capsensixx AG

Annual Report 2019

Contents

Report of the Supervisory Board

Fiscal 2019 was marked by the implementation of the strategic agenda and the MBO at the subsidiary coraixx GmbH & Co. KGaA.

In the course of fiscal 2019, the Supervisory Board carefully supervised the Management Board of capsensixx AG and performed the duties incumbent on it by law and the articles of association. We have been in an ongoing dialogue with the Management Board of the company. We were informed by the Management Board during the Supervisory Board meetings as well as through complementary written and oral reports about all relevant issues of corporate planning and strategic development, the earnings, assets and financial position as well as the current business policy, the risk management system and the risk situation. This was carried out regularly, promptly and comprehensively. The Supervisory Board was involved directly and in good time in all decisions which were of fundamental significance for the company. During the reporting period, altogether eight meetings of the Supervisory Board took place at regular intervals, in which all members of the Supervisory Board participated.

In this connection the Supervisory Board deliberated in detail about the business situation of the company, the strategic orientation as well as the development opportunities and business risks with the Management Board. The Supervisory Board approved the measures which require the approval of the Supervisory Board in accordance with the articles of association and / or the law. Since the Supervisory Board consists of only three persons, no committees were set up. In the course of fiscal 2019, the Supervisory Board dealt, amongst other things, with the following matters:

Decisions during the course of the year

The organisational structure of the company was the subject matter of several meetings. The Management Board and the Supervisory Board discussed about how revenues can be increased and efficiency can be improved. On 19.12.2019 coraixx GmbH & Co KGaA was sold within the framework of an MBO and was then deconsolidated from the capsensixx Group. The Supervisory Board unanimously approved the reports by the Management Board on the respective business transactions.

Decisions at the Ordinary General Meeting 2019

The ordinary general meeting of the company in June 2019 in Frankfurt approved the conduct of office by the Management Board and the Supervisory Board for the fiscal year 2018 and elected

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as external auditor and external Group auditor for fiscal 2019. All resolutions were adopted with more than 99% of the valid votes cast in each case.

Financial Statements and Management Report

The financial statements and the management report of capsensixx AG, prepared in accordance with German GAAP and the consolidated financial statements and Group management report for the period from 1 January 2019 to 31 December 2019, prepared in accordance with the International Financial Reporting Standards (IFRS), were audited by Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and provided with an unqualified audit certificate. The corresponding audit report by the external auditor was available to the Supervisory Board at its balance sheet meeting. The external auditor participated in the meeting of the Supervisory Board and reported about the material findings of his audit, including his independence. The Supervisory Board acknowledged and approved the report by the external auditor.

The Supervisory Board

- has not raised any objections after concluding its own audit and endorsed the findings of the external auditor;
- approved the financial statements and the consolidated financial statements in its meeting on 22 April 2020, so that the financial statements are adopted;
- agrees to the proposal by the management report to carry forward the net loss for the year of capsensixx AG of EUR 1.292.739,31 to new account.

The Supervisory Board would like to thank the Management Board, the executives and employees for their dedicated commitment and the customers and shareholders of capsensixx AG for the trust they have placed in it.

Frankfurt, 22 April 2020

Martin Stürner

capsensixx AG

Consolidated Financial Statements and Group Management Report

as at 31 December 2019

capsensixx AG: Group Management Report 2019 of the Management Board

Contents

1. Fundamentals of the Company

1.1 Business model

capsensixx AG ("cpx") has its registered office in Frankfurt am Main and is a holding company with direct or indirect investments in Germany and abroad. During fiscal 2019 it held shares in companies which provide financial services (Axxion S.A. / Oaklet GmbH) and software development services (coraixx GmbH & Co. KGaA; coraixx). cpx sold on 19.12.2019 all its shares in coraixx Verwaltungs GmbH, as well as all shares in coraixx GmbH & Co. KGaA in the wake of a Management Buy-Out (MBO).

1.2 Business segments

The capsensixx Group focuses on various products and services within the financial industry and offers "Financial Administration as a Service".

The cpx Group is divided as at 31.12.2019 into two segments with the following focal activities:

- Funds Management, Administration & Accounting (hereinafter referred to as "Funds Management": the segment includes fund management and fund accounting;
- Capital Markets & Corporate Services (hereinafter referred to as "Securitisation"): consultancy services in the field of financial engineering, securitisation and provides as a regulated corporate service provider, director and management services for corporate customers in Luxembourg.

This segmentation is guided by the operating business units. cpx is the Group parent company and as holding company it is not part of a segment.

The segment Digitalisation & IT Service (hereinafter referred to as "Digitalisation") was completely dissolved after the sale of the shares in coraixx Verwaltungs GmbH, as well as the shares in coraixx GmbH & Co. KGaA.

Further details are explained in the economic report as well as in the forecast, risk and opportunities report.

1.3 Management System

Alternative Performance Measures (APM)

The management report and the financial statements of the capsensixx Group are prepared in accordance with the applicable accounting standards. In addition to the disclosures and ratios required by these standards, capsensixx publishes Alternative Performance Measures (APM) which are subject to these regulations and for which there is no generally accepted reporting standard. capsensixx determines the APMs with the aim of enabling the comparability of the key performance indicators over time or in a sector-based comparison. This is carried out by making certain adjustments to the balance sheet and profit and loss account items prepared in accordance with the applicable accounting standards. The adjustments may result from different calculation and measurement methods, non-uniform business activities as well as special effects which have an impact on the informative value of these items. The Alternative Performance Measures determined in this manner apply to all periods and are used both internally to control the business and externally to assess the performance of the company by analysts, investors and rating agencies.

The capsensixx Group determines the following APMs:

- EBITDA
- Assets under Administration

The **EBITDA** (Earnings Before Interest, Taxes, Depreciation and Amortisation) represents the earnings before interest, taxes, depreciation and amortisation, impairments and reversals of impairments. This performance indicator neutralises, apart from the financial result, also distorting effects on operating activities which result from different methods of depreciation and amortisation as well as measurement scopes. The EBITDA is calculated on the basis of the result of the ordinary business activities (before income taxes) plus depreciations and impairments recognised in profit or loss during the period and / or minus the reversal of impairments of intangible assets and property, plant and equipment and securities plus interest expenses and minus interest income.

<u>Reconciliation of the EBITDA</u>

Result of ordinary business activities (before income taxes)

+ Write-downs on securities

+ Depreciation and amortisation of intangible assets and property, plant and equipment

- Reversals of impairments of intangible assets and property, plant and equipment

+ Depreciations / valuation adjustments of investments, shares in affiliated companies

- Interest income

+ Interest expenses

= EBITDA

The **Assets under Administration** are based on the total volume under administration of the business unit Funds Management, Administration & Accounting based on the reporting date. On the basis of the development of the total volume, forecasts can be derived for the current income and the development of the business unit. This development includes both market-related changes (price gains and losses) as well as inflows or outflows.

Non-financial performance indicators played no role in fiscal 2019.

2. Economic Report

2.1 General economic and sectoral framework conditions

Development of the world economy in 2019

2019 will go down in the stock exchange history as a year of strong growth in value – even if it did not look like it at the beginning and a lot has been forgotten in the light of the existing good investment result. We remember that the VDAX, which measures the price variation on the German stock market and is referred to as “angst barometer” was on a high level at the end of 2018. Concerns about the world economy in association with the feared risks for asset investments were high when the so far longest budget freeze in the history of the USA was announced on 22.12.2018.

An uncontested permanent topic during the past 12 months was, however, the trade dispute between China and the USA. Since early 2019 US President Trump introduced time and again new customs duties on Chinese imports to make Beijing sign a comprehensive trade agreement.

However, almost every progress was immediately followed by a dampener. Only on 13 December 2019 the USA and China reached a partial agreement in which the USA halved some of the proclaimed duties and China will increasingly buy US products. The stock exchanges responded positively and triggered a small year-end rally in this way.

In 2019 both the US technology stock exchange NASDAQ and the broad S&P 500 surged to new highs. Although the DAX was not able to reach once more its all-time high of 2018, the year ended with a considerable double-digit growth and the prior year loss was completely compensated.

In parallel, the economic ratios developed better than expected by many analysts. Germany escaped a recession in 2019 and in Europe, too, business data improved successively after the very negative previous year. Even Brexit has lost its threatening gesture because after the landmark election victory of the Tories under Prime Minister Boris Johnson, all signs suggest a regulated exit which ensures planning certainty for the companies. In the same way as for the trade conflict, such clarity developed only during the last December days.

Interests record a permanent low

In order to boost the economic activity in Europe, the ECB tightened its extremely relaxed monetary policy once more at the end of the term of office of ECB President Mario Draghi. Whereas the key interest rate has remained on the record low of 0% since March 2016, the interest rate for banks, if they park excess liquidity with the Central Bank, was extended in mid-September to -0.5%. The decline in interest rates has been unbroken since the 1980s and secured considerable price gains mainly for long-term bonds. Further growth is, however, only possible if the yields were to become even more negative. A scenario which we consider to be rather unlikely, because this would require a considerable clouding of the business situation. There are no indications to this effect for the moment.

Development of the finance industry in 2019

The framework conditions in the financial services industry have become again more difficult versus prior year. In particular the ongoing extension of regulatory measures requires additional capacities and hence involves a significantly higher expenditure. In addition, disruptive technologies lead to ongoing margin and competition pressure in the industry.

2.2 Business development

The company failed to meet the expectations concerning the operating result development in fiscal 2019. The high other operating expenses, which were mainly used for the development of coraixx, did not lead to the planned business evolution. Against this backdrop the corporate bodies decided to sell within the framework of an MBO the shareholding in coraixx GmbH & Co. KGaA and coraixx Verwaltungs GmbH to Sven Ulbrich. capsensixx AG will focus after the sale of the investment in coraixx on its core investments Axxion S.A. and Oaklet GmbH, which have been profitable for years.

Sven Ulbrich stepped down from the Management Board of capsensixx AG on 12.12.2019.

2.3 Earnings position

In 2018 the Group acquired rights in a developed software solution (software licences) and the associated customer base. The residual term of this contract with the customer amounted to 4.5 years which the Group has recognised by a straight-line depreciation of the customer base. On 31 December 2018 the Group verified whether there were indications for an impairment and did not identify any such indications. In this connection not all relevant factors were, however, taken into account in the analysis. Based on a further impairment assessment on the basis of the current budget and forecast calculations, the estimate of the amount which can be obtained from the cash-generating unit and its assets changes. The customer base was completely written down. The Group has retroactively corrected the detected error in accordance with the provisions of IAS 8.41 ff in these consolidated financial statements. The following data and explanations take into account this effect in the comparative figures for 2018. A full disclosure of the impact of the corrections made is made in the Notes to the consolidated financial statements under Section A.5.

Moreover, the Group has made several adjustments to the presentation of the balance sheet and the profit and loss account. The adjustments made are explained in the respective Note. The comparative figures referred to in the management report for the previous year are “adjusted” values of the balance sheet and P&L 2018.

The following explanations must be viewed in connection with the financial statements of cpx. The profit and loss account of cpx provides a full overview of 2019.

The Assets under Administration rose during fiscal 2019 from EUR € 8.511 bn (as at 31.12.2018) to EUR 9.033 bn (as at 31.12.2019). The EBITDA was increased to kEUR 10,115 (2018 / kEUR 7,860).

Sales revenues of kEUR 112,213 were slightly declining versus prior year (2018 / kEUR 116,658). At the same time commission expenses fell to kEUR 88,890 (2018 / kEUR 93,689). In this way net sales revenues rose by 2% to kEUR 23,323. Personnel expenses amounted in 2019 to kEUR 8,964 (2018 / kEUR 7,802). The other operating income rose to kEUR 3,137 (2018 / kEUR 286). The other administrative expenses remained almost unchanged at kEUR 7,628 (2018 / kEUR 7,585). Depreciations and amortisations amounted to kEUR 2,615 during the fiscal year. The depreciations and amortisations of the previous year were increased as a result of the above-mentioned correction by kEUR 1,540 to kEUR 3,404. The result of the ordinary business activities 2019 (including minority interests) is reported at kEUR 7,376 (2018 / kEUR 4,485; before correction: kEUR 6,350). The result attributable to shareholders amounts to kEUR 2,411 (2018 / kEUR -595).

As a result of the first-time adoption of IFRS 16, interest expenses in the amount of kEUR 80 are reported in the financial result and depreciations and amortisations in the amount of kEUR 1,020 in the P&L. Without the new IFRS 16 these expenses would have been reported in the other administrative expenses. The total amount of the P&L items (sales revenues, other operating income, current income from investments, interest income and shares and other variable-income securities) can be sub-divided into the geographical markets Luxembourg and Germany.

Segment reporting

The identification of reportable operating segments is based on the “management approach”. This means that the external segment reporting is based on the internal Group organisation and management structure as well as the internal financial reporting to the “Chief Operating Decision Maker”. Within the Group the Management Board of capsensixx is responsible for the evaluation and management of the business success of the segments and is considered as Chief Operating Decision Maker within the meaning of IFRS 8.

The segmentation is based on the operating business units. Internal reporting included until 19.12.2019 the three segments Fund Administration, Securitisation and Digitalisation. Following the sale of all the shares in coraixx Verwaltungs GmbH, and all the shares in coraixx GmbH & Co. KgaA on 19.12.2019, the segment Digitalisation was dissolved and the cpx Group has been divided into two segments from that date onwards:

Funds Management includes Axxion S.A. (including its Luxembourg-based subsidiary navAXX S.A. and its German subsidiary Axxion Deutschland Investmentaktiengesellschaft mit Teilgesellschaftsvermögen and the Axxion Revolution Funds - One). The segment generated in 2019 net commission income in the amount of kEUR 18,685 (2018 / kEUR 18,862). As a result of the implementation of higher supervisory and statutory provisions, personnel expenses increased versus prior year (2019 / kEUR 6,339 I 2018 / kEUR 6,055). The segment result for 2019 amounts to kEUR 5,748 (2018 / kEUR 6,475). The EBITDA increased slightly in the segment from kEUR 7,470 to kEUR 7,598.

The **Segment Securitisation** includes Oaklet GmbH with its Luxembourg-based subsidiary Oaklet S.A. This segment generated in 2019 net commission income in the amount of kEUR 4,516 (2018 / kEUR 4,044). As a result of the implementation of higher supervisory and statutory provisions, personnel expenses (2019 / kEUR 1,903 I 2018 / kEUR 1,605) rose versus prior year. The segment result is reported for 2019 as kEUR 1,746 (2018 / kEUR 1,866). The EBITDA of the segment continues to be on the prior-year level with around EUR 1.8 million.

Remuneration structure Supervisory Board and Management Board

The members of the Supervisory Board did not receive any allowances in fiscal 2019. The members of the Supervisory Board of cpx do not receive any performance-based remuneration.

The amount and structure of the remuneration of the Management Board is determined by the Supervisory Board of cpx. The goal of the remuneration system is to pay an appropriate remuneration, taking into account the personal performance of the respective member of the Management Board as well as the economic situation and success of the company. Furthermore, the remuneration is guided by standards which are usual for the industry and country.

On 12.12.2019 Mr Sven Ulbrich stepped down as a member of the Management Board of PEH Wertpapier AG and capsensixx AG.

The annual remuneration of the Management Board members is, as a matter of principle, guided by their contribution to the business success and included until the stepping down of Mr Ulbrich for him two components: a performance-independent remuneration and a performance-dependent one. The performance-dependent remuneration consisted of a cash component and a component intended for investment in shares of the company. Mr Föhre is paid a performance-independent remuneration and receives no performance-dependent remunerations from the company. The amount of the fixed remuneration depends on the function and responsibility assigned, the seniority as a member of the Management Board as well as framework conditions as are usual in the industry and for the market.

There are neither provisions concerning severance pay for premature revocation of the appointment nor for an old age pension scheme for the Management Board. There is no share-based remuneration or stock option plan.

The salary settlement for the Management Board activity of Mr Fabian Föhre exercised at cpx was carried out in 2019 through Oaklet GmbH. For the Management Board activity a refund of EUR 20,000 per year applies (receivables of Oaklet). This payment is deemed to cover all salary claims of Mr Föhre against capsensixx AG.

During the fiscal year kEUR 244 (PY: kEUR 142) were paid to Mr Ulbrich for his activity as CEO of cpx by way of performance-dependent compensation.
There is no claim to performance-dependent fees from capsensixx AG for 2019 for Mr Fabian Föhre or Mr Sven Ulbrich.

We also refer to the information about the remuneration in the Notes to the consolidated financial statements.

2.4 Financial and assets position

All material assets and liabilities are in EUR. Hedges against fluctuations of foreign currencies on assets or liabilities are not used.

The equity increased from kEUR 15,792 to kEUR 18,572. The equity ratio amounts to 44.1% (2018: 50.4%). The share capital remains unchanged versus prior year – it amounts to EUR 3,430,000.

The balance sheet total increased to kEUR 42,162 (2018: kEUR 31,330). During the reporting year cash and cash equivalents dropped to kEUR 7,836 (2018: kEUR 11,043). Non-current assets are reported at kEUR 7,210 (2018: kEUR 6,421). Current assets increased to kEUR 34,952 (2018: kEUR 24,909). This increase results essentially from the higher trade receivables of kEUR 20,634 (2018: kEUR 9,824).

On the liabilities side trade payables are reported at kEUR 18,821 (2018: kEUR 8,795).

On 31.12.2019 cpx has cash in banks in the amount of kEUR 7,836 and financial instruments and other financial assets in the amount of kEUR 5,529. Consequently, it has a sufficient liquidity buffer and has at all times been in a position to meet its financial obligations.

As a result of the accounting in accordance with IFRS 16 the assets show as at 31.12.2019 rights-of-use from leases in an amount of kEUR 2,733, in the non-current liabilities kEUR 1,786 and in the current liabilities kEUR 977 in connection with leases.

2.5 Decisions of the ordinary general meeting 2019

The general meeting approved the conduct of office of the Management Board and Supervisory Board for fiscal 2018.

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was elected as external auditor and external Group auditor for fiscal 2019. For all decisions the approval was in each case at 100% of the valid votes cast.

3. Forecast, Risk and Opportunities Report

3.1 General comments

Based on our financial instruments we are exposed (to a limited extent) to the following main risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). Therefore, we have implemented policies and procedures for the measurement, management, monitoring and reporting of risks which are regularly reviewed by our Management Board. Our Management Board has the overall responsibility for the setting up and monitoring of our risk management. The latter distinguishes between four risk categories: strategic, operational, reporting / finance and compliance. The periodic reporting concerning the four risk categories is made on the following items:

• reporting about pre-defined main risk indicators;

• reporting about incidents; and

• reporting about regular risk self-assessments.

We have introduced a three-level model to manage our risk:

• The first level of risk management is carried out by the company. The primary responsibility for strategy, performance and risk management lies with the Management Board and the subsidiaries.

