

2019

MANAGEMENT-REPORT

Table of contents

1	Fundamentals of society	3
1.1	Business model of the company	3
1.2	Group structure of flatex AG	3
1.3	Management of the company	4
1.4	Main features of the remuneration system for the Management Board and Supervisory Board 4	
1.5	Business activities of the company	5
1.6	Locations	6
1.7	Products and services	7
1.8	Sales markets and customers	8
1.9	Objectives and strategies	9
1.9.1	Strategic goals of the company	9
1.9.2	Operational objectives of the company	9
1.9.3	Financial goals of the company	10
1.9.4	Strategies for achieving the objectives	10
1.10	Value-based management system	12
1.11	Research and development activities	13
1.12	Accounting-related risk management	13
2	Economic Report	16
2.1	Macroeconomic and industry-related conditions	16
2.2	Business development of the company	19
2.3	Comparison of the forecasts reported in the previous period with the actual business development	20
2.4	Earnings situation	20
2.5	Financial position	21
2.6	Net assets	22
2.7	General statement on the course of business and the situation of the company	23
2.8	Supplementary Report	23
3	Forecast, opportunities and risk report	24
3.1	Forecast Report	24
3.2	Opportunities Report	25
3.3	Risk Report	25
4	Dependence report	31
5	Responsibility statement by the legal representatives (balance sheet oath)	33

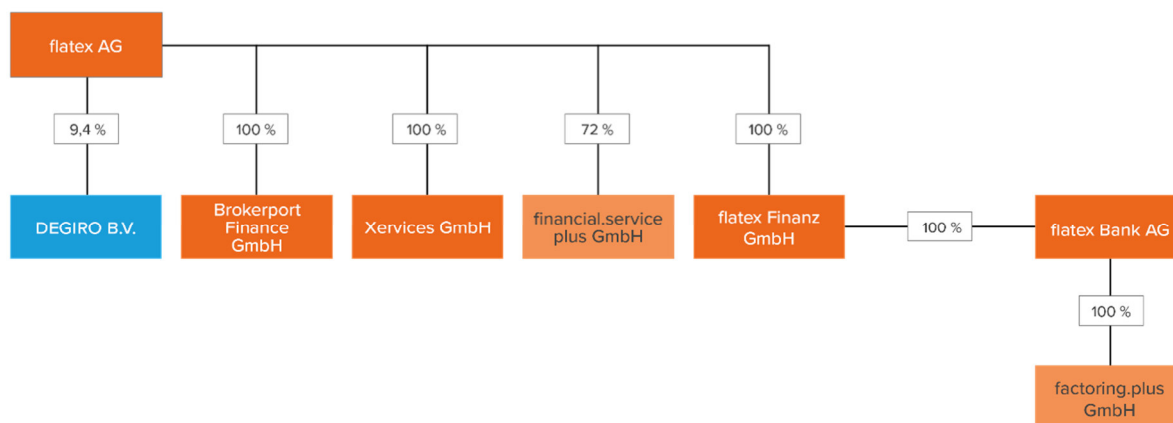
1 Fundamentals of society

1.1 Business model of the company

flatex AG (Frankfurt am Main Local Court, HRB 103516, until 15.08.2019: FinTech Group AG) is a provider of financial technologies in Germany and in several European countries. Its business activities consist of the development, operation and continuous support of future-proof and efficient IT solutions for private and specialized banks. This includes in particular the IT infrastructure for the B2C business area of the group, which is developing into the future important online broker in Europe.

1.2 Group structure of flatex AG

The group structure of Flatex AG with its subsidiaries and sub-subsidiaries is shown below:



As of 1 July 2019, flatex AG acquired a total of 72% of the shares in financial.service.plus GmbH (Leipzig) from factoring. plus.GmbH.

With effect from 13 December 2019, flatex AG acquired 9.4% of the shares in DeGiro B.V. (Amsterdam).

For further details on the composition of the Group structure, please refer to the Notes, Section C.

1.3 Management of the company

The management of flatex AG is the responsibility of the Management Board in close coordination with the company's Executive Committee. As of 31 December 2019, the Management Board of flatex AG consisted of the following members:

- Frank Niehage (CEO)
- Muhamad Said Chahrour (CFO)

As of December 31, 2019, the Executive Committee is composed of the following members in addition to the members of the Board of Management:

- Stephan Simmang (CTO)
- Niklas Helmreich (Head B2C)
- Dr Benon Janos (Head B2B)
- Jörn Engelmann (Deputy CRO flatex Bank AG since 1 February 2019)
- Steffen Jentsch (Managing Director)
- Jens Möbitz (Managing Director)

The Supervisory Board of Flatex AG consisted of the following members as of 31 December 2019:

- Martin Korbmacher, Chairman of the Supervisory Board
- Herbert Seuling
- Stefan Müller

1.4 Main features of the remuneration system for the Management Board and Supervisory Board

The members of the Management Board of flatex AG receive fixed and variable remuneration of a current nature as well as share-based remuneration. No payments after the end of the employment relationship have been agreed for Management Board members. The members of the Supervisory Board of flatex AG only receive fixed remuneration.

For further details, please refer to the information in the notes to the consolidated financial statements and the notes (section C) of the annual financial statements.

