2019

FINANCIAL STATEMENTS

Balance sheet for the financial year from 1 January 2019 until 31 December 2019 of the flatex AG

ASSETS	FTX AG	FTX AG
	31.12.2019	31.12.2018
	EURO	EURO
A. Fixed assets		
I. Intangible assets		
Concessions, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licences to such rights and assets	2.988.490,00	1.695.486,35
	2.988.490,00	1.695.486,35
II. Tangible assets		
1. Land and buildings including buildings on third-party land	1.931.819,34	1.815.310,28
2. Technical equipments and machinery	3.306.254,00	2.460.228,06
3. Other assets, operating and office equipment	306.853,00	319.693,00
	5.544.926,34	4.595.231,34
III. Financial assets		
1. Shares in affiliated companies	57.059.862,29	54.349.173,99
2. Participations	24.138.645,71	0,00
3. Reinsurance claims from life insurance policies	355.383,00	334.627,00
	81.553.891,00	54.683.800,99
	90.087.307,34	**60.974.518,68**
B. Current assets		
I. Stock		
1. Unfinished goods	98.405,64	186.422,23
2. Finished goods and products	1.658,70	1.912,30
	100.064,34	188.334,53
II. Receivables and other assets		
1. Receivables from deliveries and services	3.003.164,99	7.812.535,13
2. Receivables from affiliated companies	19.143.956,42	16.104.094,03
3. Other assets	891.530,65	136.916,28
	23.038.652,06	24.053.545,44
III. Other stocks and bonds	19.421,26	120.806,40
IV. Cash, balances at banks	8.532.488,50	32.012.667,65
	31.690.626,16	**56.375.354,02**
C. Prepaid expenses	**946.236,00**	**1.324.021,00**
D. Active difference from the balance sheet	**1.073.288,00**	**1.330.734,00**
	123.797.457,50	**120.004.627,70**

Balance sheet for the financial year from 1 January 2019 until 31 December 2019 of the flatex AG

LIABILITIES	FTX AG		FTX AG	
	31.12.2019		31.12.2018	
	EURO	EURO	EURO	EURO
A. Equity				
I. Subscribed capital				
1. Shares issued	19.595.637,00		18.736.637,00	
2. Own shares	0,00		0,00	
		19.595.637,00		18.736.637,00
II. Capital reserves		105.720.639,24		100.308.939,24
III. Retained earnings				
1. Legal reserve	32.775,45		32.775,45	
2. Other retained earnings	6.810.553,95		6.810.553,95	
		6.843.329,40		6.843.329,40
IV. Accumulated losses brought forward		31.024.007,71		38.149.072,91
V. Net income / loss for the year		7.235.455,26		7.125.065,20
		108.371.053,19		**94.864.897,93**
B. Accruals				
1. Accruals for pensions		2.909.936,00		1.686.990,00
2. Accruals for taxes		158.560,65		5.348.781,93
3. Other accruals		3.437.600,00		3.437.200,00
		6.506.096,65		**10.472.971,93**
C. Liabilities				
1. Liabilities due to credit institutions		3.707.076,67		9.873.756,67
2. Advance payments received on orders		268.116,50		302.686,62
3. Liabilities from deliveries and services		486.341,25		548.018,55
4. Liabilities to affiliated companies		199.920,25		19.488,51
5. Other liabilities		4.188.014,99		3.650.975,80
thereof from taxes EUR 409.510,22 (Prev. Year: EUR 1.100.346,45)				
		8.849.469,66		**14.394.926,15**
D. Deferred income		**70.838,00**		**271.831,69**
		123.797.457,50		**120.004.627,70**

Profit and loss account for the financial year from 1 January 2019 until 31 December 2019 of the flatex AG