• The second level of risk management is risk monitoring. This is implemented on the level of the subsidiaries and their compliance officers, tax and legal advisers as well as the relationship managers to ensure that the compliance procedures and policies are adhered to with a view to customer and business acceptance in accordance with a defined risk profile.

• the third level of risk management concerns the securing of the effectiveness of the internal controls and the overall management of our Group through our internal auditors. The goal is for our internal auditors to review all subsidiary units at least once every three years. Our internal audit reviews each operation primarily in respect of the quality of the business processes, finance, compliance, IT, HR and governance with a focus on improving processes and controls.

Internal control system and risk management system concerning the accounting process

The goal of the internal control and risk management system with a view to financial reporting is that the financial statements and the consolidated financial statements in accordance with the accounting principles to be applied based on HGB (German Commercial Code – German GAAP) and IFRS give a true and fair view of the asset, financial and earnings position. The goal of proper financial reporting is jeopardised if material information in financial reporting is wrong. In this connection it does not matter whether this is attributable to an individual circumstance or a combination of several circumstances. Risks for financial reporting may occur as a result of errors in the business processes. Moreover, fraudulent behaviour can lead to a wrong presentation.

For those reasons the Management Board has to ensure that the risks concerning a wrong presentation, measurement or disclosure of information in financial reporting are minimised.

The internal control system and the risk management are oriented towards ensuring a sufficient safety concerning compliance with applicable legal requirements, the regularity and economic efficiency of the business activity as well as the completeness and accuracy of financial reporting. In this connection it needs to be taken into account that, as a result of the implemented internal control system, errors or fraud cannot be completely excluded so that no absolute but nonetheless sufficient safety is offered.

We have taken comprehensive measures which ensure that the accounting of the capsensixx Group meets the applicable laws and standards. In this connection we analyse new laws, accounting standards and other communications concerning IFRS accounting and their impact on our financial statements. Our internal control system provides for both preventive and also subsequently disclosing controls. This includes IT supported and manual reconciliations, the setting up of functional separations (four-eye principle), access provisions to our software systems as well as further monitoring activities in the day to day business.

The Group accounting department is responsible for the topicality, consistency and application of the relevant accounting and measurement methods. These policies as well as the final calendar constitute the basis of the process for the preparation of the financial statements. Based on these principles we prepare the financial statements for all capsensixx affiliates, partly with the support of external service providers.

Furthermore, we rely on the support of external service providers for the accounting assessment of complex individual circumstances such as for instance the application of purchase price allocations in connection with company acquisitions.

Apart from the risks presented in connection with the business activities of our subsidiaries, capsensixx is subject to the risk classes presented below.

3.2 Credit risk

The credit risk is the risk that a counterparty fails to meet its obligations under a financial instrument or a customer contract, resulting in a financial loss. Credit risks mainly consist of trade receivables as well as cash at banks. The cash and cash equivalents held by us are mainly held by banks which are rated by Standard & Poor's Rating Services or Fitch Ratings Ltd "BBB" or higher. Current receivables existed on the reporting date 31 December 2019 in an amount of kEUR 34,952 (2018: kEUR 24,909). They included essentially trade receivables (kEUR 20,634), deposits with banks in an amount of kEUR 7,836, securities (kEUR 5,529), tax refund claims (kEUR 526) and other receivables, primarily from advance costs (kEUR 425).

3.3 Liquidity risk

The liquidity risk includes the risk of shortage of funds and the risk that we will have difficulties to meet our financial obligations. We monitor our cash shortage risk through recurring cash flow planning: cash flow forecasts for the next 12 months in December of each year. The cash in banks as at the reporting date 31 December 2019 amounts to kEUR 7,836. Our subsidiaries prepare own cash flow forecasts and are consolidated by our Management Board. We currently have internal credit lines granted by PEH Wertpapier AG. There are no credit lines of banks as at the reporting date. Our Management Board monitors the rolling projects of our liquidity requirements as well as our actual cash position to ensure that we have enough cash to meet operational needs. We hold the amounts which are required for the working capital management and our Management Board determines the best possible use of excess cash (repayment of loans, deposits, etc).

3.4 Market risk

The market risk results from uncertainties about changes in market prices as well as the correlations and volatilities existing between them. The market price risk in a narrow sense is the risk of a loss which can occur following adverse changes of market prices or price-influencing parameters. The market liquidity risk is the risk of a loss which can occur as a result of adverse changes of the market liquidity – for instance through market disruptions. Market price risks occur at cpx to a low extent based on activities in the field of liquidity management. Securities in the portfolio may be exposed to a price risk following market price fluctuations. Through a permanent monitoring and evaluation of the portfolio, possible impacts on earnings of strong price fluctuations are addressed at an early stage. In this way we ensure prompt responses to market changes. The statement of equity requirements for market risks is not relevant for cpx. There are no foreign currency and commodity position risks. The cash value changes of all positions versus own funds are disclosed on an ongoing basis. The simulation is automated across all positions. The determined value changes always remained below the threshold of 5% of equity during the reporting period. On the balance sheet date there are no material interest risks.

3.5 Summary of the risk position

The business development of cpx is likewise influenced by risks. This is shown above. Through our systems and extensive reporting we ensure the identification, assessment, control and monitoring of our risks of ongoing and future developments. The information provided ensures the prompt initiation and priorisation of risk management measures.

In 2019 cpx moved within the framework of its economic risk bearing capacity. No risks threatening the continued existence of the company exist, taking into account our forecasted business development.

The ordinary business activities are even ensured in the event of possible disruptions. With our risk monitoring and control systems and the consistent alignment of our business model to our risk bearing capacity, we can ensure that the risks taken within the framework of our business activities are backed by appropriate risk capital. The effectiveness of our risk management and its implementation under supervisory law is regularly reviewed by external auditors and the internal audit department. The risk management and controlling system is constantly upgraded, especially with regard to the development of the volume and the complexity of our business.

The risks presented and those which are not yet known to us or have been assessed as non-material at present could have an adverse impact on our forecasts in the outlook.

3.6 Future general economic development

There are several reasons supporting a good general economic development during the first year of the new decade. The first reason: 2020 is an election year in the USA and the acting President is running for re-election. To do so, he needs visible success like a perfectly running national economy, foreign policy profiling and not least, strong stock markets.

Another reason for our positive basic stance is based on our forecast that the central banks will maintain their loosened interest policy in 2020 and create the necessary scope for investments. The new ECB President Christine Lagarde clarified in her first ECB meeting that she will continue the offensive key interest rate policy of her predecessor. We, therefore, do not expect any turnaround in interest rates so that bonds are irrelevant as a source of return.

Reason number three: corporate profits are stabilising with positive perspectives and could spur on share prices. We count amongst future winners companies from the field of information technology with Artificial Intelligence, IT security or robotics as well as companies which deal with the constraining challenges of our time – climate change (CO_2 neutrality), scarcity of resources (water), demographics (longevity) and health (civilisation diseases). You only have to think of the Green Deal called by the European Commission.

One of the largest risks in 2020 is in our view the propagation of the Corona virus and the resulting medium / long-term impact on the international economies. A significant macroeconomic risk results from the fact that measures to contain the Corona virus will be maintained or extended over a longer period of time and as a result, the global economic growth will weaken over a longer period than currently foreseeable. Additional risks might result from the resurging of old hotspots believed to be solved amongst which we count the trade conflict. We still remember the many negotiations during which deals were first announced and then immediately nixed. This is also to be expected in future.

We also see risks in the worldwide increase in nationalism and natural disasters such as flooding, earthquakes or ongoing droughts. The general economic overall damage for the regions concerned is huge and can hardly be compensated by a reconstruction. Investments in modern technologies might be a remedy.

During the further course of the year, uncertainty is likely to increase for investors. Geopolitical risks might also temporarily grow and have volatility rise again significantly. This offers at the same time opportunities for the society.

Reliable long-term forecasts concerning the future development of individual countries, industries and companies are hardly possible against this background. Because the past has impressively shown that forecasts are based on assumptions which reflect the current state of knowledge and experience.

3.7 Future industry situation

The uncertainty amongst private and institutional investors concerning the new provisions of new statutory regulations, the general market development and the existing uncertainty about the course of the so-called Corona crisis might result in a significant reluctance of investors. In fixed income investments, we expect for the foreseeable future ongoing relatively low yields. This involves the high risk of a “gradual expropriation” so that we favour the asset class “shares” also for the investor year 2020 ahead of us. Despite temporary price fluctuations they serve through the entrepreneurial investment approach long-term asset protection / asset growth. Here, we also see opportunities for the further development of cpx.

3.8 Probable business development

The outlook of cpx will continue to be marked by trends and influencing factors which we have described and presented here. This will also determine the result potential for 2020. We will continue to critically review the development of opportunities and risks in future, too.

During the previous year we expected to generate – provided that the environment would continue to develop without serious rejections – with rising sales revenues in all three segments a slight increase in the net income for the year before income taxes (after minority interests) for the capsensixx Group in 2019. Despite the goals not reached in the Digitalisation segment followed by the MBO in December 2019, we have achieved for the cpx Group slightly increasing net sales revenues and a higher net income for the year before income taxes (after minority interests).

The expected slight increase in the Assets under Administration by 3-5% was exceeded with a growth of +6.14%. The slight increase in EBITDA on an annual basis was clearly reached with a result of kEUR 10,115 versus kEUR 7,860 in 2018.

Our economic development in 2020 depends to a large extent on the development of the international capital markets. If there were again major turbulences on the financial and capital markets, there would, however, be correspondingly adverse effects on the financial service industry and our company which cannot be excluded.

Since the end of February 2020, the so-called Corona virus has spread all over Germany. Against this backdrop the international capital markets are marked at the time of preparation of the financial statements by a high volatility and significant price declines versus 31.12.2019. This could lead to changes in the investment behaviour of investors which would burden the asset, financial and earnings position of the company in the further course of 2020. The concrete impact on the asset, financial and earnings position in 2020 cannot yet be forecasted with sufficient reliability for the moment. We also refer in this connection to the supplementary report in the Notes to the consolidated financial statements.

Against this backdrop of a worldwide uncertain economic situation and the changes made in respect of the cpx Group structure, we anticipate the generation of a positive result for cpx in fiscal

2020. The concrete impact on the development of the APM (EBITDA, AuA) cannot be reliably forecast at present so that we assume a decline between 5-10% for the two ratios.

The segment Funds Management, Administration & Accounting intends to grow organically as in the previous year by generating new customers and net inflows. Because of its ability to manage funds domiciled in Germany and the (absolute) growth rate of German funds compared to Luxembourg funds, Germany remains an important growth region for the segment. Since the fund industry is in a consolidation phase in Luxembourg, the segment offers its back office services externally to fund management companies and managers. Against the backdrop of the worldwide uncertain economic situation, we anticipate a decline in the EBITDA between 5-10% in the segment during fiscal 2020.

In the segment Capital Markets & Corporate Services new projects were launched during the previous year to improve the offering and address new customers. These include “CO_2 neutral” certification and securitisation as well as the extension of the issuing of “fiduciary notes” in the wake of the implementation of the anti-tax avoidance directive in Luxembourg. For fiscal 2020 we anticipate against the background of the worldwide uncertain economic situation and the development in the capital markets, an unchanged to slightly declining customer volume with unchanged margins and an almost unchanged cost structure. Based on the current economic development, we expect a declining EBITDA between 10-15% for the segment.

4. Statement on the Dependency Report of the Management Board concerning Relations to Affiliated Companies in accordance with § 312 AktG

capsensixx was in fiscal 2019 a company dependent on PEH Wertpapier AG, Frankfurt am Main, within the meaning of § 312 AktG (German Stock Corporation Act). In accordance with § 312 Para 1 AktG the Management Board of capsensixx has, therefore, prepared a report of the Management Board about relations to affiliated companies which includes the following final statement:

In accordance with §312 Para 3 AktG we hereby declare as Management Board of capsensixx that as far as the legal transactions undertaken and the measures taken or refrained from between 1 January and 31 December 2019 referred to in the above-mentioned report about relations to affiliated companies, the company received appropriate consideration for each legal transaction and that the measures taken or refrained from did not place the company at a disadvantage according to the circumstances which were known to us at that point in time when the transaction was undertaken or the measure taken or refrained from.

5. Takeover-Relevant Information

1. Classes of shares: the company has issued only one class of shares. The subscribed capital amounts to EUR 3,430,000. It is divided into 3,430,000 no-par value bearer shares. All shares grant the same rights.

2. There are no restrictions concerning voting rights or the transfers of shares.

3. A shareholding in cpx which exceeds 10% is held by PEH Wertpapier AG, Frankfurt, Germany. It currently holds 81.11% of the voting rights in cpx.

4. There are no shares with special rights.

5. There are no shares that have voting right controls or do not directly exercise their control rights.

6. The appointment and dismissal of members of the Management Board takes place in accordance with the articles of association by the Supervisory Board. The Management Board consists of one or more persons. As for the rest, the Supervisory Board determines the number of members of the Management Board. The Supervisory Board may appoint a chairman of the Management Board as well as a deputy chairman of the Management Board. Deputy members of the Management Board may be appointed. If only one member of the Management Board is appointed, he represents the company alone. If the Management Board consists of several persons, two members of the Management Board or a member of the Management Board acting together with a prokurist (authorised officer) will represent the company. The Supervisory Board may determine whether individual members of the Management Board are authorised to represent the company alone and / or conduct legal transactions at the same time with themselves as representatives of a third party (exemption from the prohibition of multiple representation of § 181 BGB – German Civil Code). The Management Board adopts rules of procedure by unanimous resolution which govern the distribution of business amongst the members of the Management Board as well as details concerning the adoption of resolutions by the Management Board. Rules of procedure of the Management Board require the approval of the Supervisory Board.

Amendments to the articles of association require a resolution by the general meeting. Unless otherwise required by law, the simple majority of the votes cast in accordance with § 17 Para 2 Sentence 1 of the articles of association of the company is sufficient. Furthermore, § 17 Para 2 Sentence 2 of the articles of association stipulates that in cases in which the applicable law requires a majority of the share capital represented at the adoption of the resolutions, the simple majority of the represented share capital is sufficient, unless applicable law requires a larger majority.

7. In accordance with §4 of the articles of association, the Management Board is authorised to increase the share capital until 20 March 2023 with the approval of the Supervisory Board by issuing new no-par value bearer shares against cash and / or non-cash contributions once or several times up to a total amount of EUR 1,220,000.00.

8. Material agreements which are subject to a change in control as a result of a takeover bid have not been entered into.

9. Compensation agreements concluded with the members of the Management Board or employees for the event of a takeover bid do not exist.

Furthermore, we refer to information in accordance with § 160 Para 1 No. 2 AktG in the Notes to the consolidated financial statements.

6. Declaration on Corporate Governance (§ 315d HGB)

The declaration was fully submitted by cpx and published on the website of the company (https://www.capsensixx.de/11-ir.html) to make it publicly accessible.

Forward-looking statements

This management report contains forward-looking statements. A forward-looking statement is any statement which does not refer to historical facts or events or facts or events at the time of this management report. This applies, more particularly, to statements in this management report which contain information on our future earnings capacity, plans and expectations regarding our business growth and profitability as well as the general economic framework conditions to which we are exposed. Expressions such as "plan", "predict", "project", "forecast", "target", "expect", "foresee", "will", "intend", "estimate", "assume", "anticipate" "goal", "potential" or "aim" may be an indication of forward-looking statements.

The forward-looking statements in this management report are subject to risks and uncertainties as they relate to future events and are based on estimates and assessments made to the best of the issuer's knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors whose occurrence or non-occurrence could cause the actual results of the issuer, including the financial position and profitability of our Group, to deviate essentially from the expectations or failing to meet them as expressed or implied in the forward-looking statements. These expressions can be found in several sections in this management report and wherever information is provided in this management report about our intentions, beliefs or current expectations relating to the company's future financial position and operating results, plans, liquidity, business outlook, growth, strategy and profitability, investments and capex requirements, expectations concerning future increases in demand for our products and services as well as the economic and regulatory environment which we are facing.

Because of these uncertainties and assumptions, it is also possible that the future events mentioned in this management report will not occur. In addition, the forward-looking estimates and forecasts reproduced in this management report from reports of third parties could prove to be inaccurate. Actual results, performances or events may differ materially from those in such statements due to, amongst other reasons:

- Changes in the general economic conditions on the markets in which we operate, including changes in the unemployment rate, the level of consumer prices, wage levels, etc;
- The further development on the markets in which we are operating;
- Our ability to manage growth;
- Changes affecting interest rate levels;
- Changes in the competitive environment and on the competition level;
- Changes which affect currency exchange rates;
- Inability to attract and retain qualified personnel;
- Changes to the regulatory environment that may affect our business and the business of our customers;
- Changes in taxation.

Moreover, it should be taken into account that all forward-looking statements are only valid on the date of this management report and that neither the issuer nor the underwriter assume any obligation to update or meet such forward-looking statement unless required by law to conform such statements to actual events or developments.