1.5 Business activities of the company

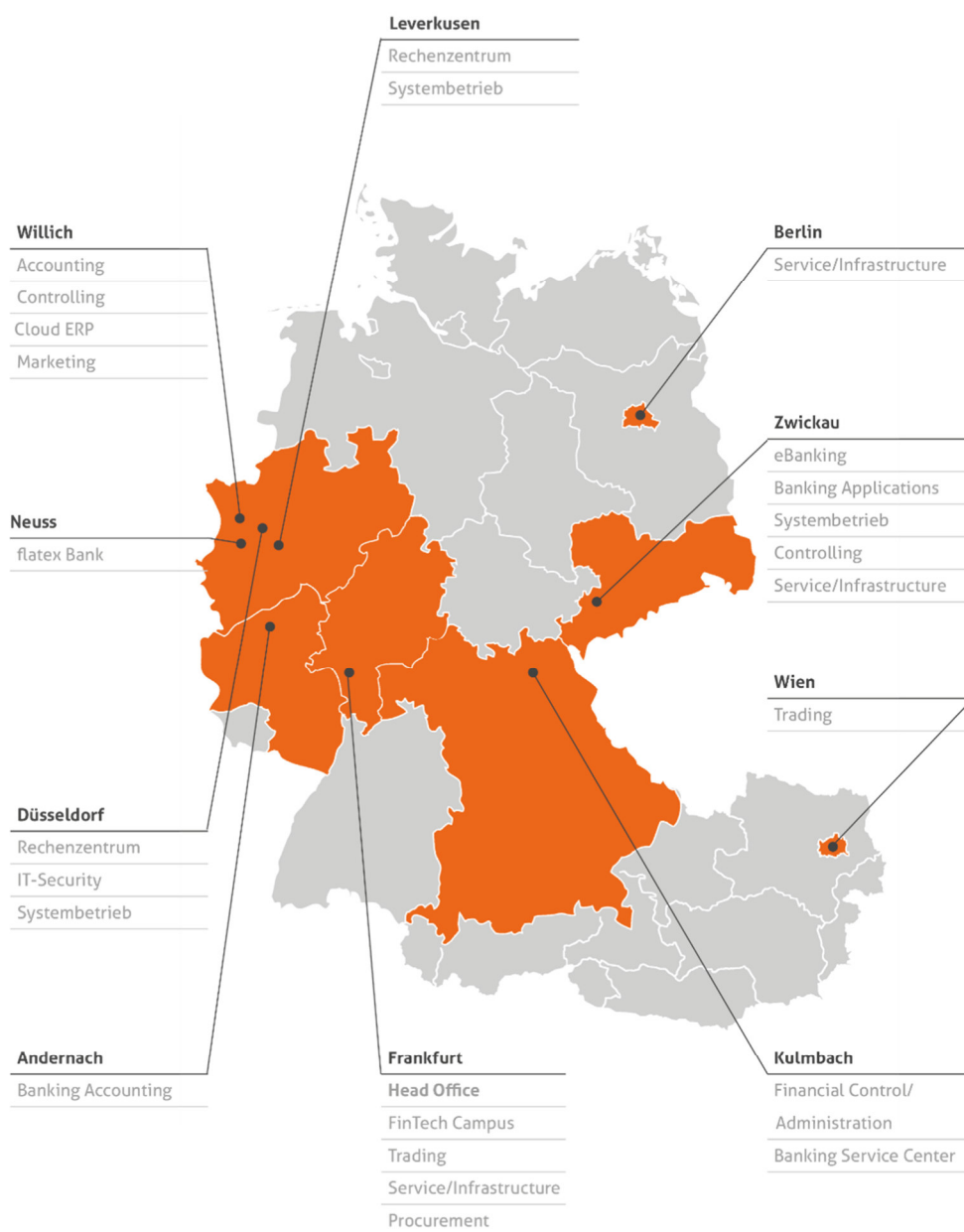
The business activity of flatex AG is the development, production, distribution and maintenance of software, hardware and IT infrastructure. The core of the business activity is the flatex Core Banking System (*short: FTX:CBS*).

The FTX:CBS is designed as a stand-alone platform for the technological mapping of business processes for private and specialist banks and meets current security and availability requirements. Hosting and housing of the FTX:CBS takes place in flatex AG's own high-performance data center, which enables redundant and secure operation. The combination of software and IT infrastructure has created a scalable system that allows flatex AG to process a high number of transactions in its own systems.

In addition to FTX:CBS, the proprietary Limit Order System (L.O.X.) is able to monitor limit orders from 22 European brokers against the price feed of linked issuers with more than 400,000 products. *Corporate payments* products round off the portfolio. These range from individual authorization procedures to distributed electronic signatures and multi-bank capability.





1.6 Locations

Today, flatex AG operates its business at ten locations in Germany and Austria. As of the reporting date, flatex AG had 287 employees. The following diagram shows all locations of the group and their core functionalities:



1.7 Products and services

The FTX:CBS is a standard platform for private and specialist banks and is divided into four platforms from which modular technology support can be offered:

Layers within the FTX:CBS banking platform				Technology
Sales Platform 	OADO	Online branch	Entax-BO-Client	HTML
	Mobile App	CRM / Sales	Trading FE	Objective-c (iOS) Java (Android) REST / SOAP
Production Platform 	APIs			
	Account/Depot Srv.	Securities	Payment Service	Cards
	Deposit	Transaction Service	Credit Facilitation	Master Data
Regulatory & Steering Platform 	Accounting	Controlling	Tax	Compliance
	Regulat. Reporting (Abacus)	Mgmt. Reporting	DWH / BI	Risk / Liq. Mgmt
Support Platform 	APIs			
	Ticketing	Batchdata	Service Portal	
	InfoZone / WM	Shared Services	Archive	
				PostgreSQL Oracle ASCII, XLS / SFTP FIX / EBICS / SWIFT

The sales platform forms the basis for customer contact points, with components from the areas of online account and securities account opening (OKDE), customer relationship management (CRM), online banking front-end, trading front-end, support and call center, and (marketing) campaign management. Technical support is provided here by modular software solutions of the Banking Suite, such as ENTAX or CRM tools for B2C or B2B customers.

The Production Platform includes all production processes for account and securities account management, deposit business, securities settlement, payment transactions, money market and foreign exchange trading, lending business and cash logistics. Software solutions such as the Web and WinFiliale, but also solutions such as Corporate Payments, Tools for Professional Trading or Market Data & Low Latency Services are integrated into this platform.



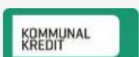

The Regulatory & Steering Platform maps business processes in accounting, reporting, reporting and risk management. Software support includes the connection of a general ledger with the cloud-based ERP solution *SAP Business byDesign*® based on Hana S/4 technology. This also includes business intelligence and management reporting tools.

The Support Platform complements the aforementioned platforms with processes for archiving, release management, fulfillment and authentication.

1.8 Sales markets and customers

The main target market for the products and services of flatex AG is the financial sector in Germany, Austria and other European countries. Currently existing, long-term customers are mainly German and Austrian private and specialized banks in the B2B sector:

Key partner

 <p>flatex AG developed, maintains and runs LOX, the ETP OTC system for Deutsche Bank AG and Commerzbank AG - 3bn price feeds and 50k transactions - per day.</p>	 <p>flatex AG provides its high frequency payment platform to Deutsche Post Rentenservice which takes care of 26m pension payment transactions every month.</p>
 <p>flatex AG was chosen to set-up the technological infrastructure for digital online retail banks in Germany and Austria including providing several respective regulatory banking processes.</p>	 <p>flatex AG is the central IT service provider for the Federal Association of German Banks, providing key technology platform to run the German Deposit Guarantee Scheme.</p>

Notable clients and partners

1.9 Objectives and strategies

1.9.1 Strategic goals of the company

With the announcement of the acquisition of DeGiro B.V., the business strategy of flatex AG is now focused essentially on the brokerage sector. The acquisition of the approximately 500,000 customers and over 18 million transactions will further optimize the FTX:CBS in terms of its capacity utilization. The focus of the company is on the expansion of the FTX:CBS solution with regard to the cooperation with DeGiro B.V.

The strategic objectives of flatex AG are derived from the objectives of the flatex group. flatex AG wants to acquire further mandates and establish FTX:CBS as a standard platform for private and specialized banks. The organisational structure of flatex AG already follows a stringent top-down approach, in which the group managers for the respective specialist areas also assume responsibility in the respective areas.