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	FTX AG 2019		FTX AG 2018	
	EURO	EURO	EURO	EURO
1. Revenue		33.867.331,71		38.845.649,98
2. Decrease in inventories of finished goods and unfinished goods		35.135,16		387.052,23
3. Other operating income		1.429.568,32		1.624.146,27
4. Cost of materials				
a) Cost of purchased goods	327.999,20		107.727,60	
b) Cost of purchased services	2.936.090,87	3.264.090,07	4.453.617,98	4.561.345,58
5. Personnel costs				
a) Salaries and wages	18.777.323,12		17.878.370,24	
b) Social security contributions and expenses for pensions and other benefits	3.217.477,24	21.994.800,36	3.257.823,34	21.136.193,58
6. Depreciations and amortisation of intangible and tangible fixed assets		3.009.431,31		2.928.431,86
7. Other operating expenses		12.121.810,48		12.801.481,54
8. Income from participations		17.188.654,36		15.717.513,74
thereof from affiliated companies EUR 17.188.654,36 (Prev. Year: EUR 15.717.513,74)				
9. Other interest and similar income		33.934,91		12.639,25
10. Depreciation on financial assets and securities held as current assets		96.834,21		62.131,66
11. Interest and similar expenses		2.175.966,39		2.147.813,69
12. Expenses Assumption of loss		0,00		55.366,18
13. Taxes on income and earnings		2.286.186,99		5.008.367,85
14. Profit after tax		**7.535.234,33**		**7.111.765,07**
15. Other taxes		299.779,07		13.300,13
16. Net profit / loss for the year		**7.235.455,26**		**7.125.065,20**
17. Accumlated losses brought forward		31.024.007,71		38.149.072,91
18. Accumulated loss		**23.788.552,45**		**31.024.007,71**

flatex AG
(until 12 August 2019 FinTech Group AG)
Frankfurt am Main

Notes to the financial statements for the financial year from 1 January 2019 to 31 December 2019

A. General information

The company is registered in the Commercial Register at the Local Court of Frankfurt am Main under company number HRB 103516.

In 2019, 859,000 subscription shares were issued on the basis of the conditional capital (2014/I) resolved by the Annual General Meeting held on 30 October 2014. The share capital now amounts to EUR 19,595,637.00. By resolution of 8 May 2019 and 21 January 2020, the Supervisory Board resolved to amend Article 4 (Amount and division of share capital, conditional capital) of the Articles of Association. The changes were entered in the Commercial Register on 16 May 2019 and 27 January 2020.

The Annual General Meeting held on 12 August 2019 resolved to amend Article 1 (Company) of the Articles of Association. The company's name was changed to flatex AG and entered in the Commercial Register on 15 August 2019.

The company’s annual financial statements for the 2019 financial year have been prepared in accordance with the provisions of Book 3 of the German Commercial Code applicable to it, taking into account the supplementary provisions of the BilRUG and the provisions of the German Stock Corporation Act.

The annual financial statements have been prepared in euros. The notes are mostly given in thousand euros ("EUkR").

The disclosure and classification provisions were complied with in accordance with legal requirements.

The profit and loss account was prepared using the total cost method.

The financial year corresponds to the calendar year.

The company is a large corporation pursuant to Section 267 para. 3.

flatex AG is listed in the Scale Segment of Deutsche Börse (German Stock Exchange) in Frankfurt am Main.

As the parent company, flatex AG prepares consolidated financial statements for the smallest group of companies in accordance with the International Financial Reporting Standards (IFRS). flatex AG is included in the consolidated financial statements of BFF Holding GmbH, Kulmbach, which as the parent company prepares consolidated financial statements for the largest group of companies in accordance with the German Commercial Code (HGB). The consolidated financial statements are submitted to the Federal Gazette and published.

B. Accounting and valuation principles

In preparing the annual financial statements, it was assumed that the company was a going concern in accordance with Section 252 para. 1 no. 2 HGB.

Purchased **intangible assets** are stated in the balance sheet at cost less scheduled straight-line depreciation (1 to 5 years) based on standard industry or official depreciation tables.

Property, plant and equipment are stated in the balance sheet at cost less scheduled depreciation based on use, provided they are subject to wear and tear. Depreciation is based on the normal useful lives of the assets (1 to 50 years) using the straight-line method pro rata temporis. Depreciation is carried out in accordance with standard industry or official depreciation tables. Where necessary, unscheduled depreciation is applied. Low-value assets with individual acquisition costs of up to a maximum of EUR 800.00 are recorded under fixed assets and written off in full in the year of acquisition. Fixed assets with individual acquisition costs of more than EUR 800.00 are depreciated pro rata over their scheduled useful life.

Financial assets are valued at acquisition cost or, in the case of permanent impairment, at the lower attributable value. If the reasons for write-offs to the lower fair value no longer apply, write-ups to the higher fair value are made, but at most up to the original acquisition cost.

The finished goods and work in progress reported under **inventories** are valued at production cost, taking into account the principle of the lower of cost or market. Production costs include individually documented working hours and appropriate portions of material and production overheads as well as the depreciation of fixed assets and pro rata administrative overheads.

Receivables and other assets are stated in the balance sheet at nominal value.

Securities held as current assets are stated in the balance sheet at the lower of cost or fair value based on the stock exchange or market price on the balance sheet date.

Cash on hand and bank balances are stated in the balance sheet at nominal values.