Frankfurt, 20.04.2020

Fabian Föhre
Member of the Management Board

Consolidated Profit and Loss Account

for the Fiscal Year from 1 January to 31 December 2019

in EUR	**Note**	**2019**	**2018 adjusted**	**2018**
Commission income	**B.1.**	112,212,913	116,658,532	115,700,176
Commission expenses	**B.2.**	-88,890,387	-93,689,170	-93,689,170
Net commission result		**23,322,526**	**22,969,362**	**22,011,006**
Other operating income	**B.3.**	3,137,514	285,818	1,185,184
Financial income		454,427	141,510	74,905
Financial expenses		-330,444	-119,601	-15,368
Financial result	**B.5.**	**123,983**	**21,909**	**59,537**
Wages and salaries		-7,190,821	-6,250,841	-6,250,841
Social security, pension and other benefits		-1,773,672	-1,551,735	-1,551,735
Personnel expenses	**B.6.**	**-8,964,493**	**-7,802,576**	**-7,802,576**
Other administrative expenses	**B.7.**	-7,627,981	-7,585,445	-7,563,891
Depreciation and amortisation of intangible assets and property, plant and equipment	**B.8.**	-2,615,218	-3,404,166	-1,539,816
Income from investments accounted for using the equity method	**B.9.**	0	155	155
Result of the ordinary business activities		**7,376,331**	**4,485,057**	**6,349,600**
thereof result of the ordinary business activities from continuing operations		9,435,061	7,089,011	7,089,011
thereof result of the ordinary business activities from discontinued operations		-2,058,730	-2,603,954	-739,411
Income tax	**B.10.**	-2,298,124	-2,140,289	-2,140,289
Net income for the year		**5,078,207**	**2,344,768**	**4,209,311**
minus net loss for the year from discontinued operations	**B.4.**	-2,280,552	-2,382,130	-517,587
Net income for the year from continued operations		**7,358,759**	**4,726,898**	**4,726,898**
Result attributable to minority interests		-2,667,368	-2,939,876	-2,940,070
Result attributable to shareholders		**2,410,839**	**-595,108**	**1,269,241**
Earnings per share (diluted)	**B.11.**	0.7	-0.25	0.53
Earnings per share (undiluted)		0.7	-0.25	0.53

in EUR	Note	2019	2018 adjusted	2018
	Note	2019	2018 adjusted	2018
Combined statement of comprehensive income				
Other comprehensive income				
Items which may be reclassified in the profit or loss		0	0	-34,378
Other comprehensive income, minus taxes		0	0	-34,378
Total income		**5,078,207**	**2,344,768**	**4,174,933**
Income attributable to minority interests		-2,667,368	-2,939,876	-2,927,046
Income attributable to shareholders		2,410,839	-595,108	1,247,887

Consolidated Balance Sheet as at 31 December 2019

In EUR	Note	31.12.2019	31.12.2018 (adjusted)	31.12.2018
Assets				
Intangible assets	**C.1.**	1,823,299	4,934,576	6,798,926
Goodwill		587,316	587,316	587,316
Other intangible assets		1,235,983	4,347,260	6,211,610
Property, plant and equipment	**C.2.**	3,213,332	672,309	672,309
Financial assets accounted for according to the equity method	**C.3.**	0	14,458	14,458
Other non-current assets	**C.4.**	2,173,326	577,614	394,224
Deferred tax assets	**C.15.**	0	221,823	221,823
Non-Current Assets		**7,209,957**	**6,420,780**	**8,101,740**
Trade receivables	**C.5.**	20,634,324	9,823,835	9,834,080
Tax refund claims		526,472	239,614	554,818
Financial instruments and other financial assets	**C.6.**	5,529,018	3,150,859	3,475,007
Other assets	**C.7.**	425,961	651,814	0
Cash and cash equivalents	**C.8.**	7,836,158	11,042,913	11,226,302
Current Assets		**34,951,933**	**24,909,035**	**25,090,207**
Total assets		**42,161,890**	**31,329,814**	**33,191,947**

In EUR	Note	31.12.2019	31.12.2018 (adjusted)	31.12.2018
Liabilities				
Subscribed capital		3,430,000	3,430,000	3,430,000
Capital surplus		4,848,213	4,848,213	4,848,213
Retained earnings		3,380,018	969,179	2,833,529
Equity excluding non-controlling interests		**11,658,231**	**9,247,392**	**11,111,742**
Non-controlling interests		6,913,435	6,544,356	6,544,356
Equity	**C.9.**	**18,571,666**	**15,791,748**	**17,656,098**
Deferred tax liabilities	**C.15.**	89,870	89,870	89,870
Lease obligations	**C.10.**	1,786,005	22,004	0
Other non-current liabilities	**C.11.**	4,000	3,504,000	3,522,004
Non-current liabilities		**1,879,875**	**3,615,874**	**3,611,874**
Tax liabilities	**C.12.**	108,687	901,429	901,429
Trade payables	**C.13.**	18,821,076	8,794,863	8,708,770
Other current liabilities	**C.14.**	2,780,586	2,225,900	2,313,776
Current liabilities		**21,710,349**	**11,922,192**	**11,923,975**
Total liabilities		**42,161,890**	**31,329,814**	**33,191,947**

Consolidated Statement of Cash Flows

for the fiscal year from 1 January to 31 December 2019

In kEUR	2019	2018 (adjusted)
Consolidated net income for the year including income from non-controlling shareholders, before taxes paid or received, interest and before dividends received	4,447	4,457
Depreciation of fixed assets	2,615	3,404
Interest paid	-4	-15
Interest received	35	44
Income taxes paid	-2,869	-1,783
Reduction of receivables from customers as well as other assets which are not attributable to investment and financing activities	-13,190	33,542
Increase in the liabilities to customers as well as other liabilities which are not attributable to investment or financing activities	9,708	-33,842
Cash flow from operating activities	**742**	**5,807**
Outflows of intangible assets	0	0
Cash outflows for investments in intangible assets	-301	-2,545
Cash inflows from disposals of intangible assets	6	0
Disposals from the group of consolidated companies	-228	0
Outflows for investments in tangible assets	-308	-145
Inflows from the sale of consolidated companies	0	0
Cash flow from investing activities	**-830**	**-2,690**
Inflows from equity capital increases	0	5,178
Outflows to company owners (dividends) and non-controlling shareholders	-2,298	-2,031
Share in redemption of lease payments	-989	0
Cash flow from financing activities	**-3,287**	**3,147**
Change in cash and cash equivalents	-3,375	6,264
Change in cash and cash equivalents due to consolidation	169	0
Cash and cash equivalents at the beginning of the period	11,043	4,779
Cash and cash equivalents at the end of the period	**7,836**	**11,043**

Consolidated Statement of Changes in Equity

For the fiscal year from 1 January to 31 December 2019

	Subscribed Capital	Retained Capital	Retained Earnings	Other Reserves	Equity	Non-controlling Interests	Total
	€	€	€		€	€	€
As at 1 January 2018	**100,000**	**0**	**2,720,924**	**3,113,080**	**5,934,004**	**5,648,017**	**11,582,021**
Adjustments due to changes in consolidation			-2,722,900	-3,113,080	-5,835,980	-5,648,017	-11,483,997
As at 1 January 2018 (adjusted)	**100,000**	**0**	**-1,976**	**0**	**98,024**	**0**	**98,024**
Adjustments due to first-time consolidation			1,587,618		**1,587,618**	3,617,311	**5,204,929**
Reclassification comparative period Total income in P&L			-21,355		**-21,355**	-12,830	**-34,185**
Total income (after reclassification)			-595,108		**-595,108**	2,939,876	**2,344,768**
Contribution in kind capital increase	3,000,000				**3,000,000**		**3,000,000**
Costs of capital increase		-101,787			**-101,787**		**-101,787**
Capital increase	330,000	4,950,000			**5,280,000**		**5,280,000**
As at 31 December 2018 (after IAS 8 adjustment)	**3,430,000**	**4,848,213**	**969,179**	**0**	**9,247,392**	**6,544,357**	**15,791,749**
As at 31 December 2018 (before IAS 8 adjustment)	**3,430,000**	**4,848,213**	**2,833,529**	**0**	**11,111,742**	**6,544,357**	**17,656,099**
Adjustment of the comparative period			-1,864,350	0	-1,864,350		-1,864,350
As at 1 January 2019 (retroactively adjusted)	**3,430,000**	**4,848,213**	**969,179**	**0**	**9,247,392**	**6,544,357**	**15,791,749**
Total result			2,410,839		**2,410,840**	2,667,368	**5,078,207**
Expensed or paid dividends					**0**	-2,298,290	**-2,298,290**
As at 31 December 2019	**3,430,000**	**4,848,213**	**3,380,018**	**0**	**11,658,231**	**6,913,435**	**18,571,666**

Notes to the Consolidated Financial Statements of capsensixx AG

For the fiscal year ending on 31.12.2019

A. General Information

A.1. Basic Information about the Company

capsensixx AG ("capsensixx" or "the Group") is a holding company with direct or indirect investments in Germany and abroad. In accordance with the articles of association, the object of the company includes the holding of shares in companies in Germany and abroad, bank transactions, financial services, software developments and other services of any kind whatsoever apart from transactions which are subject to governmental authorisation.

capsensixx is an Aktiengesellschaft (German stock corporation) established under German law and has its registered office in Frankfurt am Main. The company is entered in the Commercial Register with the local court Frankfurt am Main under number HRB 110258. The registered office, in accordance with the articles of association of the company, is in Frankfurt am Main, Germany at the business address Bettinastraße 57, 60325 Frankfurt am Main, Germany. capsensixx was founded on 10 November 2017. By virtue of the contribution agreement of 28 March 2018, PEH Wertpapier AG increased the share capital by contribution in kind of the shares in Axxion S.A. and Oaklet GmbH. Since 21 June 2018 the company has been listed at the Frankfurt Stock Exchange in the Prime Standard (ISIN DE000A2G9M17).

capsensixx is included in the consolidated financial statements of PEH Wertpapier AG. The registered office of PEH Wertpapier AG is at Bettinastraße 57-59, Frankfurt am Main. The consolidated financial statements are available at PEH Wertpapier AG.

A.2. General Information regarding the Financial Statements

As a capital market-oriented company, capsensixx prepares consolidated financial statements in accordance with § 315e Para 1 HGB (German Commercial Code) in line with the International Financial Reporting Standards ("**IFRS**") as adopted by the European Union. The present consolidated financial statements are in conformity with the IFRS and take into account all standards and interpretations to be applied on a mandatory basis for all fiscal years beginning on 1 January 2019 or thereafter ("**IFRS IC**"). The consolidated financial statements have been supplemented by a Group management report in accordance with §§ 315-315d HGB as well as additional explanations in accordance with § 315e Para 1 HGB.

The consolidated financial statements were prepared on the basis of the assumption of continued operations of the company and in Euro. The fiscal year for the Group and the consolidated companies corresponds to the calendar year. Unless otherwise stated, all amounts are stated in thousand Euro (kEUR). The disclosed financial information is rounded to the next thousand euros, unless otherwise stated.

The Management Board released the consolidated financial statements for publication on 20 April 2020.

<u>New or amended standards and interpretations adopted by the Group</u>

During the annual reporting period from 1 January 2019 onwards the following standards and amendments were to be applied for the first time:

- IFRS 16 "Leases"
- Amendments to IFRS 9 "Financial instruments" – prepayment features with negative compensation;
- Amendments to IAS 28 "Investments in associates and joint ventures" – long-term interests in associates and joint ventures;
- Amendments to IAS 19 "Employee benefits" – plan amendment, curtailment or settlement;
- Annual improvements of IFRS (cycle 2015-2017): amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23;
- IFRIC 23 "Uncertainty over income tax treatments"

As a result of the adoption of IFRS 16, the company has changed its accounting methods and made adjustments.

Impact of the First-Time Adoption of IFRS 16

On 1 January 2019 the Group applied IFRS 16 “Leases” for the first time. IFRS 16 abolishes for lessees the existing classification of leases into Operating and Finance Leases. IFRS 16 introduces instead a single lessee accounting model requiring lessees to recognise for all leases an asset for the right to use as well as a lease liability for the rent payments due. As a result, this means that in future all leases must be recognised in the consolidated balance sheet. The Group has applied IFRS 16 according to the modified retrospective approach. This means that the comparative information submitted for 2018 is not adjusted, ie it is presented as before according to IAS 17 and the related interpretations. Details concerning the modifications to the accounting methods are specified below. Moreover, the disclosure requirements in IFRS 16 were not generally applied to the comparative information. Information about the lease amounts are presented in Section E 5.

At the transition to IFRS 16 the Group decided to apply the exempting provision to maintain the assessment of transactions which are leases. The Group applies IFRS 16 only to contracts which were identified before as leases. Contracts which were not identified as leases according to IAS 17 and IFRIC 4 were not verified to check whether there is a lease according to IFRS 16. For that reason, the definition of a lease according to IFRS 16 was only applied to contracts entered into or amended on or after 1 January 2019.

As a lessee the Group leases many assets, including real property, IT equipment and vehicles. The Group so far classified leases essentially into operating leases or financing leases based on its assessment whether the lease transferred essentially all risks and opportunities involved in the ownership of the underlying asset to the Group. In accordance with IFRS 16, the Group recognises for most of these leases rights to use and lease liabilities, ie the leases are disclosed on balance sheet.

So far the Group classified its leases according to IAS 17 mainly as operating leases. At the transition, the lease liabilities for these leases are evaluated with the cash value of the remaining lease payments, discounted at the borrowing rate of the Group as at 1 January 2019. The right of use is recognised with the amount which corresponds to the lease liability, adjusted for the amount of all lease payments made or deferred.

The Group has used several exemption provisions at the application of IFRS 16 for leases which were classified as operating leases according to IAS 17. This concerns essentially the following exemptions:

- For leases whose term ends within 12 months of the date of the first-time adoption, neither rights of use nor lease liabilities are stated.

- For leases where the underlying asset has a low value, neither rights of use nor lease liabilities are stated (eg IT equipment).
- A single discount rate for a portfolio with leases with similar characteristics.
- The Group determines the term of leases retroactively.

The Group leases a network. This lease contract was classified as finance leasing according to IAS 17. For this contract the carrying amount of the right of use and the lease liability was stated as at 1 January 2019 with the carrying amount of the lease object and the lease liability in accordance with IAS 17 immediately before this date.

At the transition to IFRS 16 the Group has reported additional rights of use and lease liabilities. The impact at the time of transition is summed up below.

kEUR	**01.01.2019**
Rights of use	
thereof space and parking space	3,656
thereof IT equipment	0
thereof vehicles	201
Total rights of use	**3,857**
Lease liabilities	
thereof current lease liabilities	1,042
thereof non-current lease liabilities	2,815
Total lease liabilities	**3,857**

For the measurement of lease liabilities from operating leases, the Group has discounted the lease payments with its incremental borrowing rate of interest on 1 January 2019. The weighted average interest rate for the discounting of the outstanding lease payments amounts to 2.49%. The incremental borrowing rate of interest for the determination of the cash values of the lease payments was determined on the basis of a term-adequate interest rate available on the market for debtors of medium credit rating and a mark-up for the default risk (credit spread).

The following table shows the reconciliation of the minimum lease payments for non-terminable operating leases reported as at 31 December 2018 and the lease liabilities stated on 1 January 2019.

kEUR	**01.01.2019**
Minimum lease payments from non-terminable operating lease contracts as at 31.12.2018	**4,250**
Practical exemptions	
thereof for current leases	-156
Others	-21
Effect from estimated exercise of the renewal option	7
Effect from the discounting as at 1 January 2019	-223
Additionally recognised lease liability because of the first time adoption of IFRS 16 on 1 January 2019	**3,857**

Further information on leases, see Section E.4 of the Notes.

New standards and applications whose adoption is not yet compulsory

Several new accounting standards and interpretations or amendments were published but are not compulsory for reporting periods ending on 31 December 2019 and were not applied prematurely by the Group.

The standards which have not yet entered into force will probably not have any material impact on the company in the current reporting period or future reporting periods, or on foreseeable future transactions.

Standard / Interpretation	Designation	Application Date
Amendments to IFRS 3 – business combinations	Definition of a business	1 January 2020*
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	1 January 2020
Framework concept	Adjustments of the cross references of the framework concept in IFRS standards	1 January 2020
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely*
IFRS 17	Insurance contracts	1 January 2021*
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
Amendments to IAS 1	Amendments concerning the classification of debt	1 January 2022*

*Adoption in European law pending.

A.3. Accounting and Measurement Policies

The consolidated financial statements are, as a matter of principle, prepared by applying the historical cost principle. This does not apply to certain financial assets which are reported at fair value.

Consolidation Principles

The consolidated financial statements include capsensixx and its subsidiaries as at 31 December 2019. A control is deemed to exist if the Group has a risk exposure through or rights to fluctuating yields under its commitment at the investment companies and it can use its power of disposition over the affiliated company also to influence such yields. The Group controls an affiliated company, more particularly, if and only if it has all the following properties:

- The power of disposition over the affiliated company (ie the Group has the possibility based on its currently existing rights to control the activities of the affiliated company which have a material impact on its yield)
- A risk exposure through or rights to fluctuating yields under its investment in the affiliated company
- The ability to use its power of disposition over the affiliated company in such a way that the yield of the affiliated company is influenced.

Generally, it is assumed that the possession of a majority of the voting rights leads to control. In support of this assumption and if the Group does not have any majority of the voting rights or comparable rights in an affiliated company, it takes into account all relevant facts and circumstances when evaluating whether it has the power of disposition over this affiliated company. These include, amongst others:

- Contractual agreements with the other voting shareholders
- Rights which result from other contractual agreements
- Voting rights and potential voting rights of the Group

If facts and circumstances suggest that one or more of the three control elements have changed, the Group must check once more whether it controls an affiliated company. The consolidation of a subsidiary commences on the day on which the Group acquires the control over the subsidiary. It ends when the Group loses the control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary which has been acquired or sold during the reporting period are recognised in the consolidated financial statements from the day on which the Group obtains the control over the subsidiary until the day on which the control ends.

The profit or loss and any component of the other result are ascribed to the owners of ordinary shares of the parent company and the non-controlling shares, even if this results in a negative balance of the non-controlling shares. If necessary, adjustments are made in respect of the financial statements of subsidiaries to align their accounting methods to those of the Group. All intra-Group assets and liabilities, equity, income and expenses as well as cash flows from transactions which take place between Group companies are completed eliminated at the consolidation.

During the reporting year the following material subsidiaries were included into the consolidated financial statements in addition to capsensixx (investments held):

Name	**Main Activity**	**Registered Office**	**Share Capital**	**Capital and Voting Rights**
Axxion S.A.	Fund management	Grevenmacher, Luxembourg	1,500,000.00	50.0001%
Oaklet GmbH (“**Oaklet”**)	Securitisation	Frankfurt, Germany	63,700.00	53.86%*
coraixx GmbH & Co KG a.A. (“**coraixx KGaA**”)**	Digitalisation	Frankfurt, Germany	67,750.00 PY: 62,500.00	100.00%

* The share of capsensixx in Oaklet GmbH amounts to 53.86% net of treasury shares and 50.94% gross of treasury shares of Oaklet GmbH.
** coraixx was deconsolidated with effect from 19.12.2019.

Indirectly capsensixx AG holds shares in the following companies which are likewise included in the consolidated financial statements:

- Through Oaklet GmbH capsensixx AG holds indirectly 53.86% of the shares in the share capital (kEUR 125) and in the voting rights of Oaklet S.A., Wasserbillig, Luxembourg and is hence to be included as a subsidiary within the meaning of IFRS 10 into the consolidated financial statements of PEH Wertpapier AG within the framework of full consolidation.

- Through Axxion S.A. capsensixx AG holds indirectly 50.01% in the voting rights of navAXX S.A. and a share in the share capital and the voting rights at Axxion Deutschland Investmentaktiengesellschaft mit Teilgesellschaftsvermögen (Axxion InvAG). The two companies are thus to be included as subsidiaries within the meaning of IFRS 10 within the framework of the full consolidation into the consolidated financial statements of PEH Wertpapier AG.

- Through Axxion S.A. capsensixx AG holds 90.32% (PY: 99.53%) of the shares in the "Axxion Revolution Fund", a fund managed by Axxion. The fund is, therefore, to be included as subsidiary within the meaning of IFRS 10 within the framework of the full consolidation into the consolidated financial statements of PEH Wertpapier AG. Through the investment of another investor in the fund in 2019 through provision of cash and cash equivalents, the share of Axxion S.A. in the fund has decreased.