1.9.2 Operational objectives of the company

The provision of high-quality IT services can still be derived as an operational objective. These fulfil both legal and regulatory requirements and support efficient business operations through their stability and performance. The growth potential in the B2B market lies primarily in the further development of technical possibilities and implementation of innovative products.

In order to be able to exploit this potential, the products, tools and methods used are assessed against new available variants. A committee of defined representatives from the individual technology areas regularly evaluates new products and processes for their usability and suitability. If relevant, project groups are initiated which, outside this committee, steer the conceptual design and implementation in their line function. Agile methods of software development deliver fast, yet high-quality and stable solutions. These methods are also reflected in the release processes of IT operations, which must also ensure stable operations in addition to the agile provision of new functions. For this purpose, a close integration of software development and banking operations is ensured.

Within the process organization, a stronger focus on the documentation and standardization of processes is intended. The IT Infrastructure Library (ITIL) is to be used as a pattern to be followed in order to create a higher transparency of the processes for clients as well.

By updating interfaces and expanding multiinstance-capable services, both the scalability and the possibilities for connecting third-party systems are to be improved. This agile process is further supported by the use of highly modularized components as well as container technologies based on

modern programming languages. With a higher degree of virtualization in the future and the expansion of the banking systems to an active-active solution (simultaneous operation in two computer centers), a lower recovery time, even in an emergency, will be achieved.

Since the introduction of the company-wide ERP software *SAP Business byDesign*®, the fully integrated and IT-supported process of accounting as well as adjustments in line with legislation (e.g. the DSGVO) is guaranteed. The solution, which is certified according to ISO27017:2015, ISO27018:2019 and ISO27001:2013, is managed by in-house consultants who ensure data integrity and consistency at all times. In addition, systemic test steps automatically monitor compliance with the principles of proper computer-aided accounting systems.

We will also continue to strive to ensure independent and flexible operation. In those areas where no economically viable solution exists in the free software sector, established commercial products should support sustainable IT. The use of cloud technologies is intended to flexibly map internal and external services in the future, thus offering faster and more efficient provisioning.

The IT of the banking system already complies with the requirements of the international security standards ISO27001:2013 and is currently certified. In addition to obtaining this certification, it is planned to extend it to other areas. For greater transparency towards our clients and partners, we are striving for an ISAE3402 Type2 certification, which is issued annually by an external auditor. With this we reduce the audit effort on both the internal and the client side and further strengthen our professional appearance on the market.

1.9.3 Financial targets of the company

The main financial goals of the individual company flatex AG include the continuous expansion of the company's equity base and the reduction of the debt ratio. The financial goals of the company also include ensuring that liquidity is always comfortable. Furthermore, flatex AG focuses on the growth of operating cash flow and the generation of profits. This is intended to achieve a positive development of the central control parameters.

At the core of all financial targets is thus an earnings-oriented and sustainable corporate development with positive effects on the value of the company.

1.9.4 Strategies to achieve the objectives

The management of flatex AG essentially subdivides its strategic focus into the existing business models, a modern personnel policy and investor relations. Within the framework of its strategic orientation, flatex AG also consciously enters into strategic partnerships and acquisitions - as in the case of DeGiro B.V.

For years, flatex AG has been promoting the willingness to perform, satisfaction, motivation and loyalty of its employees through the following measures:


- Establishment of a high-potential and key people circle for managers
- Participation in the company's success through an employee participation programme
- flexible working in coordination with the manager
- Physiotherapy at all Group sites (on request),
- various health prevention measures such as the "No-Shake-Hands" initiative
- Offers for vaccination against influenza viruses
- Reduced purchasing conditions for employees when purchasing IT equipment
- Payment of verifiable childcare costs (on request)
- Sodexo vouchers for discounted meals
- company pension scheme with subsidy from the employer
- Measures to promote occupational health and safety (e.g. screen glasses and height-adjustable desks against proof of need).

The continuous information of the employees about the development of the company has a high priority in the internal information policy of the management. A flat management hierarchy brings the management close to the employees and the operative business, thus enabling a constant focus on essential issues.

In the future, flatex AG will continue to fulfill its social obligations as part of its corporate management and will transfer these to its value management. This also includes setting minimum standards for the energy efficiency of the technologies used and the reduction of environmental risks through continuous certification of business processes.

1.10 Value-based management system

By consistently focusing on value-creating measures, permanent and sustainable competitive advantages are achieved, which are at the heart of flatex AG's strategies and goals. flatex AG is integrated into the group-wide management system. Therefore, the following presentations are derived from the flatex group. In order to achieve the overall corporate goals, the management has agreed on central target figures and performance indicators (KPIs = Key Performance Indicators) that will contribute to increasing the value of the company in the long term:



Financial Performance Indicators	<ul style="list-style-type: none"> •Revenue •EBITDA-Margin
Non-financial Performance Indicators	<ul style="list-style-type: none"> •Customers •Accounts •Resources / Employees
Other Indicators (for Deviation Analysis)	<ul style="list-style-type: none"> •Material Costs •Personnel Costs •Other Operating Expenses

The financial and non-financial performance indicators ensure the comparability of the economic framework data on international markets. Further details can be found in the notes to the consolidated financial statements.

The financial performance indicators are consolidated at Group level and, in addition to the financial results, are translated into a rolling plan of future business development. Monthly reporting and more detailed analyses are central management tools of Group controlling. The continuous comparison of planned and actual figures enables changes in business development to be identified at an early stage and countermeasures to be initiated in good time. As part of monthly risk reporting and reporting, the Supervisory Board, the Management Board and the management of flatex AG are continuously informed about the development of management indicators.

Corporate planning is ensured by analysing the key figures based on past experience and by prospecting from previous knowledge. This business planning is carried out at least annually, on the one hand top-down based on the specifications of the management of flatex AG, and on the other hand bottom-up to validate the determined values and to make adjustments in important operational issues with an impact on the KPIs. The individual specialist departments make a significant

contribution to this, so that their findings can be combined at Group level and the business planning can be finalised.

1.11 Research and development activities

Offering innovative services and products requires flatex AG to intensify its activities in the following areas

- Research in new subject areas,
- Development of new products and services and
- Further development of existing products and services.

The (further) development of products and services is mainly carried out for third-party customers and flatex Bank AG. flatex AG waives the capitalization of self-created intangible assets in accordance with § 248 HGB.

The development activities of flatex AG take place decentrally in various development units. In the past fiscal year, the focus of development activities was once again on further development in the area of FTX:CBS along the entire value chain as well as further developments for connecting new functions and regulatory adjustments.