Prepaid expenses and deferred charges are formed in accordance with Section 250 para. 1 HGB. They are reversed in accordance with the expenses of the accounting period.

The assets to be offset in accordance with Section 246 para. 2 sentence 2 HGB ("plan assets") are measured at fair value within the meaning of Section 255 para. 4 HGB. The fair value of plan assets is determined on the basis of actuarial reports. The remaining surplus of assets is stated in the balance sheet as a separate balance sheet item under "**asset difference from asset offsetting**" in accordance with § 246 para. 2 sentence 3 HGB.

Pension obligations are measured at the required settlement amount. Provisions for pension obligations are measured in accordance with Article 75 para. 6 EGHGB in conjunction with Section 253 paras. 2 and 6 HGB using the corresponding average interest rate from the past ten financial years.
Estimated rates of increase are taken into account for a forward-looking valuation of commitments. The Heubeck mortality tables 2018 G serve as the basis for calculation. As in the previous year, the modified going-concern value method was used to determine the pension obligation for an active entitlement, as documented by actuarial reports.. As in the previous year, the projected unit credit method was used for current entitlements of a total of eight former beneficiaries.

The actuarial computation of pension obligations was performed uniformly as of 31 December 2019, using an interest rate of 2.71% (previous year: 3.21%). The discount rate corresponds in each case to the interest rate for remaining terms of 15 years in accordance with the Regulation on the Discounting of Provisions. The average interest rate of the last ten years was applied without change in accordance with obligations. The difference resulting from the application of an average interest rate of the last seven years (1.97%; previous year: 2.32%) amounts to EUR 3,374kand is subject to a distribution restriction in accordance with Section 253 para. 6 HGB. Furthermore, an unchanged pension dynamic of 1% was assumed. The consideration of a fluctuation trend was not required in accordance with the pension commitments and the pension beneficiaries.

If the legal requirements are met, the fair value of the cover assets held for this purpose (actuarially determined asset value of the claims from corresponding reinsurance policies) as of the balance sheet date is offset against the corresponding provisions for pensions in accordance with Section 246 para. 2 sentence 2 HGB. The same applies to the effectively pledged fair value credit balance held as cover assets for the part-time early retirement scheme. The resulting asset-side difference from the offsetting of assets is shown as a separate balance sheet item.
The difference between the recognition of provisions based on the corresponding average interest rate of the past ten financial years and the recognition of provisions based on the corresponding average interest rate of the past seven financial years amounted to TEUR 3,374 (previous year: TEUR 3,709) at the balance sheet date.

Other provisions include all risks and contingent liabilities identifiable at the balance sheet date. The other provisions shown are valued at the settlement amount required according to sound business judgment. Future price and cost increases were taken into account. They also include an obligation arising from a part-time employment contract for older employees, which is covered by assets with a fair value in the same amount. Accordingly, these were netted out in accordance with obligations.

Liabilities are recognized at the settlement amount.

Deferred income pursuant to Section 250 para. 2 HGB is recognized in the amount of the income to be deferred if it represents income for a specific period after the balance sheet date.

The accounting and valuation methods applied by us correspond to the methods used in the previous year for preparing the balance sheet, the profit and loss account and the notes.

C. Notes to the balance sheet

Fixed assets

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

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DEVELOPMENT OF FIXED ASSETS
FLATEX AG, FRANKFURT
IN THE 2019 FINANCIAL YEAR