Shares in Associated Companies and Joint Ventures

An associated company is a company in which the Group has a material influence. A material influence is the possibility to participate in the financial and business policy decisions of the associated company, but not the controlling or joint management of the decision processes.

The considerations made to determine the material influence are comparable to those which are necessary for the determination of the controlling of subsidiaries. The shares of the Group in an associated company or a joint venture are accounted for in accordance with the equity method. According to the equity method, the shares in an associated company are recognised at historical cost upon the first recognition. The carrying amount of the investment is adjusted to recognise changes in the share of the Group in the net assets of the associated company or joint venture since the date of acquisition.

The profit and loss account includes the share of the Group in the result of the associated company for the period. Non-realised profits and losses from transactions between the Group and the associated company are eliminated in accordance with the share in the associated company or joint venture.

After the application of the equity method, the Group determines whether it is necessary to recognise an impairment for its shares in an associated company or joint venture. On each balance sheet date, it determines whether there are objective indications suggesting that the share in an associated company or joint venture might be impaired. If there are such indications, the amount of the impairment is determined as difference between the recoverable amount of the share in the associated company and the carrying amount and then the loss is recognised in the item "Share in the result of associated companies and joint ventures" as income.

Measurement of the Fair Value

The fair value is the price which is received in an orderly transaction between market participants on the measurement date for the sale of an asset and / or has been paid for the transfer of a liability.

The fair value of an asset or a liability is measured on the basis of the assumptions which market participants would use as a basis for the pricing of the asset and / or liability. In this connection it is assumed that the market participants act in their best economic interest.

At the measurement of the fair value of a non-financial asset, the ability of the market participant to generate an economic benefit through the economically most useful and best use of the asset or its sale to another market participant which finds the economically most useful and best use for the asset is taken into account.

The Group applies measurement methods which are appropriate under the respective circumstances and for which sufficient data are available to measure the fair value. In this connection the use of material observable input factors is to be kept as high as possible and the non-observable input factors are to be kept as low as possible.

All assets and liabilities which are determined at fair value or recognised in the financial statements are classified in the measurement hierarchy described below, based on the input factor of the lowest level which is altogether material for the valuation at fair value:

- Level 1: (unadjusted) prices listed in active markets for identical assets or liabilities
- Level 2: measurement methods for which the input factor of the lowest level which is altogether material for the measurement at fair value is directly or indirectly observable on the market
- Level 3: measurement methods for which the input factor of the lowest level which is altogether material for the measurement at fair value is not observable on the market

For assets and liabilities which are recognised in the financial statements on a recurring basis at fair value, the Group determines whether reclassifications between the levels of the hierarchy have taken place by reviewing at the end of each reporting period the classification (based on the input factor of the lowest level which is altogether material for the measurement at fair value).

In order to meet the reporting obligations for the fair values, the Group has defined classes of assets and liabilities on the basis of their type, features and risks as well as the levels of the aforementioned measurement hierarchy.

The fair value is the price which would be obtained at the sale of an asset or would have to be paid at the transfer of a liability in the wake of an orderly transaction under market participants on the measurement date. All assets and liabilities for which the fair value is determined or reported in the financial statements are classified in the hierarchy described below, based on the input factor of the lowest level which is altogether material for the measurement at fair value.

- Level 1 input factors are quoted prices on active markets for identical assets or liabilities that are accessible by the company on the day of the measurement deadline;
- Stage 2 input factors are other quoted market prices than those mentioned on Level 1 which are directly or indirectly observable for the asset or liability;
- Level 3 input factors are non-observable input factors for the asset or liability.

Currency Translation

The consolidated financial statements are prepared in Euro, the functional currency of the parent company.

Foreign currency transactions are converted by Group companies on the date on which the transaction can be recognised for the first time with the respectively applicable spot rate to the functional currency.

Monetary assets and liabilities in a foreign currency are converted on each reporting date using the reporting date spot rate to the functional currency.

Revenues from Contracts with Customers

The Group operates in the fields of funds management, fund accounting (bundled in the segment Funds Management), securitisations and operated in the field of digitalisation until December 2019.

Revenues from contracts with customers are recognised when the respective performance obligation is met, ie the power of disposition concerning the services is transferred to the customer. This is the case if the customer has the possibility to use the asset and receives essentially all remaining economic benefits from the asset (at a certain point in time or over a certain period).

The Group provides essentially services. The corresponding revenues are to be realised essentially with a reference to a period since the benefit from the service is accruing to the customer at the same time as it is provided. For services, straight-line revenue recognition as illustration of the progress of the service is considered as appropriate. Merely in the case of separate consulting services there are partly services relating to a date.

The determination of the transaction price depends on the consideration of the customer to be expected for the service to be provided. Variable considerations, for instance in the form of performance fees, are determined by means of the expected value method. Furthermore, it is assessed whether it is highly likely that there will be no significant cancellation of revenues as soon as the uncertainty in connection with the variable consideration no longer exists. If these prerequisites are not met, it is assumed that the variable consideration is fully restricted until the actual valuation date occurs and the uncertainty in connection with the variable consideration no longer exists.

The individual performance undertakings of the Group (eg portfolio management, risk management, central administration, activity as registrar and transfer agent) represent only a single service obligation since the customer can benefit from the individual service commitments regularly separately or together with others draw a benefit from resources available to him at any time. These undertakings of the company are, however, not separable from other commitments under the contract, ie which can be separately delimited in the contractual context, since these are highly interdependent and the Group can only meet its obligation to manage investments including the fulfilment of all relevant (legal) requirements by providing all these activities together.

Individual performance undertakings represent separate performance obligations or a series of separate performance obligations, eg in the case of separate consultancy services or set-up fees.

Insofar as it can be assumed for contracts of the Group that they are contracts with exclusively a performance obligation, the transaction price of the respective performance obligation is recognised as revenue as soon as the corresponding performance obligation is met. Since the performance obligations are as a rule significantly less than a year, the open obligations on the reporting date are not shown in the Notes. This is due to the fact that the completed service obligations can almost exclusively be terminated at short notice so that there are no long-term enforceable rights and obligations.

As a matter of principle it must be differentiated whether a performance obligation consists in the provision of the corresponding service by the Group (so that the Group acts as principal) or whether it consists in instructing another party to provide the service (so that the Group acts as agent). In its role as management company, the Group is entitled to use service providers itself in its role as management company for various funds for the fulfilment of the obligations involved.

The Group has, as a matter of principle, reached the conclusion that it acts as principal in its revenue transactions since it usually has the power of disposition in respect of the services before these pass to the customer. This is, furthermore, substantiated by the fact that the Group may outsource services but for any errors of the service provider it is liable vis a vis the customer of the company in the same way as for own errors. Moreover, the company is entitled to give instructions to a service provider used and can interfere with its activities and determine the price.

Property, Plant and Equipment

Property, plant and equipment are recognised at acquisition or production cost minus scheduled amortisations in accordance with the probable useful life. The historical costs include apart from the individual costs all directly assignable costs which are incurred to take the asset to its location or to its operational condition. The historical cost of the leases accounted for in the balance sheet item Property, plant and equipment corresponds to the cash value of the future lease payments. Information on leases can be taken from Section E.4.

Depreciations of property, plant and equipment are based on the straight-line method.

In Years	**Useful Life**
Other facilities, operating and office equipment	2 to 8
Right of use - lease (IFRS 16)	1 to 5

The depreciations and amortisations as well as impairments are recognised in the P&L item Depreciations and amortisations. The reversals of impairments are recognised in Other operating income.

Intangible Assets

Purchased intangible assets are recognised at historical cost, minus straight-line depreciation. The depreciation of intangible assets is, as a rule, scheduled on a straight-line basis over the useful life. The depreciation terms amount to:

	Useful Life in Years	**Depreciation Rate in %**
IT software	3-5	20 - 33
IT licences	3-5	20 - 33
Customer contracts	5	20

Goodwill is accounted for at historical cost and reviewed at least once a year for impairments. Acquired intangible assets are capitalised in accordance with IAS 38 if it is probable that their use will give rise to a future economic benefit and the cost of the asset can be reliably determined.

Impairments of Non-Financial Assets

On each balance sheet date, the Group reviews the carrying amounts of the other intangible assets and the property, plant and equipment to check whether there are any indications of an impairment.

In this case the recoverable amount of the asset concerned is determined in order to establish the scope of a valuation adjustment possibly to be made. For the review of the recoverability of intangible assets with an indefinite period of use (including goodwill) the recoverable amount is determined once a year regardless of any indications. The recoverable amount corresponds to the fair value minus costs to sell or the value in use whereby the higher of the two values is relevant. The value in use corresponds to the cash value of the future expected cash flows.

An interest rate before taxes corresponding to the market conditions is used as discounting interest rate for the calculation of the value in use. If the recoverable amount for an individual asset cannot be determined, the recoverable amount for the smallest identifiable group of assets (cash generating units) is determined to which the corresponding asset can be allocated.

Any goodwill resulting from company acquisitions is allocated to the cash generating units which are to benefit from the synergies of the acquisition. Such cash generating units (CGUs) represent the lowest reporting level within the Group on which the goodwill is monitored by the management for internal purposes. At present, the legal units represent individual CGUs. The recoverable amount of a cash generating unit which includes a goodwill is regularly reviewed on an annual basis on the balance sheet date for recoverability and, in addition, if at other points in time there are indications of a possible impairment.

If the recoverable amount of an asset is lower than the carrying amount, there is an immediate valuation allowance which is recognised in the income statement. If the need for a valuation allowance is determined on the basis of cash generating units which include a goodwill, first the goodwill is impaired. If the need for valuation allowance exceeds the carrying amount of the goodwill, the remainder is proportionally distributed over the remaining non-current assets of the cash generating unit.

If after the impairment a higher recoverable amount results at a later point in time for the asset or the cash generating unit, there is a reversal of the impairment. The reversal of impairment is limited to the at amortised historic and / or production costs which would have resulted in the past without the impairments. Reversals of impairments on goodwill are not admissible.

All impairments are recognised in the depreciations and amortisations through profit and loss.

Cash and Cash Equivalents and Short-Term Deposits

The item “Cash and cash equivalents” in the balance sheet includes the cash on hand, cash in banks and current highly liquid deposits with a term not exceeding three months which may be converted at any time to defined cash amounts and are only subject to a non-material risk of fluctuation in value.

For the purpose of the cash flow statement, cash and cash equivalents include the aforementioned cash and cash equivalents and current deposits minus overdraft facilities used, since the latter are an integral component of the cash management of the Group.

Financial Instruments

A financial instrument is a contract which gives rise to a financial asset at one company and a financial liability or equity instrument at another company. In principle, this includes primary financial instruments on the one hand and derivative financial instruments on the other. A purchase or sale in line with the market of financial assets is recognised and / or derecognised at capsensixx on the performance day.

<u>Classification and Measurement:</u>

A financial asset (apart from trade receivables without a material financing component) or a financial liability are measured upon the initial recognition at fair value. For an item which in the subsequent measurement is not measured at fair value through profit and loss, the transaction costs which are directly attributable to its acquisition or its issuing are added. Trade receivables without a material financing component are measured upon the initial recognition at the transaction price.

Within the meaning of IFRS 9 the classification and measurement requirements for financial assets apply which reflect the business model within whose framework the assets are held as well as the cash flow characteristics. Upon the first-time recognition a financial asset is classified as follows:

- Debt instrument at amortised cost;
- Debt instruments which are measured at fair value through other comprehensive income (FVOCI), with reclassification of the cumulative gains and losses upon the derecognition of the financial asset in the P&L (with reclassification);

- Debt instruments, derivatives and equity instruments which are measured at fair value through profit or loss (FVTPL);
- Equity instruments which are measured at fair value through other comprehensive income whereby the gains and losses remain in the other income (FVOCI) (without reclassification).

The subsequent measurement of financial instruments, furthermore, depends on the classification. In this connection the measurement is carried out depending on the category at amortised cost at fair value through profit or loss or at fair value through other comprehensive income in the other result. For instruments which are measured at amortised cost, the effective interest rate method is applied.

For the Group, the measurement categories “amortised costs” and “FVTPL” are relevant.

The Group measures financial assets at amortised cost if the following two conditions are met:

- the financial asset is held within the framework of a business model whose objective is to hold financial assets to collect the contractual cash flows, and
- the contractual terms of the financial asset lead to cash flows on fixed dates which represent exclusively repayments and interest payments on the principal amount outstanding.

The financial assets of the Group measured at amortised cost include trade accounts receivable, loans and bank deposits in the form of cash and sight deposits as well as other financial assets.

Financial assets with cashflows which do not exclusively represent repayments and interest payments are classified as FVTPL, regardless of the business model and measured accordingly.

Financial assets at fair value through profit or loss are recognised in the balance sheet at fair value, whereby the changes in fair value are recognised as balanced position in the profit and loss account.
The financial values measured at FVTPL include essentially mutual fund shares, various certificates and profit participation rights.

Impairment:
The Group recognises for all debt instruments which are not measured at FVTPL an impairment for expected credit losses (ECL). The amount of the loss recognition as well as the interest recognition is determined by the allocation of the instrument to the following levels:

- **Level 1**: Measurement of expected credit losses of the next 12 months
- **Level 2**: Measurement of credit losses expected during the term

- **Level 3**: Measurement of credit losses expected during the term

As a matter of principle, all instruments are to be classified in Level 1 upon addition. If the credit risk of an instrument increases significantly on the reporting date, there is a transfer to Level 2. Level 3 includes financial instruments as soon as there is an additional objective indication of impairment. Indications of impairment are monitored and measured on an ongoing basis in order to be able to take corresponding measures. At the determination whether the default risk of a financial asset has significantly increased since the first recognition and the estimate of expected credit losses, the Group considers appropriate and reliable information which is relevant and available without inappropriate time and cost expenditure. This includes both quantitative and qualitative information and analyses which are based on past experience and sound assessments, including forward-looking information. The Group basically assumes that the default risk of a financial asset has increased significantly if it is overdue for more than 30 days. The assessment is made individually for each financial instrument.

Objective criteria for an impairment of a financial asset in terms of its credit quality include the following observable data:

- significant financial difficulties of the customer
- a breach of contract such as the default or amounts overdue by more than 90 days
- restructuring of a loan or credit by the Group which it would otherwise not consider
- it is likely that the customer goes into insolvency or any other restructuring procedure, or
- disappearance of an active market for a security due to financial difficulties.

Impairments of financial assets which are measured at amortised cost are deducted from the gross carrying amount of the asset.
For the determination of the expected credit loss concerning trade receivables in accordance with IFRS 9, the Group applies the simplified approach to the determination of risk prevention (expected credit loss model) according to which the credit loss is calculated on the basis of the overall term of the financial asset.
The general rule in the capsensixx Group is that for receivables which are overdue for more than 90 days a default is assumed. Indications of impairment are monitored and measured on an ongoing basis in order to be able to take corresponding measures.

For the estimate of expected credit losses in the field of trade receivables, the Group has defined, based on historical data and forward-looking information, a prevention matrix. The determination of the adjustment factor for forward-looking information is reviewed and adjusted on each balance sheet date by the management. In this connection information on the general economic development is taken into account, amongst others, in view of the development of the amount and maturity of the individual receivables portfolios compared to the historical average and verified within the industry. During the fiscal year, no adjustments were necessary. A differentiation of the portfolios of receivables is currently not considered as necessary.

Financial Liabilities

The financial liabilities are either measured as financial liabilities measured at amortised cost, FLAC, or as financial liabilities at fair value through profit or loss, FVTPL. The categorisation as FVTPL is carried out as a matter of principle if they are classified as held for trading, derivatives are involved or the liabilities are designated at fair value through profit or loss upon the initial recognition.

All financial liabilities within the Group have been classified as FLAC and were recognised upon their initial recognition at historical cost which corresponds to the fair value of the consideration received. In this connection transaction costs are taken into account as well. After the first recognition, the financial liabilities are measured by applying the effective interest method at amortised cost.

The Group derecognises a financial liability if the liability of the Group is settled, cancelled or has expired.

Provisions

The other provisions are made for all identified risks and contingent liabilities if their occurrence is likely or the estimate of the amount is possible with sufficient reliability. If the Group expects at least a partial reimbursement for an expensed provision (eg for an insurance contract), the reimbursement is only recognised as a separate asset if the reimbursement is almost certain.

The measurement of the other provisions is carried out with the best possible estimate of the scope of the obligation. Long-term provisions are discounted if they result in a material effect.

Income Taxes

Deferred taxes are determined on temporary differences between the carrying amounts of assets and liabilities in the IFRS and tax balance sheets and on recoverable loss carry forwards. The calculation is based on the tax rates expected upon realisation which are valid on the balance sheet date and / or have been legally adopted.

Deferred tax assets on loss carryforwards are only recognised to the extent that it is likely that there will be future tax receivables which allow for an offsetting of such loss carryforwards.

Changes in deferred taxes in the balance sheet result as a matter of principle in deferred tax expenses or income. Insofar as items which involve a change in deferred taxes are posted directly against equity, the change in deferred taxes is likewise recognised directly in equity.

Leases

The Group adopted IFRS 16 Leases for the first time on 1 January 2019.

The Group acts only as a lessee. The Group leases different assets, including real property, IT equipment and vehicles.

Upon the conclusion of a contract the Group establishes whether the contract is or includes a lease. A contract also includes a lease if the contract transfers a right of use for an asset (or assets) for a certain period of time for a consideration. In order to assess whether a contract transfers the right of use for an identified asset, the Group applies the definition of a lease according to IFRS 16.

Upon the conclusion or re-assessment of a contract which includes a lease component, the Group has decided to refrain from the separation of non-lease components for all leases.
The Group recognises on the date which the lease is made available a right of use and a lease liability. The right of use is initially measured at historical cost. This results from the initial amount of the lease liability, adjusted for possible lease payments before or at the provision date of the lease, plus any initially incurred direct costs and an estimate of the costs for the dismantling, disposal or restoration of the underlying asset or the location where it is and less any lease incentives possibly received.

Rights of use are amortised on schedule on a straight-line basis for the shorter of the two periods of term and expected useful life of the lease. The estimated useful lives of assets with a right of use are determined on the same basis as those of property, plant and equipment. In addition, the right of use is constantly adjusted for impairments, as far as necessary, and certain revaluations of the lease liability.

At the date of provision the lease liability is measured with the cash value of the lease payments not yet made at that time, discounted by the interest rate underlying the lease or, if such rate cannot

be determined automatically, with the incremental borrowing rate of the Group. In general, the Group uses its incremental borrowing rate as a discounting rate.
The Group determines its incremental borrowing rate onn the basis of a term-adequate interest rate available on the market for debtors of medium credit rating and a mark-up for the default risk (credit spread).

