND CONCLUSIONS

In the course of our audit, we tested the forecasts underlying the impairment tests of all material goodwill for plausibility. In doing so, we also examined them for one-sided application of discretion.

In addition to a plausibility check of the underlying planning, we assessed the planning accuracy by comparing the planning of the previous year to the realized actual values.

We have also examined the calculation methods used for methodologically correct application, the derivation of the discount rates and their mathematical correctness in the scope of random checks.

The assumptions and discretionary decisions of the legal representatives underlying the impairment test of goodwill are within acceptable limits and are generally balanced.

OTHER INFORMATION

The legal representatives or the Supervisory Board are responsible for the other information. The other information includes:

- the (Group) corporate governance statement published on the Company's website, which is referred to in the combined management report,
- the Supervisory Board report,
- the Corporate Governance report according to No. 3.10 of the German Corporate Governance Code,
- the remaining parts of the annual report, but not the consolidated financial statements, not the components of the combined management report included in the content of the audit, and not our accompanying audit opinion, and
- the insurance pursuant to § 297 Para. 2 Clause 4 HGB on the consolidated financial statements and the insurance pursuant to § 289 Para. 1 Clause 5 HGB in conjunction with § 315 Para. 1 Clause 5 HGB on the combined management report.

The Supervisory Board is responsible for the Supervisory Board report. The legal representatives and the Supervisory Board are responsible for the declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code, which is part of the corporate governance declaration published on the company's website. The legal representatives are also responsible for other information.

Our audit opinions on the consolidated financial statements and the combined management report do not extend to the other information, and as such we provide neither an opinion nor any other form of audit conclusion on this section.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the above-mentioned other information and assess, whether the other information

- contains material inconsistencies with the consolidated financial statements, with the components of the combined management report that have been audited or with the knowledge gained from our audit, or
- otherwise appear significantly misrepresented.

If, based on the work we have performed, we conclude that there is a material misstatement of such other information, we are required to report that fact. We have nothing to report in this context.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the consolidated financial statements in compliance with the IFRS rules as applicable in the EU, and the German statutory provisions applicable in all material respects pursuant to § 315e Para. 1 HGB, and that the consolidated financial statements furnish a true and fair view of the net assets, financial position and results of operations of the Group under compliance with these regulations. Furthermore, the legal representatives are responsible for the internal controls they deem necessary to permit the prepared consolidated financial statements are free of material misstatement, whether intentional or unintentional.

While preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. as well as disclosing matters relating to the continuation of the business insofar as relevant. They are also responsible for the bookkeeping for the continuing operations on the basis of the accounting policy, unless there is an intention to liquidate the group or to cease operations or if there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the combined management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a combined management report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparing the consolidated financial statements and the combined management report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Our objective is to obtain reasonable certainty that the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and that the combined management report provides a true and fair view of the group's standing and that it is coherent with the consolidated financial statements as well as the findings of the audit in all material respects, in accordance with German legal requirements and the opportunities and risks of future development; and that our audit opinion corresponds to our audit opinions on the consolidated financial statements and the combined management report.

Reasonable certainty is a high standard but does not imply a guarantee that an audit conducted in accordance with § 317 HGB and EU-APrVO in compliance with the German generally accepted standards for the audit of financial statements (IDW) always reveals a material misstatement. Misstatements may be a result of breaches or inaccuracies, and are considered material if it could reasonably be expected that they would individually or collectively affect the economic decisions of the addressees made on the basis of these consolidated financial statements and the combined management report.

During the audit, we exercise due discretion and maintain a critical attitude. Furthermore,

- we identify and assess the risks of material misstatement, whether intentional or unintentional, in the consolidated financial statements and the combined management report, and conduct and perform audit procedures in response to such risks, as well as obtaining sufficient and appropriate audit evidence to form the basis of our opinion. The risk that material misstatements are not detected is higher for violations than for inaccuracies, since violations may include fraudulent interactions, counterfeiting, intentional incompleteness, misrepresentations or overriding internal controls.
- we obtain an understanding of the internal control system insofar as relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the combined management report so as to design audit procedures that are appropriate for the circumstances, but not with the aim of providing an opinion on the effectiveness of these systems.
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- we draw conclusions about the appropriateness of the accounting policies used by the legal representatives and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are obliged to draw attention in our audit opinion to the related disclosures in the consolidated financial statements and the combined management report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may lead to the group being unable to continue its business activities.

- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in that the consolidated financial statements prepared in compliance with the IFRS as adopted by the EU and supplemented by section § 315e Para. 1 HGB provide a true and fair view of the net assets, financial position and results of the operations of the group.
- we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to enable us to express an opinion on the consolidated financial statements and the combined management report. We are responsible for the guidance, supervision and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- we assess the consistency of the combined management report with the consolidated financial statements, its legal compliance and the picture of the position of the group conveyed therein.
- we perform audit procedures on the future-oriented statements made by the legal representatives in the combined management report. Based on sufficient and appropriate audit evidence, we particularly verify the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not provide a separate opinion on the forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We discuss with those responsible for monitoring, among other things, the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

We will make a declaration to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them any relationships or other matters that can reasonably be expected to affect our independence and the safeguards put in place to protect it.

From the matters we have discussed with those responsible for governance, we identify the matters that are most relevant to our audit of the consolidated financial statements for the current reporting period and therefore constitute the most significant matters. We outline these matters in the audit report, unless laws or other rules preclude the public disclosure of these facts.

OTHER LEGAL AND REGULATORY REQUIREMENTS

OTHER DISCLOSURES ACCORDING TO ARTICLE 10 EU-APRVO

We were elected as Group auditors by the Annual General Meeting on August 6, 2019. Following the Annual General Meeting, we were commissioned by the Supervisory Board. Since the 2018 financial year, we have been the auditors of EASY SOFTWARE AG, Mülheim an der Ruhr. Previously, we were appointed as Group auditors of EASY SOFTWARE AG, Mülheim an der Ruhr from 2012 to 2014.

We declare that the judgements contained in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 EU-APrVO (Audit Report).

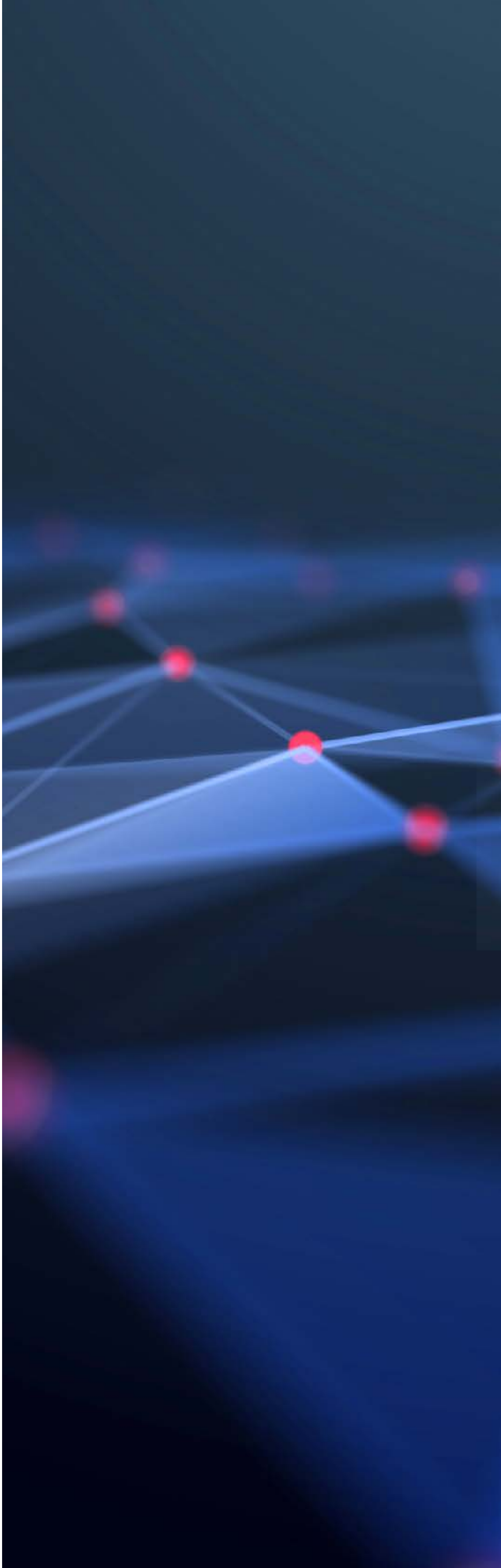
RESPONSIBLE AUDITOR

The auditor responsible for the audit is Mr. Hans-Peter Möller.