Progress has been made in connecting a credit platform to the FTX:CBS and the development of the Andorran country version of the FTX:CBS has also progressed. The development of the concept of a Next-Generation-Workplace as a basis for future workplace infrastructure to reduce administrative expenses is almost complete. In the area of the control platform, business processes were further optimised through technological enhancements. To this end, the existing partnership with SAP Deutschland SE & Co KG was also intensified to enable the joint further development of the cloud ERP solution and its early usability for flatex AG.

In addition, existing products are further developed on the basis of current technological developments and customer requirements. Around 0.42 % (previous year: 0.06 %) of total personnel expenses were invested in research. With their contribution, the employees of the research and development departments represent one of the main pillars of flatex AG's business success. As of the reporting date, 104 employees were working exclusively in software development and performed tasks in the areas of development and quality assurance.

The qualification, experience and commitment of the employees are key factors for the success of the research and development activities.

1.12 Accounting-related risk management

The accounting-related internal control system (ICS) is derived from the consolidated financial statements of flatex AG and contains the principles, procedures and measures to ensure the correctness of the accounting. The group-related ICS is described below, as this also includes the individual financial statements of flatex AG. It is being continuously developed and aims at the following:

The consolidated financial statements of flatex AG have been prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union, and the additional provisions of commercial law to be observed pursuant to Section 315e (1) HGB. In addition, the accounting-related ICS also aims to ensure that the annual financial statements of flatex AG and the management report are prepared in accordance with the provisions of commercial law.

In principle, it is true for every ICS that, regardless of how it is specifically designed, there is no absolute certainty that it will achieve its objectives. In relation to the accounting-related ICS, there can therefore only be a relative, but no absolute certainty that material misstatements in the financial reporting will be avoided or detected.

In addition, the introduction of the company-wide ERP software SAP Business byDesign supports the process of uniform and proper accounting. This results in regulations that are valid throughout the Group, e.g. in the intercompany business process, standardized reporting formats and object-controlled approval processes. In addition, SAP Business byDesign enables the further reporting and consolidation process by standardizing the data structure and automated interfaces for data transfer. The Finance & Controlling team continuously monitors these processes and ensures data integrity and consistency at all times. Systemic test steps also automatically monitor compliance with the principles of proper IT-supported accounting systems.

If necessary, flatex AG also uses external service providers, e.g. for the valuation of pension obligations. The employees involved in the accounting process receive regular training. flatex AG and the group companies are responsible for ensuring that they comply with the guidelines and procedures applicable throughout the group. The group companies ensure that their accounting-related processes and systems run properly and in a timely manner; Group Accounting supports and monitors them.

Internal controls defined under risk aspects are embedded in the accounting process. The accounting-related ICS comprises both preventive and detective controls, including

- IT-supported and manual reconciliations,
- Separation of functions,
- Four-eyes principle,
- Monitoring controls,

- general IT controls such as access rules in IT systems and change management.

Group-wide, flatex AG has implemented a standardized procedure to monitor the effectiveness of the accounting-related ICS. This procedure is consistently oriented to the risks of possible misreporting in the consolidated financial statements: at the beginning of the year, financial statement items and accounting-related process steps are selected under risk aspects and their effectiveness is reviewed in the course of the year. If control weaknesses are identified, an analysis and assessment is performed, in particular with regard to the effects on the consolidated financial statements and the management report. Significant control weaknesses, their action plans for processing and the current progress of work are reported to the Management Board of flatex AG. In order to ensure the quality of this accounting-related ICS, the internal audit department is closely involved throughout all stages of the process.

2 Economic Report

2.1 Macroeconomic and industry-related conditions

World Economy

The development of the global economy was again less pronounced in 2019 than in the past. The IMF research department calculated total growth of only 2.9 % in 2019 (previous year: 3.6 %), the lowest growth rate since the global economic crisis of 2009.¹ A large part of this is due to the weak dynamics of the industrialised countries USA, Japan and the euro zone. The developing and emerging countries also promise a continued weak economic cycle for the future.²

The second main cause of the global economic downturn continues to be brexite. Despite the fact that it has still not been fully implemented, the negative consequences are already apparent. Although the imminent exit does not seem to be averted, the question remains as to how it will happen. In the event of a disorderly withdrawal, the consequences, due to increased protectionism, will have far-reaching negative consequences not only for the United Kingdom.³

General economic conditions in Germany

The economy in Germany has been positive for the past 10 years. The growth of the price-adjusted gross domestic product is 0.6 % for 2019⁴. Private incomes increased again significantly due to the reduction in the unemployment rate to 4.9 %. Average net salaries also rose by 4.8 %. The above-mentioned facts and the still low interest rate environment led to a continued positive order situation within the construction industry.⁵

The automotive industry, which is particularly important for the German economic sector, is still in a difficult situation. The consequences of the emissions scandals and the resulting debate on alternative drive systems and mobility technologies will continue to determine new registration figures in the coming years.⁶

Financial Markets

The development of the DAX in the year under review was almost mirror-inverted from the previous year. Starting at 10,580 points, the share price rose almost steadily - with a small damper in mid-

¹ Imf (Hg.): World economic outlook. April 2020

² KfW Research (Ed.): Annual outlook 2020. December 2019

³ Sachverständigenrat (Ed.): Annual Report 2019/20 December 2019

⁴ https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_018_811.html

⁵ BMF (Ed.): Monthly report of the BMF. December 2019

⁶ ifo Institut (Ed.): ifo Economic Forecast Winter 2019: German economy stabilizes. 72nd Annual Report No. 24

August. With an annual performance of +25.2 %, the share price stood at 13,249 (+2,669) points on the last trading day in 2019. The development was similar for the other German indices. The SDAX rose by as much as +30.8 %, while the MDAX kept pace with the increase of +30.5 %. If we now look at the world's most important indices in Europe, Asia and America, we can also see consistently positive developments. The MSCI World, which measures the performance of more than 1,640 companies from 23 industrial nations, recorded an annual performance similar to that of the DAX of +28.4 %. Despite the fact that the stock markets are not expected to grow in 2019, the forecast for the current year is rather cautious due to the ongoing global competition in trade and the new geopolitical tensions between the USA and Iran/Iraq.⁷

In contrast to the stock markets, the euro developed negatively against the US dollar. A downward trend was already evident from the second quarter of 2018 onwards. At the beginning of the year under review, the euro was still quoted at USD 1.14 and, with a brief peak at the end of July (USD 1.14), ended the year at USD 1.12 (-1.4 % year-on-year). M.M.Warburg forecasts an exchange rate of 1.15 EUR/USD for the coming months due to the expansive monetary policy on the part of the USA.⁸

There was also some turbulence on the oil market. The sharp rise in oil prices in the first few months to as much as USD 75.60 for a barrel of Brent Crude Oil ended the year at USD 66.00 (+20.2 % year-on-year). The main drivers were the continuing tensions in world trade, particularly in the USA and China, and a drone attack on Saudi Arabia's largest crude oil processing plant. In addition, OPEC decided to tighten the market in early 2019 and most recently in December.