The lease payments to be taken into account at the measurement break down as follows:

- fixed payments, including de facto fixed payments;
- variable leasing rates which are tied to an index or (interest) rate and whose first-time measurement is made on the basis of the index or (interest) rate valid on the provision date;
- lease payments of an optional extension period if the Group is sufficiently certain that it exercises the extension option as well as penalty payments for a premature termination of the lease unless the Group is sufficiently certain not to terminate prematurely.

The lease liability is measured at amortised cost by means of the effective interest method. A new measurement is carried out if the future lease payments change because of a change in the index or the interest rate or if the estimate of the Group in respect of the amount which is probably to be paid within the framework of the residual value guarantee changes or if the Group changes its assessment whether a purchase, extension of termination option is exercised. If a new measurement of the lease liability is made, a corresponding adjustment of the carrying amount of the value in use is made or the adjustment amount is recognised in the profit and loss account if the carrying amount of the right of use was reduced to zero.

The Group reports in the balance sheet rights of use as separate balance sheet items in property, plant and equipment and lease liabilities as financial liabilities.

<u>Short-term leases and low-value leases</u>
The Group has decided not to recognise rights of use and lease liabilities for short-term leases with a term of 12 months and leases of low value (eg office equipment). The Group recognises the lease payments involved in these leases on a straight-line basis over the term of the lease as expense in the profit and loss account.

<u>Guidelines applying before 1 January 2019</u>
For contracts which were entered into and accounted before 1 January 2019 the Group has determined whether a contract includes a lease on the basis of the following assessment:

- the fulfilment of the contract depended on the use of a certain asset or certain assets;

- the contract has transferred a right of use for the asset. The contract transfers the right of use for the asset if one of the following conditions is met:
  - the buyer was able or entitled to use the asset while he received or controlled more than an insignificant amount of the production;
  - the buyer was able or entitled to physically control the asset while he received or controlled more than an insignificant amount of the production; or
  - facts and circumstances suggested that it was not material, that other parties used more than an insignificant amount of the production and the price per unit was neither defined per production unit nor corresponded to the current market price per production unit.

During the comparative period, the Group classified leases as lessee for which basically all risks and opportunities involved in ownership were transferred as financing leases. If this was the case, the leased items were measured at the first recognition in the amount of the lower value of the fair value and the cash value of the minimum lease payments. Minimum lease payments were the payments which the lessee had to make over the term of the lease, without conditional rent payments. After the initial recognition, the assets were recognised in accordance with the accounting and measurement methods for this asset.

Assets from other leases were recognised on a straight-line basis across the term of the lease through profit and loss. Any lease incentives received were recognised across the term of the lease as an integral component of the entire lease expenses.

A.4. Estimates and Judgements

The preparation of the consolidated financial statements requires that assumptions be made, and estimates used that affect the amount and disclosure of assets and liabilities, income and expenses as well as contingent liabilities. The estimates are based on experience and other assumptions that are believed to be correct under the circumstances. The actual values may differ from the estimates. The assessments and the assumptions are constantly reviewed and adjusted if necessary.

The main estimates and corresponding assumptions set out below as well as the uncertainties involved in the selected accounting and measurement methods are critical to understand the underlying risks of financial reporting as well as the implications of these estimates, assumptions and uncertainties may have on the consolidated financial statements:

Revenues with customers

For its fund management services, the Group partly receives variable fees as performance fees. The performance fees are usually paid in the form of high watermark or hurdle rate, depending on the performance of the investment fund under management, at the end of the year. In the case of the high watermark, an additional performance fee is only paid if the share price adjusted for dividend payments has reached a new high at the end of the year.
In the case of the hurdle rate, a performance fee will be payable if the share price adjusted for distributions exceeds a predetermined threshold.

In both cases the payment of a performance fee is dependent on the development of the securities in the fund and may hence also be subject to large fluctuations under certain circumstances. The Group therefore refrains from an estimate of possible performance fees and only recognises them on the day they occur (end of the accounting period of the fund).

Goodwill

The Group reviews annually and additionally whenever there is an indication suggesting that an impairment of goodwill has occurred. In this connection the recoverable amount of the cash generating unit is to be estimated. It corresponds to the higher of the fair value less costs to sell and the value in use. The determination of the value in use includes assumptions and estimates concerning the forecast and discounting of future cash flows. Although management believes that the assumptions used to calculate the recoverable amount are appropriate, any unforeseen changes in these assumptions could result in an impairment loss which could adversely affect the asset, financial and earnings position.

Recoverability of property, plant and equipment and other intangible assets

On each balance sheet date, the capsensixx Group must assess whether there is an indication that the carrying amount of an item of property, plant and equipment or another intangible asset may be impaired. In this case the recoverable amount of the relevant asset is estimated. The recoverable amount corresponds to the higher of the fair value less costs to sell and the value in use. To determine the value in use, the discounted future cash flows of the relevant asset must be determined. Estimates of discounted future cash flows include significant assumptions particularly with a view to the future sales price and sales volumes, costs and discount rates. Although management believes that the estimates of the relevant expected useful lives, the assumptions regarding the economic framework conditions and the development of the industries in which the Group operates and the estimates of the discounted future cash flows are appropriate, a change in the assumptions or circumstances could require a change in the analysis. This could result in additional impairments or reversals of impairment in the future, if the trends identified by management reverse or the assumptions and estimates prove incorrect.

Income taxes

On each balance sheet date, the Group assesses whether the realizability of future tax benefits for the recognition of deferred tax assets is sufficiently probable. This requires the management to assess, amongst other things, the tax benefits resulting from the available tax strategies and the future taxable income as well as to take into account further positive and negative factors. The reported deferred tax assets could be reduced if the estimates of the planned taxable income and the tax benefits achievable through the available tax strategies are reduced or if changes in the current tax legislation restrict the time frame or scope of the realizability of future tax benefits.

Legal risks

The Group companies of capsensixx are in some cases involved as parties in legal disputes. The outcome of these cases might have a significant effect on the asset, financial and earnings position of the Group. The management regularly analyses the current information on these cases and makes provisions for probable obligations including estimated legal costs. Internal and external lawyers are used for the assessment. Within the framework of the decision on the need for a provision, management considers the likelihood of an unfavourable outcome and the possibility to estimate the amount of the obligation with sufficient reliability. The filing of an action or the formal assertion of a claim against companies of capsensixx or the mention of a dispute in the Notes does not automatically mean that the provision for the risk in question is appropriate. On 31 December 2019, no provisions were recognised in connection with legal disputes. We refer to the statements under E.2 “Contingent Liabilities”.

Determination of the fair value

Several accounting methods and information to be disclosed by the Group require the determination of the fair value for financial assets and liabilities. If market prices are quoted and published on active markets for financial instruments, these are used. A market is considered as active if transactions for the respective asset or the respective liability take place in sufficient frequency and scope, so that price information is available on an ongoing basis. If there are no quoted prices on an active market, the Group uses measurement methods which maximise the use of relevant observable input factors and minimise the use of non-observable input factors. All factors which the market participants would consider in the pricing of such a transaction are included in the measurement method used. The fair value is calculated on the basis of the market conditions prevailing on the balance sheet date (eg interest rates, currency exchange rates,

commodity prices) using middle rates. The fair values are calculated by means of recognised actuarial models (eg option price model, DCF method).
The Group has defined a control framework concept concerning the determination of the fair values. The Group accounting department has the general responsibility for the monitoring of all essential measurements at fair value, including the fair values of Level 3 and reports directly to the Management Board.

The Group accounting department carries out a regular review of the essential non-observable input factors as well as the measurement adjustments. If information of third parties, eg price quotes of brokers or price information services, are used for the determination of the fair values, the Group accounting department verifies the evidence obtained from third parties for the conclusion whether such measurements meet the requirements of IFRS, including the level in the fair value hierarchy to which such measurements are to be allocated.

Determination of the term of the leases
At the determination of the term of the leases, the management considers all facts and circumstances which offer an economic incentive to exercising extension options or not exercising termination options. Any changes in term resulting from the exercise of extension or termination options are only included into the contractual term, if an extension or failure to exercise a termination option is sufficiently certain.

A.5. Changes to Accounting Methods and Information

Adjustment because of an Error Correction according to IAS 8

In 2018 the Group acquired rights in a software solution developed by the Fraunhofer Institute and the data specialist INQUENCE GmbH (software licences) with an associated customer (basis) which uses the above-mentioned software. The residual term of this contract with the customer amounted to 4.5 years over which the Group recognised a straight-line amortisation of the customer base. The Group verified on 31 December 2018 whether there were indications of an impairment and did not identify any indications for such an impairment.

However, not all relevant factors were taken into account at the analysis. On the basis of a repeated impairment assessment based on the updated budget and forecast calculations available at the reporting date, the estimate of the recoverable amount of the cash generating unit and its assets changes.

Since the carrying amount of the customer basis exceeds the recoverable amount (amount from the fair value of the respective asset less costs to sell and value in use), the customer base is impaired and, therefore, to be completely written off. In this case the value in use was used as recoverable amount.

The Group has retroactively corrected the determined error in accordance with the provisions of IAS 8.41 ff in the present consolidated financial statements. In the following tables the impact of the corrections made is shown.

The Group has, moreover, made several adjustments concerning the presentation. The adjustments are also covered by the respective information in the Notes.

Consolidated balance sheet as at 1 January 2018

In kEUR	01.01.2018 as reported so far	CORRECTION ACC. TO IAS 8	Reclassifi-cation	01.01.2018 adjusted
Goodwill	44			44
Other intangible assets	1,845	0		1,845
Property, plant and equipment	932			932
Financial assets accounted for according to the equity method	0			0
Non-current financial assets	562		0	562
Deferred tax assets	106			106
Non-current assets	**3,488**	**0**	**0**	**3,488**
Trade receivables	44,526		0	44,526
Tax refund claims	139		0	139
Financial instruments and financial assets	3,997		0	3,997
Cash and cash equivalents	4,961		0	4,961
Current assets	**53,623**	**0**	**0**	**53,623**
Total assets	**57,111**	**0**	**0**	**57,111**

In kEUR	01.01.2018 as reported so far	CORRECTION ACC. TO IAS 8	Reclassifi-cation	01.01.2018 adjusted
Equity				
Equity attributable to shareholders, total	5,934			5,934
Subscribed capital	100			100
Capital surplus	0			0
Retained earnings	83			83
Other adjustment items	3,030			3,030
Balance sheet loss	2,721			2,721
Capital attributable to non-controlling shares, total	5,648			5,648
Equity, total	11,582			11,582
Non-current liabilities				
Finance leasing liabilities	0		107	107
Deferred taxes	108			108
Other non-current liabilities	107		-103	4
Non-current liabilities, total	215		4	219
Current liabilities				
Trade payables	42,516		4	42,520
Tax liabilities	548			548
Other liabilities	2,249		-8	2,241
Current liabilities, total	45,314		-4	45,310
Liabilities, total	45,529			45,529
Balance sheet total	57,111			57,111

Consolidated balance sheet as at 31 December 2018

In kEUR	31.12.2018 as reported so far	CORRECTION ACC. TO IAS 8	Reclassifi-cation	31.12.2018 adjusted
Goodwill	587			587
Other intangible assets	6,212	-1,864		4,347
Property, plant and equipment	672			672
Financial assets accounted for according to the equity method	14			14
Non-current financial assets	394		183	578
Deferred tax assets	222			222
Non-current assets	**8,102**	**-1,864**	**183**	**6,421**
Trade receivables	9,834		-10	9,824
Tax refund claims	555		-315	240
Financial instruments and financial assets	3,475		-324	3,151
Other assets	0		652	652
Cash and cash equivalents	11,226		-183	11,043
Current assets	**25,090**	**0**	**-181**	**24,909**
Total assets	**33,192**	**-1,864**	**2**	**31,330**

In kEUR	31.12.2018 as reported so far	CORRECTION ACC. TO IAS 8	Reclassifi-cation	31.12.2018 adjusted
Equity				
Equity attributable to shareholders, total	11,112	-1,864		9,247
Subscribed capital	3,430			3,430
Capital surplus	4,848			4,848
Retained earnings	1,566			1,566
Balance sheet loss	1,267	-1,864		-597
Capital attributable to non-controlling shares, total	6,544			6,544
Equity, total	17,656	-1,864		15,792
Non-current liabilities				
Finance leasing liabilities	0		22	22
Deferred taxes	90			90
Other non-current liabilities	3,522		-18	3,504
Non-current liabilities, total	3,612		4	3,616
Current liabilities				
Trade payables	8,709		86	8,795
Tax liabilities	901			901
Other liabilities	2,314		-88	2,226
Current liabilities, total	11,924		-2	11,922
Liabilities, total	15,536		2	15,538
Balance sheet total	33,192	-1,864	2	31,330

Consolidated Profit and Loss Account for fiscal 2018

In kEUR	2018 as reported so far	CORRECTION ACC. TO IAS 8	Reclassi-fication	2018 adjusted
Commission income	115,700		959	116,658
Commission expenses	-93,689			-93,689
Net commission result	22,011		959	22,969
Other operating income	1,185		-899	286
Financial income	75		67	142
Financial expenses	-15		-105	-120
Personnel expenses and other administrative expenses	-15,366		-22	-15,388
Depreciation and amortisation of intangible assets and property, plant and equipment	-1,540	-1,864	0	-3,404
Income from investments accounted for using the equity method	0			0
Result of the ordinary business activities	6,350	-1,864	0	4,485
Income tax	-2,140			-2,140
Net income for the year	4,210	-1,864		2,345
Undiluted/diluted loss per share	0.53			-0.25
Weighted average number of shares (undiluted and diluted)	2,386,804			2,386,804

B. Explanatory Notes to the Profit and Loss Account

B.1. Commission Income

The commission income is generated exclusively from contracts with customers and results mainly from services of the segments Funds Management, Administration & Accounting (Funds Management) and Capital Markets & Corporate Services (Securitisation). The segment Digitalisation & IT Service (Digitalisation) was sold during the fiscal year.

Commission income is broken down by segment as follows:

In kEUR	**Funds Manage-ment**	**Securitisa-tion**	**Digitali-sation**	**Consoli-dation**	**Total**
Revenue from contracts with customers					
2019					
With third parties	107,575	4,516	122		112,213
Within segment	27	0	0	-27	0
Total	**107,602**	**4,516**	**122**	**-27**	**112,213**
Timing of the revenue recognition					
On a specific date	0	169	0		169
Over a period	107,602	4,347	122	-27	112,044
Total	**107,602**	**4,516**	**122**	**-27**	**112,213**

The commission income (after corrections) breaks down by segment as follows:

In kEUR	**Funds Management**	**Securitisa-tion**	**Digitalisation**	**Total**
Revenue from contracts with customers				
2018				
With third parties	112,719	3,875	64	116,658
Within segment	0	0	0	0
Total	112,719	3,875	64	**116,658**
Timing of the revenue recognition				
On a specific date	0	206	0	206
Over a period	112,719	3,669	64	116,452
Total	**112,719**	**3,875**	**64**	**116,658**

Sales revenues (before corrections) break down as follows by segment:

In kEUR	**Funds Management**	**Securitisa-tion**	**Digitalisation**	**Total**
Revenue from contracts with customers				
2018				
With third parties	111,874	3,762	64	115,700
Within segment	0	0	0	0
Total	**111,874**	**3,762**	**64**	**115,700**
Timing of the revenue recognition				
On a specific date	0	206	0	206
Over a period	111,874	3,556	64	115,494
Total	**111,874**	**3,762**	**64**	**115,700**

In kEUR		**2019**	**2018 adjusted**	**2018**
Revenues from contracts with customers				
Funds management		99,037	95,051	95,051
Central administration		4,798	4,617	4,617
Registrar and transfer agent		568	628	628
Portfolio commission		1,293	10,017	10,017
Set-up securitisations		169	206	206
Calculation agency		3,178	2,671	2,659
Administration and ongoing support of securitisation vehicles		1,088	809	809
Automated document processing		122	63	63
Others		1,960	2,596	1,650
Total		**112,213**	**116,658**	**115,700**

Commission income breaks down by geographical markets as follows:

In kEUR	**Fiscal year ending on 31.12.2019**		
	Germany	**Luxembourg**	**Total**
Funds management	0	99,037	99,037
Central administration	0	4,798	4,798
Registrar and transfer agent	0	568	568
Portfolio commission	67	1,226	1,293
Set-up securitisations	169	0	169
Calculation agency	3,178	0	3,178

Ongoing support and administration of securitisation vehicles	0	1,088	1,088
Automated document processing	122	0	122
Others	1,946	14	1,960
Total	5,482	106,731	112,213

In kEUR	**Fiscal year ending on 31.12.2018 adjusted**		
	Germany		**Germany**
Funds management	0	95,051	95,051
Central administration	0	4,617	4,617
Registrar and transfer agent	0	628	628
Portfolio commission	67	9,950	10,017
Set-up securitisations	206	0	206
Calculation agency	2,671	0	2,671
Ongoing support and administration of securitisation vehicles	0	809	809
Automated document processing	63	0	63
Others	24	2,572	2,596
Total	**3,031**	**113,627**	**116,658**

In kEUR	**Fiscal year ending on 31.12.2018**		
	Germany		**Germany**
Funds management	0	95,051	95,051
Central administration	0	4,617	4,617
Registrar and transfer agent	0	628	628
Portfolio commission	67	9,950	10,017
Set-up securitisations	206	0	206
Calculation agency	2,671	-12	2,659
Ongoing support and administration of securitisation vehicles	0	809	809
Automated document processing	63	0	63
Others	24	1,626	1,650
Total	**3,031**	**112,669**	**115,700**

B.2. Commission Expenses

The commission expenditure amounts in 2019 to kEUR 88,890 (2018: kEUR 93,689) and includes above all asset management for external portfolio managers in an amount of kEUR 63,730 (2018:

kEUR 74,163), commission in the amount of kEUR 14,000 (2018: kEUR 18,416) and performance fees in the amount of kEUR 11,122 (2018: kEUR 1,061).

B.3. Other Operating Income

The other operating income breaks down as follows:

In kEUR	2019	2018 adjusted	2018
Income from recharged costs	0	32	367
Income from IT services and financial accounting services by navAXX	0	0	191
Subtotal other operating income in connection with customer transactions	**0**	**32**	**558**
Sale coraixx	2,897	0	0
Non-cash benefits from private car use	134	161	161
Insurance compensation	50	0	0
Other rental income	9	23	23
Income from the reversal of accruals	7	2	50
Income from the lease of employees	0	0	86
Income from the valuation of securities	0	0	166
Income from currency translation	0	0	7
Others	41	68	134
Total	**3,138**	**286**	**1,185**

The company has decided to adjust the presentation of the profit and loss account. This has resulted in changes concerning the allocation in the commission, financial and other operating income.

Income from recharged costs in the amount of a total of kEUR 421 as well as income from IT services in the amount of kEUR 191 and income from services in connection with securitisation in the amount of kEUR 113 were allocated to the commission income. Income from the valuation of securities in the amount of kEUR 166 as well as income from the currency translation of financial items in the amount of kEUR 7 were allocated to the financial result.