Hanover, April 28, 2020

Ebner Stolz GmbH & Co. KG
Audit firm Tax consultancy firm

Christian Fröhlich Hans-Peter Möller
Chartered Accountant Chartered Accountant



SUPERVISORY BOARD REPORT

Dear Shareholders,

In the following, I would like to inform you about the work of the Supervisory Board in the past 2019 financial year.

COOPERATION BETWEEN THE EXECUTIVE AND SUPERVISORY BOARDS

During the 2019 financial year, the Supervisory Board fulfilled the duties incumbent on it by law, the Articles of Association and the Rules of Procedure with utmost diligence. In addition, the Supervisory Board also took into account the recommendations of the Government Commission on the German Corporate Governance Code. We advised the Executive Board on the management of the company and carefully reviewed and monitored its work. We followed the operational and strategic development of the company closely. The benchmarks for monitoring were, in particular, the legality, regularity, appropriateness and efficiency of the management as well as the performance of the risk management and corporate organization. The Supervisory Board observed the situation and development of the company as well as its business transactions closely throughout the reporting year 2019.

At the Supervisory Board meetings, the Management Board informed the Supervisory Board by means of written and oral reports about individual business transactions and events of material importance to the company, the business and financial situation, the development of business, strategic development and corporate planning, as well as the risk situation and risk management of the company. Deviations in the course of business from the plans were also the subject of reporting and discussions in the Supervisory Board. At our meetings, we had the opportunity to discuss in detail the reports and draft resolutions submitted by the Management Board. This applies, in particular, to measures that require the approval of the Supervisory Board and to transactions that are important for profitability and liquidity. Insofar as the Board of Management submitted individual measures to the Supervisory Board for approval, the Supervisory Board always examined and discussed the relevant transactions in detail. It discussed their benefits, possible risks and other effects in detail with the Board of Management and passed resolutions accordingly. In addition, further measures and transactions of material importance to the Company were discussed jointly without requiring special approval in connection with the reports and information provided by the Executive Board.

The Supervisory Board also received regular written and oral reports from the Executive Board outside of Supervisory Board meetings, both in writing and orally, as required. The content of these reports was the current business development, as well as other events that were of major importance for assessing the situation, development and management of EASY SOFTWARE. In addition, the Chairman of the Supervisory Board discussed strategy, planning, the current business development and situation (including the risk situation), risk management and compliance as well as significant individual issues and decisions in regular meetings with the Management Board.

As indications had emerged in the last quarter of the year under review of possible breaches of duty by the Board of Management in the year under review, the Supervisory Board intensified its monitoring activities and requested more detailed reports and explanations from the Board of Management in particular. Since the reporting of the Management Board did not convince the Supervisory Board and the introduction of further approval requirements did not prove to be expedient, the Supervisory Board finally decided at its meeting on February 10-11, 2020 to have a compliance audit of the Management Board's management conducted by external experts. For this purpose, it had the books and records of the company inspected, inter alia, in accordance with § 111 Para. 2 Clause 1 and 2 of the AktG.

MEETINGS OF THE SUPERVISORY BOARD AND MAIN AREAS OF WORK

In the 2019 financial year, the Supervisory Board met for a total of eight face-to-face meetings and fourteen video or telephone meetings. All members of the Supervisory Board took part in these meetings. In addition, the members of the Supervisory Board were in regular dialogue with the Chairman of the Supervisory Board.

	Presence meetings	Video/phone sessions	Total
1st quarter 2019	**1**	**3**	4
2nd quarter 2019	**3**	**6**	9
3rd quarter 2019	**2**	**3**	5
4th quarter 2019	**2**	**2**	4
Total	**8**	**14**	**22**

Committee meetings did not take place since the Supervisory Board did not form any committees due to its size. Our meeting practice provides for the Supervisory Board to meet without the Management Board at times during the course of the meetings. In doing so, the Supervisory Board deals with those agenda items that either concerned the Executive Board itself or required internal discussion by the Supervisory Board.

The main topics of the deliberations and resolutions of the Supervisory Board concerned the following topics:

The Supervisory Board regularly dealt with the current business situation in the 2019 financial year. Topics included the Management Board's monthly reports on the sales development of the divisions and subsidiaries, the growth of the cloud and international business and the Group's liquidity position.