The low level of interest rates on European bonds continued. The ten-year German government bond was quoted at -0.21 % at the end of the year.

In September 2019, the Governing Council decided to maintain an expansionary monetary policy. Net bond purchases were raised again slightly, to EUR 20 bn per month. It was also decided to lower the deposit rate for banks from -0.4 % to -0.5 %. At the same time, the allowances for banks in the amount of their six-fold minimum reserve requirement were introduced, as the negative interest rates that have existed since 2014 have had a negative impact on banks' interest results.⁹

Sector-specific conditions

The German market for information technology and telecommunications (ITC) is forecast to grow by 2.0 % in 2019 to a total turnover of EUR 170.3 billion. The IT business is still cited as the biggest

⁷ M.M.Warburg & CO (Ed.): Capital Market Perspectives. January 2020.

⁸ M.M.Warburg & CO (Ed.): Capital Market Perspectives. January 2020.

⁹ Institute of the German Economy Cologne e. V. (Ed.): IW-Trends - Business cycle stands still - IW Economic Forecast and Economic Survey Winter 2019, 46th Annual Report No. 4.

growth driver with an increase of 3.2% to EUR 93.6 bn. The situation is similar for IT services, which grew by 2.4% to a volume of EUR 40.9 billion.¹⁰

The number of new Fintech companies on the market continues to grow steadily. Established suppliers continue to consolidate their market position with a wide range of products.

In the course of the change from traditional retail banks to online banks, known as the banking demise, the demand for automated processes and technology services will continue to grow. Furthermore, increased regulatory requirements demand greater adaptability of existing systems, which in turn have been in use for decades and offer neither the flexibility nor the necessary scalability. These new requirements in the financial sector and the increasing use of innovative technologies in retail banking and securities processing are important growth drivers for flatex AG. flatex AG combines banking and technology expertise in order to integrate new technologies into the business models of B2B customers in an exact fit. Thus the group was able to position itself more strongly as a standard platform provider in 2019.

¹⁰ Bitkom, EITO.ITK market figures. July 2019

2.2 Business development of the company

An essential part of the business development was on the one hand the mandate of the Andorran Vall Banc, where flatex AG transferred first components into the operational business and announced a Family & Friends phase.

In addition, the market entry of the online broker flatex in the Netherlands was consistently accompanied by IT technology and the complete production line for the Dutch market was expanded. In addition, basic modules were prepared for other European markets.

The expansion of know-how in the area of cloud ERP solutions was successfully continued. The partnership entered into in 2018 with SAP Deutschland SE & Co KG was extended to include a reselling component, so that the successful combination of FTX:CBS and SAP can also be used for third-party mandates in future in an uncomplicated manner and from a single source. As planned, additional customers were connected to the L.O.X. trading platform, so that it continues to be an important component of the operational business.

In December of the past fiscal year, flatex AG and DeGiro B.V. announced the merger to create a pan-European online broker with a presence in over 15 European countries. To this end, flatex AG initially acquired 9.4% of the shares in DeGiro B.V. in order to be able to start the process for future cooperation in a timely manner. With the acquisition of DeGiro B.V., the company has come significantly closer to its vision of being the leading broker in Europe in the future.

In addition, the existing opportunity pipeline of flatex AG secures the operative business due to the interest of numerous private and specialized banks in the FTX:CBS platform.

2.3 Comparison of the forecasts reported in the previous period with the actual business development

The comparison of the forecasts for the current reporting period prepared by the Management Board of the company with the actual key figures achieved is shown in the following diagram:

in units / TEUR	2019	2019e
Turnover	33.867	>38.885
EBITDA margin	-6,3 %	>4,0 %

Although revenues were down on the previous year, the focus on high-volume mandates, the further reduction of client relationships of secondary importance and the subsequent allocation of resources to large, high-margin projects were completed. The decline in revenues was largely compensated for in the expense items.

2.4 Earnings situation

flatex AG generated sales revenues of EUR 33.9 million (previous year EUR 38.8 million). This includes revenues with affiliated companies in the amount of EUR 19.2 million (previous year EUR 21.8 million). The latter result primarily from services for software development, licenses and maintenance as well as the passing on of administrative costs within the scope of a Group apportionment. The year-on-year decline in sales is due to a reduced project scope within the scope of a large B2B mandate, which has since been transferred to operations. Revenues are mainly generated with customers in Germany. For a detailed breakdown of revenue, please refer to the Notes (section D).

Other operating income amounts to EUR 1.4 million (previous year EUR 1.6 million). Business development in 2019 thus met the expectations of the previous year.

The company's order situation essentially ensured high utilisation of existing resources. This led to a streamlining of the customer structure and a focus on profitable customer contracts. The pricing terms of customer relationships have not changed significantly.

Personnel expenses amount to EUR 22.0 million (previous year EUR 21.1 million). At EUR 12.1 million (previous year EUR 12.8 million), other operating expenses were almost unchanged from the previous year. With regard to the cost structure in other operating expenses, the company expects only slight cost increases in the following year from the cooperation with DeGiro B.V. (< 5%).

Depreciation and amortisation amounted to EUR 3.0 million (previous year EUR 2.9 million) and relate to intangible assets and property, plant and equipment.

The interest result was EUR -2.1 million (previous year EUR -2.1 million). Tax expenses for the current year amount to EUR 2.6 million (previous year EUR 5.0 million). flatex AG is the controlling company for almost the entire group.

Overall, the net income for the year after taxes is EUR 7.2 million (previous year EUR 7.1 million). As expected, the change in the annual result corresponds to the development of the company's business.

2.5 Financial position

Ensuring solvency is a high priority of the Company's financial management. Short-term liquidity amounts to EUR 30.7 million (previous year: EUR 55.9 million) and consists mainly of bank balances due on demand, receivables from affiliated companies and trade receivables. The change is mainly due to the purchase of the 9.4% stake in DeGiro B.V. in December 2019 and the repayment of existing loans. This is offset by current liabilities of EUR 4.3 million (previous year: EUR 9.4 million), consisting of liabilities to affiliated companies and trade payables as well as provisions (tax provisions and other provisions). The change is mainly due to the addition to the tax provision in the current fiscal year.

The company is involved in the Group's liquidity management. For further information, please refer to the 2019 annual report of flatex AG.

The investments will be financed from current business. As announced in the previous year, major investments include the development and expansion of the FTX:CBS platform for the European market, the further development of the cloud ERP solution SAP Business byDesign © and the completion of the NextGeneration Workplace Infrastructure solution. This should result in higher infrastructure performance and an improvement in accounting risk management. A further intensification of these investments is planned.

flatex AG was able to meet its financial obligations at all times during the past fiscal year. No liquidity bottlenecks occurred during the fiscal year. Furthermore, no liquidity bottlenecks are foreseeable.