B.4. Result from Discontinued Operations

On 19 December 2019 the two companies coraixx GmbH and coraixx KGaA were sold and deconsolidated. The consideration for the sale includes the purchase price and a conditional consideration. The fair value from a conditional consideration in connection with the sale of the majority shareholding is measured with a value of kEUR 0.

Details result from the following table:

Determination of the deconsolidation result	**19 December 2019**
in kEUR	
Consideration received or still outstanding	
Purchase price claim	1,730
Cash and cash equivalents	20
Fair value of the conditional consideration	0
Total payment	**1,750**
Carrying amount of the sold net assets	1,240
Costs of the sale	-79
Disposal at equity shareholding in coraixx GmbH	-14
Income from the deconsolidation before income tax	**2,897**
Income tax	0
Income from the deconsolidation after income tax	**2,897**

	19 December 2019
in kEUR	
Intangible assets	2,158
Property, plant and equipment	291
Accounts receivable and other assets	84
Deferred tax assets on loss carryforwards	0
Cash and cash equivalents	169
Total assets coraixx KGaA	**2,702**
Other non-current financial liabilities	135
Trade payables	216
Other liabilities	3,591
Total liabilities coraixx KGaA	**3,942**
Net assets	**-1,240**

The performance numbers of the discontinued operations are presented in the following table:

Profit and loss account of discontinued operations	**2019**	**2018 (adjusted)**
in kEUR		
Commission income	121	63
Other operating income	8	0
Financial result	-3	-7
General administrative expenses	-1,469	-285
Depreciation and amortisation	-716	-2,375
Earnings before taxes	**-2,059**	**-2,604**

Income tax	-222	222
Net loss for the year from discontinued operations	**-2,281**	**-2,382**

Cash flow of the discontinued operations	**2019**	**2018**
Cash inflow from operating activity	-935	-617
Cash inflow from investment activity	-238	-1,424
Cash inflow from financing activity	960	2,425
Net increase of the cash and cash equivalents generated by the subsidiary	-213	383

B.5. Financial Result

kEUR	**2019**	**2018 adjusted**	**2018**
Interest income	35	44	44
Income from the sale of securities	88	73	0
Income from the valuation of securities	330	18	31
Income from the currency translation	2	7	0
Financial income	**454**	**142**	**75**
Interest expense	-4	-15	-15
Interest expense leases	-79	0	0
Result from the valuation of the claim from the sale of coraixx at fair value and other	-75	0	0
Expense from the sale of securities	-155	-7	0
Expense from the valuation of securities	-15	-95	0
Expense from the currency translation	-2	-3	0
Financial expenses	**-330**	**-120**	**-15**
Financial result	**124**	**22**	**60**

The management has decided to report the changes in value of securities without restriction in the financial result and to adjust the comparative period accordingly. The result of the value change of kEUR 166 was reported in 2018 in other Operating income. Moreover, income from foreign currency translation of financial instruments in the amount of kEUR 7 was reported in Other operating income. Expenses from currency translations in the amount of kEUR 3 and expenses from the valuation of securities in the amount of kEUR 208 were reported in the other administrative expenses and adjusted retrospectively.

B.6. Personnel Expenses

The personnel expenses amounted in 2019 to kEUR 8,964, (2018: 7,803).

During the fiscal year, the Group recognised expenses from contributions under contribution-based schemes in the form of payments to the statutory pension scheme in the amount of kEUR 59 (2018: kEUR 24).

B.7. Other Administrative Expenses

The other administrative expenses break down as follows:

kEUR	2019	2018 adjusted	2018
Administrative expenses funds	1,695	1,747	1,747
Communication, office supplies	1,458	1,406	1,406
Space costs	502	1,358	1,358
Legal, consulting, accounting and audit costs	1,341	910	910
IPO costs	0	802	802
Advertising costs, public relations	1,109	433	433
Travel expenses, vehicle costs	177	295	295
Insurance policies, contributions	215	217	217
Valuation of securities	0	0	101
Other	1,131	417	295
Total	**7,628**	**7,585**	**7,564**

The company has decided to restructure the subdivision concerning financial, commission and other expenses. Essentially valuation effects from securities in the amount of kEUR 101 have been integrated into the financial result. The comparative period was adjusted.

B.8. Depreciations and Amortisations

Depreciations and amortisations break down as follows:

In kEUR	2019	2018 adjusted	2018
Scheduled amortisation of purchased intangible assets	1,254	1,135	1,135
Impairment of purchased intangible assets	0	1,864	0
Scheduled depreciations of property, plant and equipment	341	405	405
Scheduled depreciation of the right of use (IFRS 16)	1,020	0	0
Total	**2,615**	**3,404**	**1,540**

The prior-year period was adjusted during the fiscal year. Within the framework of an IAS 8 correction unscheduled depreciations of self-acquired intangible assets in the amount of kEUR 1,864 were added. See also Section A.5.

B.9. Income from Units Measured At Equity

In fiscal 2019 there is no income from coraixx GmbH measured at equity (2018: EUR 155). The shareholding in coraixx GmbH was sold as at 19.12.2019. For more information cf. Note B. 4.

B.10. Income Taxes

Income taxes in the amount of kEUR 2,298 for 2019 (2018: kEUR 2,140) include the taxes for the current year in the amount of kEUR 2,310 (2018: kEUR 2,181) and refunds (-) or expenses (+) for taxes of previous years in the amount of kEUR -12 (2018: kEUR -41).

	2019 kEUR	2018 kEUR
Actual taxes	2,076	2,265
Deferred taxes	222	-125
Total	**2,298**	**2,140**

For the determination of current taxes in Germany the distributed and retained profits are subject to a uniform corporation tax rate of 15.00% (prior year: 15.00%) and a solidarity rate on it of 5.50% (prior year: 5.50%). In addition to corporation tax, trade tax is levied on profits made in Germany. The trade tax is set and levied on the basis of the tax base with a percentage (rate of assessment) which is determined by the municipality. For fiscal 2019 the local trade tax multiplier for the city of Frankfurt am Main amounts to 460.00%. Taking into account the non-deductibility of the trade tax as an operating expense, the tax rate of the trade tax is 16.10% (prior year: 16.10%) which results in a domestic overall tax rate of around 32% (prior year: 32%).

The following table shows the relationship between the income taxes derived from earnings before taxes and income taxes reported in the profit and loss account (reconciliation statement).

In kEUR	2019	2018 (adjusted)	2018
Earnings before taxes	7,376	4,485	6,350
Non-tax-relevant postings in the Group (result from associated companies, profit distributions within the Group, amortisation of goodwill)	0	269	269
Basis for the calculation of the expected tax expenses	**7,376**	**4,754**	**6,619**
Expected tax expenses	-2,344	-1,714	-2,273
Adjustment based on tax-free earnings	0	497	497
Tax effect from non-deductible expenses	-366	35	35
Tax effect from valuation differences in the tax balance sheet	41	0	0
Capitalisation of deferred taxes for tax loss carryforwards	0	-106	-106
Taxation differences for domestic subsidiaries	1	0	0
Deviating tax rates of foreign subsidiaries	333	0	0
Non-capitalisation of deferred taxes on tax carryforwards	24	-893	-334
Income taxes for the current year	**-2,310**	**-2,181**	**-2,181**
Tax refund previous years	12	41	41
Income taxes	**-2,298**	**-2,140**	**-2,140**

* adjusted versus prior year

Deferred tax assets are only recognised if the realisation of these tax benefits is probable. For the determination of all impairments, all currently known positive and negative influencing factors relating to the future tax results are taken into account. The resulting assessment may change following future developments.

For results of foreign Group companies withholding taxes and German taxes arising in connection with the dividend payment are expensed as deferred taxes if it can either be assumed that these profits are subject to a corresponding taxation or if they are not intended to be reinvested on a permanent basis.

On the balance sheet date, no deferred tax assets were set up in respect of tax loss carryforwards. (prior year: kEUR 222).

Furthermore, there have been tax losses on the balance sheet date for which no deferred tax claim has been capitalised in the amount of kEUR 2,335 (prior year: kEUR 1,340).

	2019 kEUR	2018 kEUR
Deferred tax assets on tax loss carryforwards	0	222
of which with an effect on income	0	222
Deferred tax entitlement, total	**0**	**222**

Composition of deferred tax assets in the balance sheet for all kinds of temporary differences:

	2019 kEUR	2018 kEUR
Deferred tax liability from valuation differences of securities	90	90
thereof with an effect on income	0	0
Total deferred tax liability	**90**	**90**

B.11. Earnings per Share

According to IAS 33 earnings per share are to be determined by dividing the Group result by the weighted average number of shares outstanding for the period. Newly issued shares of acquired treasury shares must be considered proportionately.

The 2019 earnings for the shareholder amount to kEUR 2,411(2018: kEUR -596).

In 2019 the number of shares outstanding was 3,430,000 (2018: 2,386,804).

The earnings per share (diluted / undiluted) amount to EUR 0.7 per share (2018: EUR -0,25 per share).

The prior year values were retroactively adjusted in connection with IAS 8. See also Section A.5. Without adjustment there has been a net income for the year in the amount of kEUR 1,270 and earnings per share (diluted / undiluted) in the amount of EUR 0.53 per share.

C. Notes to the Balance Sheet

C.1. Intangible Assets

The development of intangible assets results from the following table for fiscal 2019:

	Acquisition and Production Costs					
in kEUR	Gross Value 01.01.2019	Reclassifications	Additions	Disposals	Deconsolidation	Gross Value 31.12.2019
Intangible assets						
Goodwill	587	0	0	0	0	**587**
IT software	5,950	76	52	0	-2,158	**3,919**
Customer base	2,072	0	0	-2,072	0	**0**
Advance payments	292	-76	249	0	0	**464**
	8,900	**0**	**301**	**-2,072**	**-2,158**	**4,971**

	Depreciations and Amortisations				Carrying Amount 31.12.2019	Carrying Amount 31.12.2018 (adjusted)
	Carry Forward 01.01.2019	Depreciations and Amortisations *	Disposals	Gross Value 31.12.2019		
Intangible assets						
Goodwill	0	0	0	0	**587**	**587**
IT software	1,894	1,254	0	3,148	**771**	**4,056**
Customer base	2,072	0	-2,072	0	**0**	**0**
Advance payments	0	0	0	0	464	292
Total depreciations and amortisations	3,965	1,254	-2,072	3,148	1,823	4,935

The development of intangible assets for the previous year was retroactively adjusted. After the correction the development for 2018 is as follows:

in kEUR	Acquisition and Production Costs				
	Gross Value 01.01.2018	Reclassifications	Additions	Disposals	Gross Value 31.12.2018
Intangible assets					
Goodwill	44	544	0	0	**587**
IT software	2,745	96	3,109	0	**5,950**
Customer base	0	0	2,072	0	**2,072**
Advance payments	67	-96	321	0	**292**
	2,855	**544**	**5,501**	**0**	**8,900**

in kEUR	Depreciations and Amortisations				Carrying Amount 31.12.2018 (adjusted)	Carrying Amount 31.12.2017
	Carry Forward 01.01.2018	**Depreciations and Amortisations***	**Disposals**	**Gross Value 31.12.2018**		
Intangible assets						
Goodwill	0	0	0	0	**587**	**44**
IT software	966	928	0	1,894	**4,056**	**1,779**
Customer base	0	2,072	0	2,072	**0**	**0**
Advance payments	0	0	0	0	**292**	**67**
Total depreciations and amortisations	**966**	**2,999**	**0**	**3,965**	**4,935**	**1,889**

On the basis of a revaluation, the customer base was completely written off in 2018. This results in a carrying amount of the customer base which is kEUR 1,864 lower and at the same time, an amortisation which is kEUR 1,864 higher. We refer to the explanations under A.5. The originally reported amortisation for the customer base amounted to kEUR 208, and its carrying amount on 31.12.2018 to kEUR 1,864.

Goodwills, which have been created in the acquisition of shares in Oaklet GmbH (kEUR 544) and its subsidiary Oaklet S.A. (kEUR 44) were transferred to capsensixx at their carrying amount.

Following the first consolidation of Oaklet GmbH and the further later acquisition of additional shares, a goodwill of kEUR 544 has arisen. The acquisition of Oaklet S.A. by Oaklet GmbH as at 1 July 2015 resulted in a goodwill of kEUR 44.

The goodwill is allocated to the segment “Securitisation”:

Cash Generating Unit	**2019** kEUR	**2018** kEUR
Oaklet GmbH, Frankfurt	587	587
Total	**587**	**587**

The determination of the recoverable amount of this CGU is basically carried out by determining the values in use by means of the discounted cash flow method. In this connection the planned cash flows are used from the bottom up three-year planning of the CGU prepared and approved by the management of capsensixx. The cash flows beyond the three-year period are, as a matter of principle, determined on the basis of the last planning year. For the perpetual annuity, the discounting of the cash flow generated is made by taking into account a growth discount of 0.5% (PY: 0.5%). The total costs of capital used for discounting are based on the risk-free interest rate of 0.20% (prior year: 1.00%), risk premiums for equity of 7.00% (prior year: 6.25%) and debt capital of 1.8% (prior year: 1.00%). Moreover, a beta factor of 1.00 (prior year 1.00%) derived from the respective peer group and the capital structure of the respective subsidiaries are taken into account individually for the CGU.

For the discounting of the cash flows the following discount rates were used:

in %	**2019**	**2018**
Oaklet GmbH, Frankfurt	9.00	7.25

The determination of the recoverable amount of the respective CGU was based on the value in use. For its determination both past data and the expected market performance were used.
The key assumptions are based on a combination of internal and external sources (in particular external market studies). The main assumptions are based on assessments by the management and are as follows:

- unchanged to slightly increasing customer volumes with unchanged margins
- almost unchanged costs since the planned increased customer volume can be handled with the existing resources
- uncertainties concerning the regulatory environment and its potential impact are currently not yet foreseeable and are not considered in the planning
- uncertainties in respect of fluctuation and loss of staff in key positions in certain sectors.

In fiscal 2019 there were no impairments of goodwill. The management of capsensixx assumes for these CGUs that a possible change in respect of a material assumption which was the basis for determining the recoverable amount does not result in the carrying amount of the CGU exceeding the respective recoverable amount.

Software Licences

The rights in a software solution (software licences) developed by the Fraunhofer Institute and the data specialist INQUENCE GmbH which reads out paper documents based on Artificial Intelligence have been disposed of within the framework of the deconsolidation of coraixx.

Customer Base

The Group has acquired a contract with an existing customer (customer base) who uses the above-mentioned software. The customer base was retroactively written down to kEUR 0 in 2018. The comparative numbers were adjusted accordingly. See also Note A.5.

Advance Payments

Advance payments were made for the acquisition and the external development of software licences for a reporting tool as well as for an archiving software and the implementation of this software in the existing software environment.

See also the development of the carrying amounts of other intangible assets in the fixed assets analysis.

C.2. Property, Plant and Equipment

Property, plant and equipment includes as at 31.12.2019 the right of use from leases (IFRS 16) in the amount of kEUR 2,733, which was recognised for the first time at the first-time adoption of IFRS 16 as well as operating and business equipment in the amount of kEUR 480 (prior year: kEUR 642). Advance payments made in respect of property, plant and equipment no longer apply (prior year: kEUR 30).

The development of property, plant and equipment results from the following table for fiscal 2019:

Acquisition and Production Costs						
in kEUR	**Gross Value 01.01.2019**	**Reclassi-fications**	**Addi-tions**	**Dispo-sals**	**Deconsolida-tion**	**Gross Value 31.12.2019**
Property, plant and equipment						**0**
Operating and office equipment	2,744	0	337	0	-158	**2,923**
Right of use (IFRS 16)	0	0	3,891	-9	-132	**3,750**
Advance payments made	30	0		-30	0	**0**
Total	**2,774**	**0**	**4,228**	**-39**	**-290**	**6,673**

Depreciation and Amortisation		

in kEUR	Carry forward 01.01.2019	Depreciation and amortisation*	Disposals	Gross value 31.12.2019	Carrying Amount 31.12.2019	Carrying amount 31.12.2018
Property, plant and equipment						
Operating and office equipment	2,102	341	0	2,443	**480**	**642**
Right of use (IFRS 16)	0	1,020	-3	1,017	**2,733**	**0**
Advance payments made and assets under construction	0	0	0	0	**0**	**30**
Total depreciations and amortisations	**2,102**	**1,361**	**-3**	**3,460**	**3,213**	**672**

C.3. Financial Assets Accounted for using the Equity Method

The shareholding in the associated company corraixx Verwaltungs GmbH is accounted for by applying the equity method. The carrying amount of the investment in coraixx Verwaltungs GmbH in the previous year was increased by the proportionate net income for the year corresponding to the investment and disclosed in an amount of kEUR 14 in the consolidated financial statements.

coraixx Verwaltungs GmbH has its registered office in Frankfurt am Main and its object is the development, marketing, installation and administration of software and hardware as well as the acquisition and management of shareholdings and the takeover of personal liability and management in trading companies and / or civil law partnerships. coraixx Verwaltungs GmbH participates as general partner in coraixx GmbH & Co, KGaA with sole management and representation authority. At the same time, it has taken over the liability for the company.

With effect from 19.12.2019 the company was sold together with the fully consolidated coraixx KGaA and hence deconsolidated. Details may be taken from Note B.4.

C.4. Other Non-Current Financial Assets

in kEUR	2019	2018 adjusted	2018
Purchase price claim coraixx	1,655	0	0
Loan UF Beteiligungs UG	308	384	384
Lease security deposits and guarantees	188	194	10
Other	23	0	0
Non-current financial assets	**2,173**	**578**	**394**

The purchase price claim has arisen within the framework of the sale of coraixx and was issued in the form of a loan with a term of three years to the purchaser. The loan is due on 1 January 2023. In the wake of the sale of coraixx a loan in the amount of kEUR 1,750 was granted to the buyer and is secured through the senior pledging of Oaklet shares with a nominal amount of EUR 6,250 as well as the pledging of shares in UF Beteiligungs UG, Frankfurt am Main with a nominal amount of EUR 1,000. In 2019 the buyer repaid kEUR 20 of the loan. The loan is accounted for until 31.12.2019 at the fair value of kEUR 1,655.

The loan to UF Beteiligungs UG, Frankfurt am Main is due on 31 January 2023 and was granted for the acquisition of Oaklet shares to the non-controlling shareholder in the years 2014 and 2016. Details on the financial instruments may be taken from Section E.3.

C.5. Trade Receivables

On 31.12.2019 trade receivables amount to kEUR 20,634 (2018: kEUR 9,824). There are no contractual obligations on the balance sheet date. The trade receivables are carrying no interest. Receivables in the amount of kEUR 681 have a term of up to one year (prior year: kEUR 0); the remaining receivables are due in less than three months.