Furthermore, the Supervisory Board closely monitored the corporate financing in connection with the acquisition of Apinauten GmbH, Leipzig, at the turn of the year 2018/19. In this context, the Supervisory Board approved the implementation of a cash capital increase and taking on a bank loan. In addition, the Supervisory Board dealt with the takeover bid of Deutsche Balaton Aktiengesellschaft – including the joint statement with the Executive Board – and the valuation of the shares as well as the future potential of the company. The Supervisory Board discussed with the Executive Board the development roadmap, including planned product innovations and the sale of the major shareholding in otris software AG.

A further focus was on measures requiring approval. For example, the Supervisory Board discussed the 2020 budget and location concepts in Mülheim an der Ruhr and Leipzig. In addition, the Supervisory Board discussed and decided on the rules of procedure for the Executive Board. These include an adjustment of the limits for measures requiring approval, the conclusion of works agreements, university sponsoring for an AI chair, and changes in the management and authorised signatories in the Group.

The Supervisory Board further dealt with the accounting of the company and its subsidiaries. To this extent, it discussed and audited the financial results for the 2018 annual and consolidated financial statements and the 2019 interim report. The Supervisory Board also assessed the Report on Risk and Opportunity Management and the Compliance Report and decided on individual measures to improve compliance. The Supervisory Board adopted / approved the annual and consolidated financial statements for 2018 in accordance with HGB and IFRS and determined the focal points for the audit of the annual and consolidated financial statements for 2019 together with the auditor. The Supervisory Board also discussed preparations for the 2019 Annual General Meeting and resolved, among other things, on individual agenda items and its proposed resolutions to the Annual General Meeting. The Supervisory Board also dealt with its own report for the 2018 financial year and the joint Declaration of Conformity 2019 of the Management Board and Supervisory Board with the German Corporate Governance Code. Appropriate resolutions were passed in the process.

The Supervisory Board's involvement in Management Board matters related to the extension of the employment contract with Dieter Weißhaar, the selection process and the search for a Chief Financial Officer. In addition, the Supervisory Board dealt with the target agreements for the Management Board and the procedural progress of the ongoing lawsuits for damages to executive bodies, as well as intensified monitoring of the compliance responsibility of the Management Board.

INVESTORS TALKS

In the year under review, the Supervisory Board, represented by its Chairman, held talks with investors. Topics of discussion were the competence profile for the Management Board and Supervisory Board team and capital resolutions of the Annual General Meeting.

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

Conflicts of interest of the members of the Executive and Supervisory Board, which must be brought to the attention of the Supervisory Board without delay and reported to the Annual General Meeting, did not arise during the year under review. Consultancy or other service relationships between members of the Supervisory Board and the company did not exist in the year under review. The joint statement by the Executive and Supervisory Boards as per the German Corporate Governance Code of April 2020 is available on the homepage of the company, www.easy.de.

COMPOSITION OF THE EXECUTIVE AND SUPERVISORY BOARDS

In the year under review, until August 6, 2019, the Supervisory Board continued to comprise Oliver Krautscheid (Chairman), Stefan ten Doornkaat (Deputy Chairman) and Thomas Mayerbacher. At the 2019 annual general meeting, the software industry and finance expert Armin Steiner was elected by a large majority to succeed Thomas Mayerbacher. Mr. Mayerbacher had previously resigned from office to take account of the changed shareholder structure resulting from the completed takeover bid by Deutsche Balaton Aktiengesellschaft. The Supervisory Board thanks him for his many years of active work on the Board, as well as for his constructive impulses and the industry and financial expertise he contributed.

In the year under review, the Executive Board continued to consist of the sole member Dieter Weißhaar, whose contract of service was prematurely extended in August 2019.