Assets analysis

	ACQUISITION COSTS					DEPRECIATION				BOOK VALUES	
	Status on 01.01.2019	Access	Disposals	Attribution	Status on 31.12.2019	Total 01.01.2019	Access	Disposals	Status on 31.12.2019	Status on 31.12.2018	Status on 31.12.2019
	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO
I. Intangible assets, qcquired against payment											
Industrial and intellectual property rights	5.501.938,04	2.474.609,79	76.428,00	0,00	7.900.119,83	3.806.451,69	1.181.606,14	76.428,00	4.911.629,83	1.695.486,35	2.988.490,00
Total intangible assets	**5.501.938,04**	**2.474.609,79**	**76.428,00**	**0,00**	**7.900.119,83**	**3.806.451,69**	**1.181.606,14**	**76.428,00**	**4.911.629,83**	**1.695.486,35**	**2.988.490,00**
II. Tangible assets											
1. Land and buildings including buildings on third-party land	3.546.799,37	457.607,97	0,00	0,00	4.004.407,34	1.731.489,09	341.098,91	0,00	2.072.588,00	1.815.310,28	1.931.819,34
2. Technical equipments and machinery	9.534.226,05	2.201.713,84	20.404,53	0,00	11.715.535,36	7.073.997,99	1.355.687,90	19.168,53	8.409.281,36	2.460.228,06	3.306.254,00
3. Other assets, operating and office equipment	813.846,25	118.198,36	284,80	0,00	931.759,81	494.153,25	131.038,36	284,80	624.906,81	319.693,00	306.853,00
Total tangible assets	**13.894.871,67**	**2.777.520,17**	**20.689,33**	**0,00**	**16.651.702,51**	**9.299.640,33**	**1.827.825,17**	**19.453,33**	**11.106.776,17**	**4.595.231,34**	**5.544.926,34**
III. Financial assets											
1. Shares in affiliated companies	54.349.173,99 *	2.710.688,30	0,00	0,00	57.059.862,29	0,00 *	0,00	0,00	0,00	54.349.173,99	57.059.862,29
2. Participations	0,00	24.138.645,71	0,00	0,00	24.138.645,71	0,00	0,00	0,00	0,00	0,00	24.138.645,71
3. Reinsurance claims from life insurance policies	334.627,00	20.756,00	0,00	0,00	355.383,00	0,00	0,00	0,00	0,00	334.627,00	355.383,00
Total financial assets	**54.683.800,99**	**26.870.090,01**	**0,00**	**0,00**	**81.553.891,00**	**0,00**	**0,00**	**0,00**	**0,00**	**54.683.800,99**	**81.553.891,00**
Total fixed assets	**74.080.610,70**	**32.122.219,97**	**97.117,33**	**0,00**	**106.105.713,34**	**13.106.092,02**	**3.009.431,31**	**95.881,33**	**16.018.406,00**	**60.974.518,68**	**90.087.307,34**

* The acquisition costs and the depreciation for the previous year were adjusted due to incorrect presentation in the previous year following the sale of the Aktionärsbank (depreciation of TEUR 502 was not reset after the disposal). The posted values remain uneffected by this.

Shares in affiliated companies

By deed 47/2019, negotiated in Frankfurt am Main, on 3 July 2019, factoring.plus.GmbH, Leipzig, registered in the Commercial Register of the Leipzig District Court under company number HRB 35158, sold its 72% subsidiary financial.service.plus GmbH, Leipzig, registered in the Commercial Register of the Leipzig District Court under company number HRB 22691, to flatex AG. The shares were transferred to flatex AG with effect from 1 July 2019 0:00 A.M. (CEST). The purchase price was EUR 2,700,000.00 plus incidental acquisition costs in the amount of EUR 10,688.30.

On 13 December 2019, flatex AG and LPE Capital B.V. and its five main shareholders concluded a share purchase agreement for the shares of LPE Capital B.V. in DeGiro B.V., a limited liability company under Dutch law with its registered office in Amsterdam, Netherlands, registered in the Dutch commercial register under company number 34342820. flatex AG will acquire the remaining 90.6% of DeGiro for a cash selling price of EUR 36,388,888.89 and against the issuance of up to 7,500,000 new shares to be created in the course of a capital increase against contribution in kind from the authorized capital 2017 and 2018/I under exclusion of the subscription right of the existing flatex AG shareholders after approval by the Dutch supervisory authorities. With payment of the cash selling price in the amount of EUR 23,611,111.11, flatex AG acquired a 9.4% stake in the reporting year. The incidental acquisition costs amounted to EUR 528k.

Trade receivables and other assets

As in the previous year, the trade receivables stated in the balance sheet do not include any receivables with a remaining term of more than one year.

In the year under review, flatex AG reported sales tax receivables of EUR 24kand sales tax receivables from previous years of EUR 380k(previous year: other liabilities of EUR 780k). In addition, income tax receivables of EUR 349k(previous year: provisions of EUR 5,349k) are stated.

As in the previous year, the other assets have a remaining term of up to one year.

Receivables from affiliated companies

There are receivables from affiliated companies in the amount of EUR 19,144k(previous year: EUR 16,104k); these arose from profit and loss transfer agreements in the amount of EUR 17,189k(previous year: EUR 15,718k), from the offsetting of goods and services, and from fiscal unity for VAT purposes.

Equity

Share capital
The company's subscribed capital amounted to EUR 19,596k as of the balance sheet date (previous year: EUR 18,737k). At the end of the financial year, the share capital was divided into 19,595,637 (previous year: 18,736,637) no-par registered shares with a notional value of EUR 1.00 each.

Authorized capital
At the beginning of the 2019 financial year, the company had authorized capital of EUR 7,530k.