C.6. Financial Instruments and Other Financial Assets

in kEUR	**2019**	**2018 adjusted**	**2018**
Mutual fund units	4,159	1,710	1,710
Profit participation right	1,001	993	993
Certificates	355	432	432
Securities	**5,515**	**3,135**	**3,135**
Other	14	14	340
Total	**5,529**	**3,151**	**3,475**

In 2019 listed securities and mainly imutual fund units were reported under this item in the amount of kEUR 5,515 (2018: kEUR 3,135).

The securities in the amount of kEUR 1,001 (2018: kEUR 993) are profit participation rights which are not traded at a stock exchange. On the balance sheet date there are no securities in foreign currencies (2018: kEUR 0). During the fiscal year assets in the amount of kEUR 326 were reclassified to other assets since they are no financial assets. Details on the financial instruments may be taken from Section E.3.

C.7. Other Assets

The other assets include essentially receivables from advanced costs, tax receivables as well as deferred income items.

C.8. Cash and Cash Equivalents

The item includes deposits with banks in an amount of kEUR 7,836 (prior year: kEUR 11,043) which are due on a daily basis. Amounts of kEUR 14 (2018: kEUR 28) are attributable to a USD bank account.

C.9. Equity

With its capital management capsensixx pursues the goal of sustainably strengthening the equity and generating an appropriate return on the capital employed. The book equity of the Group acts merely as a passive management criterion, whereas the EBITDA is used as active management parameter.

On 31 December 2019 the share capital amounts to EUR 3,430,000 (2018: EUR 3,430,000) and is divided into 3,430,000 (2018: 3,430,000) no-par value shares at EUR 1.00 each.

The composition of the equity and development of the equity components as well as the outstanding number of shares of the capsensixx Group is disclosed in the statement of changes in equity.

C.10. Non-Current Lease Liability

The non-current lease liabilities amount to kEUR 1,786 (2018: kEUR 22). Current lease liabilities are reported under other current liabilities.

C.11. Other Non-Current Liabilities

The other non-current financial liabilities included a liability of kEUR 3,500 during the previous year, which was connected to the acquisition of intangible assets and arose on the level of the deconsolidated coraixx KGaA. The liability has been disposed of within the framework of the deconsolidation.

C.12. Tax Liabilities

The balance sheet item includes current income tax liabilities in the amount of kEUR 109 (2018: kEUR 901).

C.13. Trade Payables

Trade payables amounted on 31.12.2019 to kEUR 18,821 (prior year: kEUR 8,795). The trade payables are due within three months.

C.14. Other Current Liabilities

The liabilities break down as follows:

In kEUR	**2019**	**2018 adjusted**	**2018**
Lease liabilities - current	982	44	44
Liabilities from wages and salaries, wage tax and church tax as well as social security	295	252	252
Value added tax liabilities	93	115	115
Liabilities from consulting services received	0	270	270
Accrued liabilities for:			
Bonuses	610	799	799
Outstanding invoices	283	278	278
Financial statement and audit costs	235	221	221
Legal and consulting costs	43	83	83
Outstanding leave and other personnel expenses	114	80	80
Other	125	84	172
Total	**2,780**	**2,226**	**2,314**

Of the other current liabilities kEUR 1,348 (2018: kEUR 1,278) are due within three months and kEUR 1,432 (2018: kEUR 1,036) within three months to 12 months. During the prior-year period liabilities in the amount of kEUR 88 were reclassified as trade payables.

C.15. Deferred Taxes

The deferred tax receivables amount in 2019 to kEUR 0 (2018: kEUR 222).

The deferred tax liabilities amount to kEUR 90 (prior year: kEUR 90) due to valuation differences of securities.

E. Other Information

E.1. Employees

The average number of employees was 104 during the fiscal year, compared to 87 in the previous year.

They are subdivided by groups as follows:

	2019	2018
Average number of employees	104	87
Thereof in the segments		
Funds Management	76	72
Securitisation	20	15
Digitalisation & IT	8	0

Functions within the segment Funds Management	**2019**	**2018**
Front office	14	9
Back office	62	63
Total	**76**	**72**

Functions within the segment Securitisations	**2019**	**2018**
Front office	3	5
Back office	17	10
Total	**20**	**15**

E.2. Contingent Liabilities, Other Financial Obligations as well as Transactions not included in the Balance Sheet

In early December 2019 the company was sued by two bond creditors in Luxembourg for damages in respect of a value loss within the framework of its function as calculation agent. The company assumes that outflows of cash and cash equivalents are not likely.

E.3. Financial Instruments

Information about the Fair Value and the Measurement Categories

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. Trade receivables and other non-material financial receivables and other trade payables are measured at amortised cost and are not included in the following table. Their carrying amount is an appropriate approximation amount of the fair value. In the same way there is no information on the fair value of lease liabilities.

31.2.2019	Category	Carrying Amount	Fair Value			
			Level 1	Level 2	Level 3	Total
		kEUR	kEUR	kEUR	kEUR	kEUR
Non-current financial assets						
Purchase price claim coraixx	AC	1,655		1,655	0	1,655
Loan UF Beteiligungs UG	AC	308		308		308
Current financial assets						
Securities						
Mutual fund units	FVTPL	4,159	4,159			4,159
Profit participation rights	FVTPL	1,001		1,001		1,001
Certificates	FVTPL	353	353			353

31.12.2018	Category	Carrying Amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Non-current financial assets		kEUR	kEUR	kEUR	kEUR	kEUR
Loan UF Beteiligungs UG	AC	384		384		384
Current financial assets						
Securities						
Mutual fund units	FVTPL	1,710	1,710			1,710
Profit participation rights	FVTPL	993		993		993
Certificates	FVTPL	432	432			432
Non-current financial liabilities						
Liabilities in connection with the acquisition of intangible assets	AC	3,500		3,500		3,500

The financial instrument in Level 2 includes profit participation rights in an investment company.

The profit participation rights themselves include financial assets and financial liabilities. The measurement of the profit participation right is based on the included assets and liabilities at fair value. In this connection the following applies to the underlying assets and hence the profit participation right:

- measurement of the securities held in the profit participation right with quoted market price and / or dealer quotes for similar instruments
- recognition of the cash and cash equivalents at market value
- liabilities are recognised at fair value.

The fair value of the purchase price claim of coraixx is calculated on the basis of input factors of Level 2. At the calculation of the fair value a discounting of the agreed incoming payment was first made with a risk- and term-adequate interest rate. The claim is sufficiently secured (essentially by the pledging of shares); a full or partial loss of the claim is not to be expected. On 31.12.2019 the fair value corresponds to the carrying amount of kEUR 1,655. A conditional consideration received within the framework of the sale of coraixx is measured at fair value on the basis of input factors of Level 2 with an effect on profit or loss. The conditional consideration is paid if the company generates a balance sheet profit after the sale. Because of existing uncertainties concerning the amount of the balance sheet profit, no claim was recognised.

Net Profits and Losses

The capsensixx Group has generated the following net profits and losses from financial assets and liabilities:

kEUR	**2019**	**2018**
Financial assets which are measured at fair value through profit or loss	275	16
Financial assets which are measured at amortised cost	-69	8
Financial liabilities which are measured at amortised cost	-82	2
Total	**124**	**22**

Change in the Liabilities from Financing Activities

The following changes have resulted in respect of liabilities from financing activities:

kEUR	01.01	Repayment	New Leases	Disposal	Re-classi-fication	31.12
Lease liabilities						
Thereof current lease liabilities	1,042	989	35	140	1,029	977
Thereof non-current lease liabilities	2,815		0	0	-1,029	1,786
Total	**3,857**	**989**	**34**	**140**	**0**	**2,763**

Capital Risk Management

capsensixx manages its capital (equity plus cash and cash equivalents and current trade receivables less debt) with the goal of securing the continued existence of the Group and the maintenance of an optimal capital structure while optimising the financing costs. The overall strategy is unchanged versus prior year. The management reviews the capital structure on a monthly basis.

The development is as follows:

kEUR	31.12.2019	31.12.2018 retroactively adjusted	31.12.2018
Book equity	11,658	9,247	11,112
+ Liquidity accounts	7,836	11,043	11,226
+ Trade receivables	20,634	9,824	+ 9,834
./. current liabilities	-21,710	-11,922	-11,923
Total	**18,418**	**18,192**	**20,249**

We consider the bank balances due on a daily basis as cash and cash equivalents. As far as liabilities are concerned, we take all current liabilities into account. As a result of the error correction, the book equity of the prior year period has been reduced by kEUR 1,864. See also Note A.5. Moreover, rent guarantees in the amount of kEUR 183 were reclassified from cash and cash equivalents to other financial assets.

Financial Risk Management

The capsensixx Group is subject to the following financial risks which are managed in detail as follows:

Liquidity risk

The liquidity risk is the risk that the Group may not be in a position to meet its financial obligations in a contractual manner by making available cash and cash equivalents or other financial assets. The Group manages the liquidity risks through the holding of appropriate reserves, the monitoring and management of the credit agreements as well as the planning and co-ordination of the inflows and outflows of financial assets.

Since the financial obligations of capsensixx from current business activities must be settled at short notice, it is of central importance for capsensixx to always have sufficient liquidity to be able to fulfil its financial obligations at all times.

capsensixx counters the liquidity risk by timely invoicing, regular monitoring and measurement of outstanding receivables including the implementation of dunning. The management determines the probable long, medium and short-term liquidity requirements through liquidity planning. Possible concentrations are identified and restricted through sufficient diversification of the refinancing sources and the liquidity buffers.

The management expects the Group to meet its financial obligations arising from operating cash flows and from the inflow of financial assets becoming due.

The contractual residual maturities of the financial liabilities as at 31.12.2019 are as follows:

31.12.2019	0-3 Months	3 Months to 1 Year	1-5 Years	> 5 Years	Total
Financial liabilities					
Lease liability non-current			1,786	0	1,786
Lease liability current	247	730			977
Trade receivables	18,821	0			18,821

The contractual residual maturities of the financial liabilities as at 31.12.2018 are as follows:

31.12.2018 adjusted	0-3 Months	3 Months to 1 Year	1-5 Years	> 5 Years	Total
Financial liabilities					
Other non-current liabilities			3,500		3,500
Other current liabilities	1,190	1,036			2,226
Trade payables	8,795				8,795

31.12.2018	0-3 Months	3 Months to 1 year	1-5 Years	> 5 Years	Total
Financial liabilities					
Other non-current liabilities			3,500		3,500
Other current liabilities	1,276	1,036			2,314
Trade payables	8,709				8,709

Credit risk / counterparty default risk

The credit risk or counterparty default risk of capsensixx is that it could be exposed to financial damage if a debtor failed to meet his payment obligations or failed to pay them in full. These financial instruments, in which the debtor could default as a matter of principle, are included in the item cash and cash equivalents in the form of cash and sight deposits, the trade receivables and other securities as well as in the current and non-current financial receivables. The carrying amounts of the financial assets correspond to the maximum default risk.

According to the provisions of IFRS 9 impairments must be made in the amount of the expected credit losses for financial instruments which are measured at amortisation cost.

Cash and cash equivalents exist in the form of daily due cash and sight deposits with German and Luxembourg-based banks. These are secured by a deposit protection fund so that it is refrained from a risk provisioning.

Impairments of trade receivables are calculated on the basis of an impairment matrix as described in Section A.3. Taking into account the materiality, it was refrained from impairments in 2018 and 2019. The Group holds no collaterals for these open items. Loans granted to UF Beteiligungs UG included in other receivables are secured through the pledging of securities and shares. Credit losses are not expected. The coraixx purchase price claim is likewise secured by the pledging of shares. The formation of an expected loss is waived for reasons of materiality.

Concentrations of risks are avoided by the company making risk ratings for its business partners and defining counterparty limits for products, terms and conditions for the commitment and other factors which may not be exceeded.

Market risks

Market risks may, as a matter of principle, consist of currency exchange risks, interest risks and other price risks.

There are no material country risks since the receivables are mainly restricted to counterparties resident in the Federal Republic of Germany and in the Grand Duchy of Luxembourg. As a result, the Group is only exposed to an extremely low extent to currency risks.

For the Group, the market risks consist primarily in that financial assets do not lead to the expected cash inflows as a result of changed market prices. The goal of the market risk management is to manage and control the market risk within acceptable boundaries. The management is carried out by an ongoing monitoring of the treasury and a monthly reporting to the management. Because of the low relevance of these risks for the Group, they are so far not hedged by derivative financial instruments.

IFRS 7 requires the conduct of sensitivity analyses for all kinds of material risks to which the company is exposed on the balance sheet date. In this connection effects on the profit and loss account as well as the equity of the company are to be disclosed in the event of a possible change in the variables on the balance sheet date.

The company is subject to the risk of fluctuating stock market prices. Falling stock market prices tend to result in falling receivables as the commission income generated by the company usually depends on the volume under administration. This in turn is influenced by falling stock market prices.

In addition, the fair values of the securities and profit participation rights held by the company will likewise decline as the stock market prices fall. As a counter effect to the declining commission income, the commission expenses to be paid by the company are declining since they are also dependent on the stock market prices.

The following table shows the sensitivity with an increase or decrease in stock market prices of +/- 10%. The sensitivity analysis considers the existing receivables from customers as of the balance sheet date as well as the securities and profit participation rights existing on the balance sheet date:

Sensitivity analysis	**2019 kEUR**	**2018 kEUR**
+ Increase / - decrease of receivables from customers	+20,634 / -20,634	+9,822/-9,824

+ Increase / - decrease of securities held	+5,530 / - 5,530	+315/-315
Total changes to the P&L and equity after increase / decrease	**+ 26,164 / - 26,164**	**+10,137/-10,137**

E.4. Leasing

Amounts Recognised in the Balance Sheet

The following amounts refer to the leases in the balance sheet as at 31 December 2019

kEUR	31.12.2019	01.01.2019
Rights of use		
Thereof space and parking space	2,589	3,656
Thereof IT equipment	0	0
Thereof vehicles	144	201
Rights of use total	**2,733**	**3,857**

The additions in terms of rights of use amounted in 2019 to kEUR 34.

kEUR	31.12.2019	01.01.2019
Lease liabilities		
Thereof current lease liabilities	977	1,042
Thereof non-current lease liabilities	1,786	2,815
Lease liabilities, total	**2,763**	**3,857**

Amounts recognised in the profit and loss account

kEUR	2019
Amortisations for rights of use	
Land and buildings	934
IT equipment	0
Vehicles	86
Total amortisation	**1,020**

Interest expense for lease liabilities according to IFRS 16	
Interest expenses for lease liabilities	79
Expenses for current leases	112
Amounts recognised in the profit and loss account	**1,211**

The total outflows of cash and cash equivalents from leases amounted in 2019 to kEUR 1,180

E.5. Relationships with Related Parties

The parent company of capsensixx is PEH Wertpapier AG. capsensixx is included in the consolidated financial statements of PEH Wertpapier AG which constitutes at the same time the largest and smallest group of the companies to which the company belongs as a subsidiary.

Related parties

We have business relationships within the Group with related parties. As part of these relationships, we offer the same services that we offer in general to our customers. All of these transactions are concluded at arm's length. No transactions were carried out on the basis of unusual market conditions.

Key members of the management occupy positions in other companies as a result of which they have the control or significant influence on the financial and business policies of these companies. The following transactions took place:

Remuneration of Services by Related Parties	**Value of Transactions**		**Liabilities as at 31.12.**	
In kEUR	**2019**	**2018**	**2019**	**2018**
PEH Wertpapier AG				
- making available of business premises	38	5	0	0
- making available of staff	0	20	0	0
- expenses for front end loads, portfolio fees, funds management services and liability umbrella remunerations	901	1,001	145	64
PEH Vermögensmanagement GmbH				
- expenses for front end loads, portfolio fees, funds management services and liability umbrella remunerations	0	3	0	17
PEH Wertpapier AG Austria				
- expenses for internal auditing services	14	13	0	0

Remuneration of Services for Related Parties	Value of the Transactions		Receivables as at 31.12.	
In kEUR	**2019**	**2018**	**2019**	**2018**
PEH Wertpapier AG				
- income from portfolio fees	213	200	46	0
- services in connection with fund liquidation	46	25	0	0
- outsourcing of costs	81	0	81	0
- income from IT services	74	0	0	0
PEH Vermögensmanagement GmbH				
- income from IT services	86	166	0	0
PEH Wertpapier AG Austria				
- Compliance activities	6	48	6	48

Loans granted to related parties:

In kEUR	Status 31.12.2018	Loans Granted	Repay-ments Received	Interest Charged	Interest Received	Status 31.12.2019
UF Beteiligungs UG	384	0	76	6	6	308

Loans granted by related parties:

In TEUR	Status 31.12.2018	Loans Granted	Repay-ments Received	Interest Charged	Interest Received	Status 31.12.2019
PEH Wertpapier AG	0	0	0	0.4	0.4	0

Information about Related Parties (Management Board / Supervisory Board)

Sven Ulbrich, Chief Executive Officer, Spiesheim, entitled to represent the company alone (Chairman of the Supervisory Board: PEH Wertpapier AG Austria), stepped down on 19.12.2019.

Fabian Föhre, Neu-Isenburg, member of the Management Board, entitled to represent the company alone.

The following remunerations were granted to the active members of the Management Board to exercise their tasks within capsensixx:

Remunerations in 2019 (in kEUR)

Name **Function** **Date of Joining / Leaving**	**Sven Ulbrich** **CEO**				**Fabian Föhre** **Member of the Management Board**			
	2018	2019	n(Min)	n(Max)	2018	2019	n(Min)	n(Max)
Fixed remuneration	141	244	244	244	0	0	0	0
Supplementary benefits	0	0	0	0	0	0	0	0
Total (1+2)	**141**	**244**	**244**	**244**	**0**	**0**	**0**	**0**
Yearly variable remuneration (bonuses, profit participations, profit shares)	0		0	0	0	0	0	0
Long-term variable remuneration	0		0	0	0	0	0	0
Plan designation (plan duration)	0		0	0	0	0	0	0
Plan designation (plan duration)	0		0	0	0	0	0	0
Total (1+2+4+5)	**141**	**244**	**244**	**244**	**0**	**0**	**0**	**0**
Pension scheme expenses (past service costs in accordance with IAS 19, commitments for pension schemes, etc)	0		0	0	0	0	0	0
Total sum	**141**	**244**	**244**	**244**	**0**	**0**	**0**	**0**

Inflows in 2019 (in kEUR)

Name Function Date of Joining / Leaving	Sven Ulbrich CEO		Fabian Föhre Member of the Management Board	
	2018	2019	2018	2019
Fixed remuneration	141	244	0	0
Supplementary benefits	0		0	0
Total (1+2)	**141**	**244**	**0**	**0**
Yearly variable remuneration (bonuses, profit participations, profit shares)	0	0	0	0
Long-term variable remuneration	0	0	0	0
Plan designation (plan duration)	0	0	0	0
Plan designation (plan duration)	0	0	0	0
Other, e.g. remuneration reclaim	0	0	0	0
Total (1+2+4+5)	**141**	**244**	**0**	**0**
Pension scheme expenses (past service costs in accordance with IAS 19, commitments for pension schemes, etc)				
Total sum	**141**	**244**	**0**	**0**

The Supervisory Board is composed of the following members:

Martin Stürner, Frankfurt, businessman, chairman
(Chairman of the Administrative Board of Axxion S.A., Grevenmacher, Luxembourg; Chairman of the Supervisory Board: Axxion Deutschland Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt;);

Rudolf Locker, Schmitten, auditor, tax consultant, deputy chairman and independent financial expert (Chairman of the Supervisory Board: btu beraterpartner Holding AG Steuerberatungsgesellschaft, Oberursel; PEH Wertpapier AG, Frankfurt; Obema Beteiligungs- und Management AG, Oberursel until 12/2018; member of the Supervisory Board of PEH Wertpapier AG Austria, Vienna);

Gregor Langer, Kelkheim, businessman, deputy chairman
(Deputy Chairman of the Supervisory Board: PEH Wertpapier AG, Frankfurt; PEH Wertpapier AG, Austria).