After the balance sheet date, there were personnel changes in both the Management Board and the Supervisory Board. Only the mandates of Stefan ten Doornkaat (Chairman of the Supervisory Board from March 20, 2020) and Armin Steiner (Deputy Chairman of the Supervisory Board from March 20, 2020) remained unchanged. The previous Chairman of the Supervisory Board, Mr. Oliver Krautscheid, was appointed as an additional member of the Management Board with effect from February 11, 2020 by resolution of the Supervisory Board on February 10, 2020, in particular because of his financial expertise. For this purpose, Mr Krautscheid had resigned from his position as member and Chairman of the Supervisory Board with effect from the end of February 10, 2020. After conducting the compliance audit of management measures of the Management Board member Dieter Weißhaar, which in the opinion of the Supervisory Board had revealed serious violations of duty, and after major shareholders, who together represent more than 60% of the voting rights, had announced that they had lost confidence in the management of the Company's CEO Dieter Weißhaar, mainly due to repeated missed forecasts, the Supervisory Board decided on March 20, 2020 to dismiss Dieter Weißhaar as member and CEO of the Company with immediate effect for good cause. The resolution confirmed the decision already made on March 17, 2020 by the Supervisory Board, which at that time consisted of only two Supervisory Board members and only regained its quorum after the court appointment of Mr. Serkan Katilmis by order of the Duisburg Local Court on March 17, 2020. Mr. Dieter Weißhaar filed an appeal against the court appointment of Mr. Katilmis, which was supported by both major shareholders, which was not dismissed by the Duisburg Local Court by order of March 31, 2020. The appeal will therefore now be decided by the Düsseldorf Higher Regional Court. In addition, Mr. Dieter Weißhaar rejected the accusation of serious breaches of duty and had his legal representative offer to provide the contractual services until the end of the statutory period of notice. Efforts by the Supervisory Board to reach an agreement with Mr. Dieter Weißhaar to avoid legal disputes have so far been unsuccessful.

CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS, FINAL AUDIT

Ebner Stolz GmbH & Co. KG audit firm tax consultancy firm, Hanover branch office (hereinafter referred to as "Ebner Stolz") audited the accounting and consolidated accounting of EASY SOFTWARE AG for the 2019 fiscal year. Ebner Stolz was elected as auditor and group auditor at the Annual General Meeting on August 6, 2019. Ebner Stolz had previously confirmed to the Chairman of the Supervisory Board that there were no circumstances that could impair or create doubts as to their independence as auditors. The auditor audited the annual financial statements of EASY SOFTWARE AG prepared on the basis of the HGB, the consolidated financial statements prepared in accordance with the international accounting standard IFRS as prescribed by § 315e (1) HGB, and the combined group management report and management report of EASY SOFTWARE AG, and issued with unqualified audit opinions. In the light of the findings of the audit, the auditor has thus confirmed that the annual and consolidated financial statements furnish a true and fair view of the net assets, financial position and results of operations of EASY SOFTWARE AG and EASY SOFTWARE AG Group under consideration of the applicable accounting standards. Furthermore, the auditor confirmed that the combined group management report and management report are consistent with the annual and consolidated financial statements in all material respects, and as a whole provide a suitable view of the position of EASY SOFTWARE AG and the EASY SOFTWARE Group, and suitably present the opportunities and risks of future development.

At the Supervisory Board's balance sheet meeting on April 28, 2020, the Management Board explained the accounting and consolidated accounting as well as its proposal for the appropriation of retained earnings. The Executive Board also responded to questions from members of the Supervisory Board. The auditor present at the balance sheet meeting of the Supervisory Board reported on the audit and its results in detail, and explained the audit reports. The auditor also reported that his audit did not reveal any significant weaknesses in the internal control and risk management system in relation to the accounting process. The auditor was subject to detailed questioning regarding the results of the audit and the nature and extent of the audit activity by the Supervisory Board. The Supervisory Board satisfied itself that the audit was conducted properly by the auditors. In particular, he arrived at the conclusion that the audit reports – as well as the audit itself – meet the legal requirements. The Supervisory Board then gave its approval to the result of the audit. The examination of the financial statements and the discussion of the audit results did not lead to any objections to the annual and consolidated financial statements. The audit priorities of the Supervisory Board were: Target-performance deviations of major income and cost items of the Group in the course of the year, the appropriateness of risk management in the core areas of the company including internal controls and travel expense accounts, and the development and composition of personnel expenses for executives.

The Supervisory Board also agreed with the combined management and group management report and the statements on the company's development contained therein. The annual financial statements were thus approved by the Supervisory Board without any restrictions or additions; the consolidated financial statements were approved by the Supervisory Board without restrictions or amendments. The Supervisory Board also approved the profit appropriation proposal of the Executive Board. The Supervisory Board then approved the release of this report to the Annual General Meeting.

The Supervisory Board would like to thank the Executive Board and all employees of EASY SOFTWARE AG for their dedication and commitment in the past year. We are grateful to our shareholders for placing their trust in the company.

Mülheim an der Ruhr, April 2020

Stefan ten Doornkaat
Chairman of the Supervisory Board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