Equity as of December 31, 2019, was EUR 108.4 million (previous year: EUR 94.9 million). The change is mainly due to the net profit for the year of EUR 7.2 million (previous year: EUR 7.1 million) and stock options exercised.

With regard to the powers of the Management Board to issue and purchase new shares, we refer to the Notes (section C).

Provisions amount to EUR 6.5 million (previous year: EUR 10.5 million). The main change results from tax provisions. With the entry of the profit and loss transfer agreements into the commercial register - on the one hand from flatex Bank AG to flatex Finanz GmbH and on the other hand from flatex Finanz GmbH to flatex AG - flatex AG has become the fiscal entity for the entire group of companies and thus the tax subject of the entire group of companies. Furthermore, the provision for variable salary costs increased by EUR 0.2 million to EUR 1.5 million (previous year: EUR 1.3 million).

Liabilities to banks amount to EUR 3.7 million (previous year EUR 9.9 million). With an agreed repayment of EUR 6.0 million p.a., the term of the loan ends in 2020. Beyond this, the company does not have to service any other operating long-term loans. Trade accounts payable and liabilities to affiliated companies amount to EUR 0.7 million (previous year: EUR 0.6 million).

Other liabilities and deferred income amount to EUR 4.3 million (previous year: EUR 3.9 million). The change is mainly due to the addition of further leasing liabilities for the IT infrastructure that arose with the construction of the secondary data center in Leverkusen. The contracts have a term of five years.

For detailed information, please refer to the Notes (Chapter C).

2.6 Net assets

As of December 31, 2019, the balance sheet volume of flatex AG was EUR 123.8 million (previous year: EUR 120.0 million).

The main item in fixed assets is the shares in affiliated companies with EUR 57.1 million (previous year: EUR 54.3 million) as of December 31, 2019. flatex AG's investment portfolio also includes the shares in flatex Finanz GmbH, which in turn holds all shares in flatex Bank AG. The change in investments (EUR 24.1 million) results from the acquisition of 9.4% of the shares in the Dutch DeGiro B.V. and the acquisition of financial.service.plus GmbH.

Receivables from affiliated companies increased by EUR 3.0 million to EUR 19.1 million (previous year: EUR 16.1 million). This includes the receivable from the profit transfer of flatex Bank AG, which was settled shortly after the balance sheet date. Trade receivables amount to EUR 3.0 million (previous year: EUR 7.8 million). Property, plant and equipment and intangible assets amount to EUR 8.5 million (previous year: EUR 6.3 million).

Prepaid expenses and deferred charges amount to EUR 0.9 million (previous year: EUR 1.3 million).

The asset-side difference from asset offsetting amounts to EUR 1.1 million (previous year: EUR 1.3 million). This item comprises the balance of pension obligations (pension commitments) and the fair value of the reinsurance claims assigned to the beneficiaries.

2.7 General statement on the course of business and the situation of the company

flatex AG also had a successful year in the 2019 fiscal year. The operating business developed as expected. The 12.8% decline in sales to EUR 33,867 thousand was largely compensated for in the cost items, with the result that earnings before interest, taxes, depreciation and amortisation (EBITDA) fell by only EUR -3,703 thousand. The net profit for the year amounts to e 7.235 million.

A positive assessment of the past fiscal year is the continued loyalty to long-term customers and the expansion of FTX:CBS against the backdrop of the upcoming internationalization, especially after the acquisition of DeGiro B.V. Overall, the Management Board of flatex AG assesses the company's business performance for the past fiscal year as successful.

2.8 Supplementary report

CORONA pandemic in Europe

With the outbreak of the respiratory disease COVID-19 and the resulting Europe-wide pandemic, the World Health Organization (WHO) declared an international health emergency on 30 January 2020. Since then, flatex AG has regularly followed the current recommendations of the Robert Koch Institute, the orders of the Federal Government of the Federal Republic of Germany and the orders of the federal states to contain the pandemic. As far as possible, the employees switch to their home office workstations.

The COVID19 pandemic has not yet had any negative effects on the economic situation of flatex AG. Nevertheless, the sharp rise in volatility on the stock markets has resulted in a significant increase in transactions in the Group's brokerage business.¹¹

¹¹ onvista Media GmbH (Ed.): flatex AG: Best quarter ever - volatility brings absolute record growth. April 2020.
flatex AG - Annual Financial Statement 2019 - Management Report

3 Forecast, opportunities and risk report

3.1 Forecast report

The forecast period for business development relates to the 2020 financial year and is 12 months. Only continuing operations are taken into account in forecasts.

The Management Board of flatex AG expects a stable economic environment for 2020 - despite the completion of the brexit - which will remain at the previous year's level with slightly increasing volatility, especially in view of the politically unstable conditions in Germany and further decisions regarding the adjustment of various key interest rates.

The stock markets could continue to show a volatile sideways movement in 2020. The upward forces will be strengthened by the rise in inflation expectations and the continuing positive effects of the U.S. tax reform, while the DAX, which is still moderately valued, could react to falling profit expectations in connection with the strength of the euro, among other things. High volatility would favour trading activity on the stock exchanges; the Management Board expects an attractive stock market environment in the coming financial year. This supports the positive customer development of the previous years both on the part of DeGiro and flatex and leads to a further increase in trading activities. Due to the upcoming cooperation and the expansion of the market share, a risk diversification is taking place which will counteract possible challenges.

The successful integration of DeGiro B.V. into the business processes of flatex AG is - in addition to organic growth on both sides - the primary strategy in the business customer segment of flatex AG. The FTX:CBS will be expanded here to include additional, country-specific regulatory, accounting and tax requirements (National GAAP, Taxation, Regulatory Reporting etc.). This results in a sustainable increase in business activities with increasing utilization of economies of scale.

flatex AG will generate all firmly contracted sales as well as new business expected at the planning date based on experience and taking into account price and economic developments. Overall, the positive development of the previous fiscal year can be expected to continue.

The company's financial performance indicators will continue to develop positively due to the above-mentioned effects:

in units / TEUR	2020e	2019
Turnover	moderately increasing	33.867
EBITDA margin	moderately increasing	-6,3 %

Legend	
moderate	+/- 0.1 to 5.0%
easy	+/- 5.1 to 10.0%
clearly	+/- 10.1 to 20.0%
strong	+/- 20,1%

3.2 Opportunities Report

The opportunities of the flatex Group are derived from the flatex Group. Increased transaction volumes, new regulatory requirements and technological innovations require a higher level of IT services as well as software maintenance and support and therefore have an indirect impact on the individual financial statements of the flatex Group.