In 2019 and 2018 no compensation was paid to the Supervisory Board.

Please refer to the compensation report in the management report for the individualisation of the remuneration of the members of the Management Board and the Supervisory Board.

Voting Rights
As at 31.12.2019 the following voting rights exist. The distribution is unchanged versus prior year.

Name/Company	Voting Rights		
	Directly held (per cent)	Attribution (per cent)	Total (per cent)
PEH Wertpapier AG, Frankfurt	77.64%	3.47%	81.11%
PEH Wealth Management GmbH, Frankfurt	2.01%		
W&P Financial Services GmbH, München	1.46%		

Until the finalisation of the financial statements there were no further changes in respect of the allocation of voting rights.

E.6. Fees and Services of the Auditor

The fee charged by the external auditor Baker Tilly GmbH & Co, KG Wirtschaftsprüfungsgesellschaft of the consolidated financial statements for services provided is structured as follows:

in kEUR	2019	2018
Audit services	50	50
Other audit-related services	0	115
Other services	67	0

The fees of the external auditor for audit services recognised as expenses for the audit of the single entity and consolidated financial statements amount in 2019 to kEUR 50 (2018: kEUR 50).

E.9. Segment Reporting

The identification of reportable operating segments is based on the "management approach". This means that the external segment reporting is based on the internal Group organisation and management structure as well as the internal financial reporting to the "Chief Operating Decision Maker". Within the Group the Management Board of capsensixx is responsible for the evaluation and management of the business success of the segments and is considered as Chief Operating Decision Maker within the meaning of IFRS 8.

The segment Funds Management, Administration & Accounting (Funds Management) includes funds administration and IT-supported funds accounting. The companies of this segment are Axxion S.A. including navAXX S.A.. Axxion InvAG, and Axxion Revolution Fund One.

The segment Capital Markets & Corporate Services (Securitisation) covers consulting services in the field of financial engineering, securitisations and as a regulated corporate service provider it provides director and management services for corporate customers in Luxembourg. The companies Oaklet GmbH including Oaklet S.A. constitute the segment "Securitisation".

The two segments Funds Management and Securitisation provide services of the financial industry.

The third segment Digitalisation & IT Services (Digitalisation) provides services to automate workflows by using self-learning and adaptive software with Artificial Intelligence. The recipients of the services are primarily customers in the Federal Republic of Germany. With the deconsolidation of coraixx, this segment was given up. During the reporting period the segment continued, however, to be monitored on an ongoing basis.

In 2019 there was a large customer which accounted for a volume of more than 10% of the overall sales revenues. It was a customer with an amount totalling kEUR 24,698. The customer is attributable to the segment “Funds Management”. In 2018 there were three large customers which accounted for a volume of more than 10% of the overall sales revenues. This was one customer with a total amount of kEUR 33,042, a customer with an amount of kEUR 13,113 and a customer with an amount totalling kEUR 12,244.
The sales revenues and advance deliveries between the segments are offset on the basis of market prices.

The segment assets and liabilities include all assets and liabilities which are allocable to the segments and whose positive and negative results determine the operating income. The segment assets include, more particularly, intangible assets, property, plant and equipment, trade receivables as well as current and non-current liabilities and material provisions. The segment investments include the additions to intangible assets and property, plant and equipment.

Segment Report as at 31.12.2019

2019	Funds Management kEUR	Securiti-sation kEUR	Digitali-sation kEUR	capsensixx kEUR	Consoli-dation / others kEUR	Total kEUR
Financial result						
Financial income	285	74	0	95	0	454
Financial expenses	-248	-3	-3	-76	0	-330
Total	**37**	**71**	**-3**	**19**	**0**	**124**
Net commission income						
With third parties	18,685	4,516	122	0	0	23,323
With other segments	27	0	0	0	-27	0
Segment expenses						
Personnel expenses	-6,339	-1,903	-474	-248	0	-8,964
Other administrative expenses	-5,055	-874	-995	-786	82	-7,628
Depreciations and amortisations (without goodwill)	-1,781	-111	-716	-8	0	-2,615
Others	173	48	8	846	2,062	3,137
Segment result	**5,748**	**1,746**	**-2,058**	**-177**	**2,117**	**7,376**
Income tax						-2,298
Net income for the year from minority interests						-2,667
Consolidated net income for the year (after minority interests)						**2,411**
EBITDA	**7,598**	**1,833**	**-1,336**	**-94**	**2,114**	**10,115**
Segment assets	32,499	4,359	2,702	10,783	-8,707	41,636
Tax receivables					0	526
Total assets						**42,162**
Segment liabilities	22,406	646	3,942	359	-3,961	23,392

Tax liabilities					0	199
Total debt capital						**23,590**

Employees	76	20	8			**104**

Segment Report as at 31.12.2018 (after correction)

31.12.2018 in kEUR	**Funds Manage ment**	**Securiti-sation**	**Digitali-sation**	**Cap sensixx**	**Consoli -dation**	**Total**
Financial result						
Financial income	-107	242	0	7	0	142
Financial expenses	-112	-1	-7	0	0	-120
Total	**-219**	**241**	**-7**	**7**	**0**	**22**
Net commission income						
With third parties	18,862	4,044	63	0	0	22,969
With other segments	0	-166	0	0	166	0
Segment expenses						
Personnel expenses	-6,055	-1,605	0	-143	0	-7,803
Other administrative expenses	-5,307	-720	-285	-1,133	-140	-7,585
Depreciations and amortisations (without goodwill)	-1,002	-28	-2,374	0	0	-3,404
Others	196	100	0	285	-295	286
Segment result	**6,475**	**1,866**	**-2,603**	**-983**	**-269**	**4,485**
Income tax						-2,140
Net income for the year from minority interests						-2,940
Consolidated net income for the year (after minority interests)						**595**
EBITDA	**7,470**	**1,873**	**-222**	**-991**	**-270**	**7,860**
Segment assets	20,626	4,266	3,527	10,898	-8,449	30,868
Tax receivables					461	461
Total assets						**31,330**
Segment liabilities	10,237	464	3,706	178	-38	14,547
Tax liabilities					991	991
Total debt capital						**15,538**

Employees	72	15	0	0	**87**

The prior-year values were adjusted retroactively. As mentioned under A.5., a correction was made in accordance with IAS 8. Moreover, the internal management was adjusted, and the prior-year values were adjusted in accordance with IFRS 8.29.

The segment assets as at 31.12.2019 break down according to geographical markets as follows:

In kEUR	**Germany**	**Luxembourg**	**Total**
Funds Management	0	32,499	32,499
Securitisation	3,229	1,130	4,359
Digitalisation * IT services	2,702	0	2,702
Other	10,783	0	10,783
Total	16,714	33,629	50,343

The segment liabilities as at 31.12.2019 are broken down by geographical markets as follows:

in kEUR	**Germany**	**Luxembourg**	**Total**
Funds Management	0	22,406	22,406
Securitisation	503	143	646
Digitalisation & IT services	3,942	0	3,942
Other	359	0	359
Total	4,804	22,549	27,353

The segment assets as at 31.12.2018 (after correction) are broken down by geographical markets as follows:

in kEUR	**Germany**	**Luxembourg**	**Total**
Funds Management	0	20,626	20,626
Securitisation	3,422	843	4,265
Digitalisation * IT services	3,526	0	3,526
Other	10,898	0	10,898
Total	17,847	21,470	39,317

The segment liabilities as at 31.12.2018 (after correction) are broken down by geographical markets as follows:

in kEUR	Germany	Luxembourg	Total
Funds Management	0	10,237	10,237
Securitisation	383	81	464
Digitalisation * IT services	3,706	0	3,706
Other	178	0	178
Total	4,267	10,318	14,585

E.8. Events after the balance sheet date

Since the end of February 2020, the so-called **Corona virus** has been spreading in Germany. Against this backdrop the international capital markets are marked at the time of the preparation of the financial statements by a high volatility and clear drops in prices versus 31.12.2019. This could lead to changes in the investment behaviour of the investors which would burden the asset, financial and earnings position of the company in 2020. The concrete impact on the asset, financial and earnings position 2020 is at present not yet forecastable with sufficient reliability.

E.9. Declaration on the German Corporate Governance Code pursuant to § 161 AktG

In February 2020 the Management Board and the Supervisory Board have issued the declaration of compliance in accordance with § 161 AktG (German Stock Corporation Act) and made it permanently available to the shareholders on the website of capsensixx (https://files.cxx.world/Entsprechenserklärung%202019.pdf).

Frankfurt am Main, 20 April 2020

Fabian Föhre
Member of the Management Board

AUDIT CERTIFICATE OF THE EXTERNAL AUDITOR

To capsensixx AG, Frankfurt am Main

AUDITOR'S REPORT ABOUT THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of capsensixx AG and its subsidiaries (the Group) - consisting of the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from 1 January 2019 to 31 December 2019 and the Notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the consolidated management report of capsensixx for the financial year from 1 January 2019 to 31 December 2019. We have not reviewed the content of the Declaration of Corporate Governance published on the company's homepage and which is referred to in the Group Management Report, in accordance with the German legal requirements.

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

- the enclosed consolidated financial statements comply with IFRS, as adopted by the EU, in all material respects and with the supplementary German statutory provisions in accordance with § 315e (1) HGB (German Commercial Code) and provide in compliance with these regulations a true and fair view of the Group's assets and financial position as at 31 December 2019 and its earnings situation for the fiscal year from 1 January 2019 to 31 December 2019; and

- the enclosed Group management report provides altogether a true and fair view of the situation of the Group. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German statutory provisions and accurately presents the opportunities and risks of the future development. Our audit opinion on the management report does not include the content of the above Declaration of Corporate Governance.

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 Group management report.

Basis for the audit opinions

We have conducted our audit of the consolidated financial statements and the consolidated management report in accordance with § 317 HGB and the EU Regulation on specific requirements regarding statutory audits (No 537/2014, hereinafter "EU Statutory Auditor Regulation"), in compliance with the generally accepted German standards for the audit of financial statements established by the Institut der Wirtschaftsprüfer (Institute of Auditors – IDW). Our responsibility under these provisions and principles is further described in more detail in the section "Auditor's responsibility for auditing the consolidated financial statements and the Group management report" of our Auditor's Report. 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 duties in accordance with these requirements. In addition, we declare in accordance with Article 10 (2) (f) EU Statutory Auditor Regulation that we have not performed any prohibited non-audit services under Article 5 (1) EU Statutory Auditor Regulation. We believe that the audit evidence that we have obtained is sufficient and appropriate to serve as the basis for our audit opinion on the consolidated financial statements and the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are matters which, at our reasonable discretion, were most significant in our audit of the consolidated financial statements for the fiscal year from 1 January 2019 to 31 December 2019. These matters have been taken into account in the context of our audit of the consolidated financial statements as a whole and in the formation of our audit opinion; we do not issue a separate opinion on these matters.

In our view, the following matter was most significant in our audit:

Accounting for the disposal of coraixx GmbH & Co. KGaA in the consolidated financial statements

We have structured our statement on this particularly important audit matter as follows:

1.) Facts and issue

2.) Audit approach and findings

3.) Reference to other information

The particularly important audit issues were as follows:

1. The Group has sold the shares in the subsidiary coraixx GmbH & Co. KGaA as well as in the associated company coraixx Verwaltungsgesellschaft mbH to the former member of the Management Board Sven Ulbrich as at 19 December 2019.

   The sales price is composed of a fixed share in the amount of EUR 1.73 million, which has been deferred until 31 December 2022 and a variable purchase price in the form of a contingent liability ("debtor warrant"). In this connection the fixed share was rated as unimpaired by the Group and accounted for as receivables at amortised cost. The contract underlying the variable purchase price was classified as an asset which is measured at fair value through profit or loss and measured with a value of zero as at 31 December 2019.

   This transaction represents a matter outside the ordinary course of business. For this reason this was a particularly important audit circumstance.

2. Within the framework of our audit we have obtained evidence on the disposal transaction as well as the contracts entered into and assured ourselves of the execution of the transaction. Moreover, we have tracked the accounting of the "debtor warrant" and the measurement of the receivables from the sale and checked the collateral value. We have verified the calculation of the deconsolidation result and checked the completeness and accuracy of the information on the discontinued operations in accordance with IFRS 5.

   The audit evidence obtained from our work was sufficient and suitable to assess the accounting of this asset.

3. The information of the company about the disposal and discontinued operations are covered in the Notes to the consolidated financial statements in sections A.3. and B.4.

Other information

The legal representatives and the Supervisory Board are responsible for the other information. Other information includes the other parts of the Annual Report, with the exception of the audited consolidated financial statements and the Group management report as well as our auditor’s report.

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

In connection with our audit, we have the responsibility to read the other information and to assess whether the other information

- shows material inconsistencies with the consolidated financial statements, the Group management report or our knowledge obtained during the audit, or

- appears otherwise materially misrepresented.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for preparing the consolidated financial statements that comply with the IFRS as adopted by the EU and the German statutory provisions to be applied by way of supplement pursuant to § 315e (1) HGB in all material respects, and for the consolidated financial statements to give a true and fair view of the asset, financial and earnings position of the Group in compliance with these provisions. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from - intentional or unintentional - material misstatements.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group’s ability to continue as a going concern. In addition, they have the responsibility to state matters related to the continuation of the Group as a going concern, if relevant. In addition, they are responsible for accounting on the basis of the accounting principle of going concern, unless there is an intention to liquidate the Group or to cease operations or there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the Group management report, which gives altogether a true and fair view of the Group's position and is in all material respects consistent with the consolidated financial statements, complies with German statutory requirements and accurately represents the opportunities and risks of the future development. Furthermore, the legal representatives are responsible for the arrangements and measures (systems) which they deem necessary to enable the preparation of a Group management report in accordance with the applicable German statutory provisions, and to provide sufficient suitable evidence for the statements in the Group management report.

The Supervisory Board is responsible for overseeing the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Auditors' responsibility for auditing the consolidated financial statements and the Group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from - intentional or unintentional - material misstatements and as to whether the Group management report as a whole accurately reflects the company's position in all material respects, is consistent with the consolidated financial statements and the findings of the audit, complies with the German legal provisions and accurately reflects the opportunities and risks of the future development, and to issue an audit certificate, which includes our audit opinions on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance, but no guarantee that an audit conducted in accordance with § 317 HGB and the EU Statutory Auditor Regulation, in compliance with the German generally accepted standards for the audit of financial statements established by the Institut der Wirtschaftsprüfer (IDW) will always disclose a material misrepresentation. Misstatements can result from any breach or inaccuracy and are considered material if it could reasonably be expected that they would individually or collectively affect the economic decisions of addressees made on the basis of these consolidated financial statements and the Group management report.

During the audit, we exercise reasonable discretion and maintain a critical attitude. In addition:

- We identify and assess the risks of - intentional or unintentional - material misrepresentation in the consolidated financial statements and the Group management report, plan and perform audit procedures in response to such risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinion. The risk of failure to detect material misrepresentations is higher for violations than for inaccuracies, as violations may include fraudulent interaction, counterfeiting, intentional incompleteness, misrepresentation and/or overriding of internal controls;

- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and the arrangements and measures relevant for the audit of the Group management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of issuing an audit opinion on the effectiveness of these systems;

- we assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimates and related disclosures made by the legal representatives;

- we draw conclusions about the appropriateness of the accounting policy used by the legal representatives to continue the business operations and, on the basis of the audit evidence obtained, whether there is material uncertainty associated with events or circumstances that may give rise to significant doubts as to the Group's ability to continue its business operations. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if these disclosures are inadequate, 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 operations;

- we assess the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements disclose the underlying transactions and events in such a way that the consolidated financial statements prepared in compliance with IFRS as adopted by the EU and the German statutory provisions to be applied on a supplementary basis in accordance with § 315e, para1 German Commercial Code (HGB) provide a true and fair view of the Group's asset, financial and earnings position;

- we solicit sufficient appropriate audit evidence for the accounting information of the companies or business activities within the Group to provide audit opinions on the consolidated financial statements and the group management report. We are responsible for the management, 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 Group management report with the consolidated financial statements, its conformity with the statutory provisions and the picture conveyed of the situation of the Group;

- we conduct audits of the forward-looking statements made by the legal representatives in the Group management report. On the basis of adequate and appropriate audit evidence, we track, more particularly, the significant assumptions on which the legal representatives base the forward-looking statements and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent audit 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 the supervision about the planned scope and timing of the audit, amongst other things as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We make a statement to those responsible for the supervision that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and the protective measures taken in this respect.

We determine among the matters that we have discussed with those responsible for the supervision, those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the most important audit matters. We describe these matters in our audit opinion, unless laws or other legal provisions exclude a public disclosure of the facts.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Other disclosures in accordance with Article 10 of the EU Statutory Auditor Regulation

We were elected by the General Meeting on 27 June 2019 as the auditors and commissioned by the Supervisory Board on 8 October 2019. For the first time since fiscal 2018, we have been acting as the external auditors for the consolidated financial statements of capsensixx AG.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 EU Statutory Auditor Regulation (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Eugenie Schmidt-Hane.

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Ralph Hüsemann	Eugenie Schmidt-Hane
- Auditor -	- Auditor -

Responsibility Statement by the legal representatives (balance sheet and management report) on the single-entity financial statements and management report of capsensixx AG in accordance with §§ 264 para 2 sentence 3, 289 para 1 sentence 5 HGB (§ 114 para 2 no. 3 WpHG – Securities Trading Act)

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the asset, financial and earnings position of the company and the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Frankfurt, 20.04.2020

Fabian Föhre
Member of the Management Board