1) By resolution of the Annual General Meeting held on 5 July 2017, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital (Authorized Capital 2017) on one or more occasions until 4 July 2022 by a total of up to EUR 5,598k by issuing new registered shares against cash and/or non-cash contributions. The shareholders are generally to be granted a subscription right. However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right of existing shareholders in certain cases. The Authorized Capital 2017 was partially utilized by resolution of the Management Board with the approval of the Supervisory Board on 13 December 2017 and amounts to EUR 4,898k after registration of the capital increase.

2) By resolution of the Annual General Meeting held on 7 August 2018, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital (Authorized Capital 2018) on one or more occasions until 6 August 2023 by a total of up to EUR 3,857k by issuing new no-par value registered shares against cash and/or non-cash contributions. The shareholders are generally to be granted a subscription right. However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right of existing shareholders in certain cases. The Authorized Capital 2018 was partially utilized by resolution of the Management Board with the approval of the Supervisory Board on 10 September 2018, and still amounts to EUR 2,632k after registration of the capital increase on the balance sheet date.

As of 31 December 2019, the company therefore continues to have an unchanged amount of authorized capital of EUR 7,530k(Authorized Capital 2017: EUR 4,898k; Authorized Capital 2018: EUR 2,632k).

Conditional capital

1) By resolution of the Extraordinary General Meeting on 30 October 2014, the Management Board was authorized, with the approval of the Supervisory Board, to conditionally increase the share capital by up to EUR 1,390kby issuing up to 1,390,000 new no-par value bearer shares carrying dividend rights from the beginning of the financial year in which they are issued (Conditional Capital 2014). In accordance with the resolution of 30 October 2014, the Conditional Capital 2014 serves exclusively to secure subscription rights that were issued to members of the Management Board and employees of the Company as well as members of the management and employees of affiliated companies in the period up to and including 30 September 2019 on the basis of the authorization of the Annual General Meeting held on 30 October 2014 within the framework of the Stock Option Program 2014. The Annual General Meeting held on 27 July 2016 resolved to convert bearer shares to registered shares; Conditional Capital 2014 was adjusted accordingly to the issuance of registered shares. By reso-

lution of the Extraordinary General Meeting held on 4 December 2017, the authorization to issue stock options under a Stock Option Program 2014 resolved by the Annual General Meeting held on 30 October 2014, with adjustments by the Annual General Meeting held on 27 July 2016, was amended and specified. At the same time, Conditional Capital 2014 was amended in such a way that it also serves to service subscription rights issued on the basis of the authorization resolution of the Annual General Meeting on 30 October 2014, also with adjustments by the Annual General Meeting held on 27 July 2016, and also in the version after its amendment by the corresponding resolution of the Extraordinary General Meeting held on 4 December 2017, also to the extent that the option terms underlying the subscription rights in question were revised after the issuance of the subscription rights within the framework of the corresponding resolution of the Extraordinary General Meeting held on 4 December 2017. As a result of the exercise of stock options under the Stock Option Plan 2014, a total of 859,000 new registered shares with a pro rata amount of share capital of EUR 1.00 per share were issued from the Conditional Capital 2014 in the 2019 financial year. As a result, the Conditional Capital 2014 was reduced by EUR 859kto EUR 531k. The corresponding amendments to the Articles of Association were filed with the Commercial Register and registered as requested on 27 January 2020.

2) By resolution of the Annual General Meeting held on 28 August 2015, the Management Board was authorized, with the approval of the Supervisory Board, to conditionally increase the share capital by up to EUR 230k by issuing up to 230,000 new bearer shares with entitlement to dividends from the beginning of the financial year in which they are issued (Conditional Capital 2015). In accordance with the resolution of 28 August 2015, the Conditional Capital 2015 serves exclusively to secure subscription rights that are issued to members of the Management Board and employees of the Company as well as members of the management and employees of affiliated companies in the period up to and including 27 August 2020 on the basis of the authorization of the Annual General Meeting held on 28 August 2015 as part of the Stock Option Program 2015. The Annual General Meeting held on 27 July 2016 resolved to convert bearer shares to registered shares; Conditional Capital 2015 was adjusted accordingly to the issuance of registered shares. By resolution of the Extraordinary General Meeting held on 4 December 2017, the authorization to issue stock options within the framework of a Stock Option Program 2015 resolved by the Annual General Meeting held on 28 August 2015, with adjustments by the Annual General Meeting held on 27 July 2016, was amended and specified; at the same time, the Conditional Capital 2015 was amended in such a way that it serves exclusively to service subscription rights that were issued on the basis of the authorization resolution of the Annual General Meeting on 28 August 2015, also with adjustments by the Annual General Meeting held on 27 July 2016 and also in the version after its amendment by the corresponding resolution of the Extraordinary General Meeting held on December 4, 2017, also to the extent that the option conditions underlying the subscription rights concerned were or will be revised after the issue of the subscription rights within the framework of the corresponding resolution of the Extraordinary General Meeting held on 4 December 2017. As of the balance sheet date, the Conditional Capital 2015 remained unchanged at EUR 230k; in the 2020 financial year, a total of 20,000 new no-par value registered shares with a notional value of EUR 1.00 per share in the share capital were issued by 10 January 2020 due to the exercise of stock options from the Stock Option Program 2015. As a result, the Conditional Capital 2015 was reduced by EUR 20k to EUR 210k after the balance sheet date until 10 January 2020. The corresponding amendment to the Articles of Association was filed with the Commercial Register and registered as requested on 27 January 2020.