In addition, there is the possibility of significantly expanding the European presence of the flatex Group within a very short time due to the cooperation with DeGiro B.V. If the technical integration is successfully completed, the number of transactions will increase significantly and transaction costs will be optimized significantly, taking into account economies of scale.

Significant opportunities arise from the volatility of the markets in the course of the brexit settlement. Should the trading activities of B2C end customers shift towards the European mainland, transaction figures are expected to show a clearly positive development. If the European-British customs union comes about as an interim solution, B2B mandates will also be oriented in favour of European providers, as the term of the mandates will significantly exceed the term of the interim solution.

There are also opportunities arising from the B2B blueprint for international B2B mandates, which, with its modular core banking system for international private and specialist banks, ensures fast implementation time and low implementation costs. From the industry environment, the concentration of the large transaction banks on large-volume business has resulted in the lower and medium size portfolio being freed up to acquire further B2B mandates.

Finally, the expanded partnership with SAP Deutschland SE & Co KG offers the opportunity to win further B2B mandates via this third sales channel as a pioneer in the industry environment and to further consolidate the image as a modern core banking system.

3.3 Risk Report

The risk portfolio of the flatex Group is derived from the risk report of the flatex Group and takes into account the requirements derived for the individual company. In this respect, the following explanations are derived from the risk management of the Group and are also valid for the flatex Group.

Risk management system

The flatex Group operates in the German online brokerage and banking business in a regulated market. In addition to the constant changes in the company's economic environment, changes in the legal or regulatory framework are therefore also of essential importance for the company's success. Current developments are constantly monitored and carefully analyzed. The Board of Management incorporates emerging opportunities and potential risks into its business and risk strategy and adjusts it accordingly if necessary. The monitoring and management of risks is a central component of the flatex Group's management instruments.

As a matter of principle, the flatex Group promotes a risk culture that ensures that both management and employees of the flatex Group adhere to high ethical standards and have a pronounced risk awareness in all relevant business processes. Furthermore, the limitation of risks is one of the essential objectives for all managers of the flatex Group within their respective areas of responsibility. In this context, each manager develops effective task-specific control processes and ensures their ongoing application.

For the overall and comprehensive assessment, limitation and management of risks, the flatex Group is integrated into the risk management of the parent bank of flatex Bank AG. And contributes to the cross-departmental and group-wide tasks of identifying, assessing, managing, monitoring and communicating risks, which are anchored in risk management and risk controlling processes.

The risk management of the flatex Group is located at Group level and has free access to all risk-relevant information and data of the flatex Group. The management of the risk management department is involved in all important risk policy decisions of the Management Board. In the event of a change in the management of the risk management department, the supervisory board of the flatex Group is informed immediately.

Risk identification and risk assessment

The flatex Group has a regular risk inventory - updated as necessary, even on an ad hoc basis - with which it has identified the following major risk types: Counterparty default risks, market price, interest rate change, liquidity and operational risks. This also includes a risk assessment, taking into account the risk-reducing measures taken and the given equity situation. This includes in particular a risk shield in the form of an assumption of risks by the cooperation partners and clients of the flatex Group. The flatex Group and its cooperation partners attach great importance to the fact that risks are borne or shared in accordance with the opportunities.

In the risk inventory of the flatex Group, risk assessments are carried out consistently across all business units that are considered significant. This involves an assessment of damage probabilities and damage amounts, which are condensed into a risk-oriented overall assessment. The analyses also serve in particular to identify emerging risk concentrations at an early stage so that suitable countermeasures can be initiated at an early stage.

The risk assessments of the risk inventory (RiskMap) are reported as part of the flatex Group's ongoing risk reporting and regularly discussed with the management and supervisory body of the flatex Group.

risk management

The flatex Group regularly carries out scenario-based risk-bearing capacity calculations (including stress tests) on a regular basis, which take into account possible concentration risks as well as potential extreme developments in the Group's (market) environment and are intended to ensure that the Group has adequate capital resources even under unfavorable developments in the environment.

The flatex Group uses the findings from these risk-bearing capacity analyses to set risk-limiting and controlling requirements for the Group's operating business via a suitable limit system. Adjustments to the limit system are made in close coordination between the Group's management and the risk management department.

Ongoing monitoring measures and a comprehensive system implemented for communicating risks ("risk reporting") ensure that the risks taken by the flatex Group are within the strategic guidelines and its risk-bearing capacity. In addition, they allow for short-term reactions in the event of emerging management needs. The monitoring and control instruments used for this purpose are described in more detail below in the form of daily and monthly reports.

Monitoring and communication of risks

The management is informed about the current risk and P&L situation in the flatex Group through daily reports. The corresponding reporting ensures in particular also an ongoing ad-hoc reporting. The daily "risk cockpit" as a central (risk) management instrument provides information about the performance indicators, risk ratios and limit utilization rates necessary for management as well as the development of suitable early warning indicators. It also contains comments on management-relevant issues and, if necessary, recommendations for necessary management impulses. It also includes a presentation of the degree of target achievement for each business segment that is significant from a risk perspective, on a monthly and annual basis, and a comparison with the previous year's income statement.

The daily and weekly reporting is supplemented by the monthly Monthly Risk Report ("MRR"), which contains a detailed presentation and commentary on the income statement and the risk situation of the Group on a monthly basis and offers additional analyses of the Group's opportunity and risk situation. The monthly risk report is also sent to the Supervisory Board and is discussed in detail in regular "finalization meetings" with management and the Supervisory Board.

In its own assessment, the measures taken to analyze and monitor the risk situation of the flatex Group are appropriate. The risk-bearing capacity was given at all times during the reporting period. No direct risks that could endanger the company's continued existence - also with regard to possible concentration risks - were identified at the time this risk report was prepared.

Internal risk management and control system

The ERP system "SAP Business by Design", which is used throughout the group, is integrated in all companies of the flatex group and ensures that the pre-defined business processes are implemented organizationally so that the correct, timely and uniform recording of business transactions is guaranteed. The primary goal is to comply with legal requirements and internal regulations.

The central accounting and controlling functions continuously manage accounting processes throughout the Group and continuously update the methods and instruments used (dual control principle, access control, filing system, etc.) to ensure regular risk assessment / limitation. The financial statement documents of the respective subsidiaries are prepared centrally by the flatex Group and made available to the addressees in a uniform, suitable format. To support this part of the process chain in the context of the interim and annual financial statements, central contacts are appointed who can significantly increase efficiency and exploit synergy effects. In order to ensure that the methods used in the preparation of financial statement documents are up to date, the employees of the Accounting and Controlling departments involved in this process receive training at regular intervals.

The flatex Group's internal risk management and control system places particular emphasis on the following principles:

- Compliance with economic and commercial principles
- Compliance with current legal requirements, other guidelines and internal instructions
- correctness and timeliness of accounting, reporting and integrity of recorded data and
- Functionality and viability of Group-wide internal control systems.