3) By resolution of the Extraordinary General Meeting held on 4 December 2017 with adjustments made by resolution of the Annual General Meeting held on 7 August 2018, the Management Board was authorized, with the approval of the Supervisory Board, to conditionally increase the share capital by up to EUR 3,500kby issuing up to 3,500,000 new registered shares with entitlement to dividends from the beginning of the financial year in which they are issued (Conditional Capital 2017, referred to in

the company's commercial register as "Conditional Capital 2018/I"). The conditional capital increase serves to service bonds that are issued on the basis of the corresponding authorization resolution of the Extraordinary General Meeting held on 4 December 2017 in the version following the amendment of 7 August 2018 until 3 December 2022.

4) By resolution of the Annual General Meeting on 7 August 2018, the Management Board was authorized, with the approval of the Supervisory Board, to conditionally increase the share capital by up to EUR 3,600k by issuing up to 3,600,000 new registered no-par value shares with entitlement to dividends from the beginning of the financial year in which they are issued (Conditional Capital 2018/II). The conditional capital increase serves the purpose of servicing bonds and/or profit participation rights that are issued until 6 August 2023 on the basis of the corresponding authorization resolution of the Annual General Meeting on 7 August 2018.

Stock Option Plan

flatex AG has created stock option plans to ensure that the total compensation of executives is competitive. The first stock option program was launched in 2014. Under this program, subscription rights were issued for the first time in 2015.

Each subscription right from the Stock Option Program grants the holder the right to acquire one share of the company against payment of the subscription price fixed at the time of issuance. The subscription price is determined on the basis of the average closing price of the share over a fixed period preceding the resolution of the Annual General Meeting, less a discount.

The term of the subscription rights is six years from the date of issuance; they may be exercised in shares of the company at the earliest after a waiting period (vesting period) of four years and in predefined time windows. The prerequisite for exercise is that the stock market price of the share is exceeded by at least 100% on any stock market trading day within two years of the issuance of the respective subscription right (Performance Target Option Program 2014). Only in the event of a change of control or delisting, which is defined in more detail in the authorization and, if applicable, in option terms and conditions formulated at a later date, may the company pay cash compensation instead of shares and the holders of subscription rights may demand cash compensation instead of shares (in some cases even before the end of the vesting period).

A second Stock Option Program was launched in 2015 on the basis of a further authorisation by the Annual General Meeting. The conditions for this program were modified in relation to the prerequisite for exercising the option rights on the basis of the development of the share price to the extent that the stock market closing price of the share must now exceed the respective subscription price by at least 50% on any stock market trading day within two years of the issuance of the respective subscription right (Performance Target Option Program 2015). The remaining conditions correspond to the first program.

The following subscription rights were granted in 2019:

Board of Directors: 15.000
Employees: 87.000
Thereof employees of affiliated companies: 20,000

The total number of subscription rights outstanding as of 31 December 2019 was

Total: 1,557,500
Of which subscription rights exercised: 879,000
Thereof expired subscription rights: 169,000

Active subscription rights: 70,000

Development of equity capital

The subscribed capital increased by EUR 859,000.00 as a result of options exercised in the year under review under the Stock Option Program 2014, while the settlement of 20,000 subscription rights took place in 2020. The entry in the commercial register took place on 27 January 2020, and the capital reserve was therefore increased by EUR 5,411,700 to EUR 105,720,639.24.

in EUR	Subscribed capital	Acquired own shares	Capital reserves	Legal reserves	Retained earnings	Net loss	Total equity
As of 31.12.2018	18.736.637,00	0,00	100.308.939,24	32.775,45	6.810.553,95	-31.024.007,71	**94.864.897,93**
Change in 2019	859.000,00	0,00	5.411.700,00	0,00	0,00		**6.270.700,00**
Net profit for the year						7.235.455,26	**7.235.455,26**
As of 31.12.2019	**19.595.637,00**	**0,00**	**105.720.639,24**	**32.775,45**	**6.810.553,95**	**-23.788.552,45**	**108.371.053,19**

The development of the accumulated deficit is shown in the following table:

in EUR	2019	2018	2017
Status as of 31.12	-31.024.007,71	-38.149.072,91	-19.093.096,79
Annual net profit / loss	7.235.455,26	7.125.065,20	-19.055.976,12
Stand on 31.12.2019	**-23.788.552,45**	**-31.024.007,71**	**-38.149.072,91**

Provisions for pensions

The pension provisions for one employee and one employee who left the company, as in the previous year, as well as eight (previous year: eight) board members who left the former XCOM AG are based on actuarial reports.

In the course of the offsetting required by Section 246 para. 2 sentence 2 HGB, existing **pension obligations** in the amount of EUR 7,637k(previous year: EUR 6,665k) as of the balance sheet date are offset against the cover assets held for this purpose ("plan assets"). The fair value of the plan assets, which corresponds to the acquisition costs, amounted to EUR 8.710 million (previous year: EUR 7.996 million) on the balance sheet date. In the course of the application of Section 246 para. 2 sentence 2 HGB, interest income from plan assets amounting to EUR 498k (previous year: EUR 486k) was also offset against expenses from existing obligations amounting to EUR 2,339k (previous year: EUR 2,071k) in the year under review.

The fair value of the plan assets exceeding the corresponding pension obligation is recognized as the **asset-side difference** from asset offsetting in the amount of EUR 1,073k (previous year: EUR 1,331k). The excess liability arising for four beneficiaries as of the balance sheet date is reported under pension provisions in the amount of EUR 1,909k (previous year: EUR 816k).

Provisions for taxes

In the year under review, flatex AG only reported a corporate income tax provision of EUR 159k. Due to high advance payments, a trade tax receivable arose, which is shown under other receivables. In the previous year, there were provisions for both income taxes totaling EUR 5,349k.

Other accrued liabilities

These primarily include bonus provisions of EUR 1,400k(previous year: EUR 1,300k), provisions for other personnel costs of EUR 62k(previous year: EUR 0k), annual financial statements and audit costs of EUR 345k(previous year: EUR 555k), legal and consulting costs of EUR 130k(previous year: EUR 130k) and various outstanding invoices of EUR 798k(previous year: EUR 761k).

Amounts owed to credit institutions

As of the balance sheet date, flatex AG reported liabilities to banks in the amount of EUR 3,707k(previous year: EUR 9,874k). The bank loans primarily serve as interim financing for the acquisition of shares in the former XCOM AG in previous years.

	Total up to 1 year EUR	Total > 1 to 5 years EUR	Total > 5 years EUR
2020	3.165.486,67	541.590,00	0,00
Previous Year	6.166.680,00	3.707.076,67	0,00

Liabilities in the amount of EUR 708k (previous year: EUR 875k) are secured by mortgages.

Advance payments received and trade payables

As in the previous year, the reported advance payments and liabilities have a remaining term of up to one year.

amounts owed to affiliated undertakings

As of 31 December 2019, liabilities to affiliated companies amounted to EUR 168k(previous year: EUR 19k) to flatex Bank AG from the consolidated tax group for VAT purposes and EUR 32kfrom trade accounts payable.

As of 31 December 2019, the liabilities reported have a remaining term of less than one year, unchanged from the previous year.

Other liabilities

Other liabilities are composed as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Liabilities from taxes	409.510,22	1.100.346,45
Liabilities from hire purchase	3.272.920,59	2.207.267,55
Remaining liabilities	505.584,18	343.361,80
	4.188.014,99	**3.650.975.80**

The share of other liabilities with a term of more than one year totals EUR 2,191k(previous year: EUR 1,523k).

Accrued expenses and deferred income

Deferred income includes the deferral of income already received, which represents income for subsequent periods.

There were no deferred income items with a remaining term of more than one year on the balance sheet date (previous year: EUR 71k).

D. Notes to the profit and loss account

Revenue

The sales revenues of EUR 33,867k are mainly generated in Germany. Of the total foreign sales of EUR 5,227k, EUR 376kare generated in the European Union. A breakdown of sales revenues by area of activity is shown below:

Revenue area	2019 TEUR	2018 TEUR
Software Banking	12.672	15.473
IT-Services & Infrastructure	7.004	7.578
Software eBanking	3.367	3.618
Software Trading	3.599	4.223
Other turnover	7.225	7.954
	33.867	**38.846**

Income from affiliated companies amounted to EUR 19,221k in the year under review (previous year: EUR 21,824k). The company generated significant sales revenues for IT services and from Group contributions.