The efficiency of the internal control system used throughout the Group with regard to accounting principles was examined and confirmed by the Management Board of the flatex Group.

Furthermore, the Supervisory Board of the flatex Group continuously monitors the existing control system with regard to regulatory requirements.

Management and limitation of market price risks

The flatex Group defines market price risks as the risk of losses due to changes in market prices (share prices, exchange rates, precious metal/commodity prices, interest rates) and due to parameters that influence prices (e.g. volatilities).

Market price risks arise in the flatex group under the FIN (financials) UNIT; these are monitored daily in the form of a value at risk limit system.

Management and limitation of counterparty default risks

The flatex Group defines counterparty default risk as the risk of losses or lost profits due to unexpected defaults or unforeseeable deterioration in the creditworthiness of business partners.

This can occur, for example, in the event of illiquidity or insolvency of business or cooperation partners. The flatex Group is essentially subject to the advance performance risk for services rendered.

In order to manage the counterparty default risk, a due diligence check is carried out before entering into a cooperation and the creditworthiness of the business partner is regularly monitored. In order to limit the counterparty default risk, set-up fees and monthly statements of account are drawn up with the cooperation partner in order to limit the advance performance risk.

The majority of business relationships are with partners who are themselves under the supervision of a regulatory authority.

There is also a counterparty default risk at the banks with which the Company maintains its current business accounts.

Management and limitation of liquidity risks

The flatex Group defines its liquidity risk as the risk that it will not be able to meet its current or future payment obligations in full on time from the available financial resources. As a result, refinancing funds may have to be raised at higher interest rates or existing assets may have to be liquidated at a discount in order to provide additional (temporarily) required financial resources.

The liquidity situation of the company is comfortable. Liquidity surpluses are generated on a monthly basis. In view of the available liquid funds, the liquidity risk is of minor importance from the company's point of view.

Management and limitation of operational and other risks

The flatex Group defines operational risks as the danger of losses due to human error, the inadequacy of internal processes and systems and external events. Legal risks and reputation risks are also included in this category.

The flatex Group draws on a time series of losses that have occurred over several years for the risk inventory of operational risks. These losses are comprehensively attributed by type of loss, cause of loss, date of loss etc. and documented in a database. Internal management of operational risk is carried out by assigning each loss event to a risk strategy (avoidance, reduction, transfer, etc.) and implementing the defined measures. In order to determine the amount of own funds to be backed by operational risk, an internal assessment approach is used internally in addition to the so-called basic indicator approach. In addition to determining operational risks from historical data, the Bank also uses expert estimates for potential losses as part of risk assessments with all the Bank's specialist divisions to map non-quantifiable risks where there is no adequate history of loss data.

Dependence on software and IT risks

For the flatex Group, the operational risk exists in particular due to the bank-typical dependence of the operational business on the IT infrastructure and the associated services. This also includes the dependency on the error-free provision of services by external service providers ("outsourcing"). The operational risks in IT can be divided into hardware, software and process risks. Extensive EDP and Internet systems are used throughout the Group, which are indispensable for proper business operations. The Group is particularly dependent on the smooth functioning of these systems. Despite comprehensive measures for data backup and bridging system failures, disruptions and/or complete failure of the EDP and Internet systems cannot be ruled out. Defects in data availability, errors or functional problems in the software used and/or server failures due to hardware or software errors, accidents, sabotage, phishing or for other reasons could also lead to significant image and market disadvantages and possible compensation payments for the Group.

Throughout the Group, considerable investments are being made in IT and IT equipment, on the one hand to ensure that the considerably increased volume of business can be processed accordingly and, on the other hand, to provide adequate protection against defaults. The probability of occurrence of the event resulting from the dependence on software and IT risks is considered to be very low, and the potential extent of damage is estimated to be low.

Personnel risks

The extensive group restructuring of the flatex Group, which will be completed in 2018, will result in changes in the structural and operational organization as well as modified communication processes, which may initially result in an increased potential for errors and damage. The flatex Group uses the monitoring and communication processes that have been set up to limit these risks, particularly those related to personnel. Nevertheless, individual errors by individual employees can

never be completely ruled out. We consider the probability of occurrence of the event resulting from personnel risks to be very low and the potential extent of damage to be low.

Legal risks

The flatex Group operates as a regulated provider of financial services in an environment with rapidly changing (supervisory) legal conditions. Legal infringements can result in fines or litigation risks. The flatex Group counters these legal risks by constantly monitoring the legal environment, maintaining internal legal know-how and, if necessary, drawing on external legal expertise. We consider the probability of the occurrence of events arising from legal risks to be very low, and the extent of possible damage to be low.

flatex is in a labor dispute with a former employee, which could result in a financial risk. flatex AG has refrained from setting aside provisions.

Reputation risks

For the flatex Group, reputation risk is the risk of negative economic effects resulting from damage to the company's reputation.

As a matter of principle, the Group companies endeavour to ensure a high level of customer loyalty by maintaining a good reputation in order to gain a competitive advantage over their rivals. In addition to direct financial effects, many of the risks mentioned above entail the danger of damaging the Group's reputation and leading to financially disadvantageous consequences for the Group through reduced customer loyalty. The flatex Group takes reputation risks into account in particular in its strategic guidelines and uses its risk management processes to continuously monitor the relevant environment. Associated risk assessments are carried out as part of the assessment of the Group's operational risks.

In order to limit its operational risks, the flatex Group fundamentally promotes a risk culture that ensures that both the management and the employees of the flatex Group adhere to high ethical standards and have a pronounced risk awareness in all relevant business processes. Furthermore, the limitation of risks is one of the key objectives for all managers of the flatex Group within their respective areas of responsibility. In this context, each manager develops task-specific control processes and ensures their ongoing application. In addition, the flatex Group conducts regular risk inventories - updated as needed - to ensure a continuous analysis and assessment of the operational risk of existing business processes.

The flatex Group assigns a low probability of occurrence to its operational risks described above and cautiously estimates a high degree of risk.

4 Dependence report

In accordance with Section 312 (1) of the German Stock Corporation Act, the Management Board has prepared a dependency report. In it, the Management Board concludes: "Pursuant to Section 312 (3) of the German Stock Corporation Act, we declare that our company received appropriate consideration for each transaction listed in the report on relations with affiliated companies in accordance with the circumstances known to us at the time when the transactions were carried out. No measures were taken or omitted at the instigation of or in the interests of the controlling company or one of its affiliated companies.

5 Responsibility statement by the legal representatives (balance sheet oath)

To the best of our knowledge, and in accordance with the applicable reporting principles, these separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the principal opportunities and risks associated with its development have been described.

Frankfurt am Main, 30 April 2020

Frank Niehage

Chairman of the Board

Muhamad Said Chahrour

Chief Financial Officer