Other operating income

The other operating income mainly relates to income from the increase in the asset value of the reinsurance policy, input tax reduction in the previous year, motor vehicle purchases in kind and the reversal of provisions.

Social security contributions and expenses for pensions and other benefits

This item includes pension expenses of EUR 96k(previous year: EUR 371k).

Other operating expenses

Other operating expenses include, in particular, occupancy costs, insurance, contributions and levies, repairs and maintenance costs, license fees, advertising and travel expenses, vehicle costs, telecommunications costs, IT costs, training costs, and legal and consulting fees.

Income from investments

The income from investments item includes income from the profit transfer agreement with flatex Finanz GmbH. Income from investments increased by EUR 1,471kto EUR 17,189kin the year under review.

Other interest and similar income

In the year under review, interest was received from affiliated companies in the amount of EUR 3k (previous year: EUR 0k).

This item contains EUR 12k in interest income from reinsurance policies that are not attributable to plan assets. It also includes interest income from the discounting of provisions in the amount of EUR 4k(previous year: EUR 2k) and interest income in accordance with Section 233a AO for trade tax and VAT for previous years of EUR 9k thousand.

Depreciation of financial assets and securities held as current assets

This item includes write-downs of EUR 97k(previous year: EUR 62k) on securities reported under current assets in accordance with the strict lower-of-cost-or-market principle.

Interest and similar expenses

This item includes the balance of interest income from plan assets of EUR 1,841k(previous year: EUR 1,584k), amounting to EUR 498k(previous year: EUR 486k), and interest expenses to be offset pursuant to Section 246 para. 2 sentence 2 HGB from liabilities from pension obligations and similar long-term obligations of EUR 2,339k(previous year: EUR 2,070k). This item also includes interest expenses in accordance with § 233a AO (German Fiscal Code) in the amount of EUR 29,000 due to subsequent trade tax assessment.

No interest was paid to affiliated companies in the year under review (previous year: EUR 107k).

Taxes on income and earnings

Corporate income tax, solidarity surcharge and trade tax were recognized for the 2019 financial year in accordance with applicable tax regulations. The item also includes a tax expense of EUR 157k for the previous year.

E. Other information

Appropriation of the result

The Management Board of the Company proposes to the Annual General Meeting that the net profit for the financial year 2019 in the amount of EUR 7,235,455.26 be carried forward to new account together with the loss carried forward in the amount of EUR 31,024,007.71.

Contingent liabilities and other financial obligations

As of the balance sheet date, the following other financial obligations existed in accordance with Section 251 HGB in conjunction with Section 268 para. 7 HGB:

in EUR	total as of 31.12.2019	thereof up to 1 year	thereof between 2 and 5 years	thereof after 5 years	Previous Year
from Rent-. Leasing contracts	12.629.834,97	4.092.756,41 *	7.213.652,72	1.323.425,84	10.007.854,84 *
from Maintenance contracts	86.406,83	86.406,83	0,00	0,00	63.638,69
from Other contracts	2.543.559,13	2.354.267,46	189.291,67	0,00	1.729.006,80
Stand on 31.12.2019	15.259.800,93	6.533.430,70	7.402.944,39	1.323.425,84	11.800.500,33
*thereof to affiliated companies (in EUR)		57.888,12	195.376,34		44.215,44

There were no contingent liabilities on the balance sheet date.

Total fee of the auditor

The total fee of the Company's auditors is included in the corresponding note to the consolidated financial statements.

Breakdown of the number of employees

On average 255 (previous year: 258) people were employed in the current financial year. Compared with the previous year, the employees in the year under review are broken down by group as follows:

Group	Employees 2019	Employees 2018
Employees	190	189
Part-time employees	35	38
Executive staff	19	19
Temporary employees	11	12
	255	**258**

Name and headquarters of the parent company

GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach, holds a direct 23.65% share in the equity of flatex AG. Due to a further (indirect) participation of its sole shareholder, GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach is considered the controlling parent company. BFF Holding GmbH, Kulmbach in turn holds 100.00% of the equity of GfBk Gesellschaft für Börsenkommunikation mbH.

Shareholdings

flatex AG has a direct interest of 9.4% and 20% or more in the following companies as defined by Section 285 no. 11 HGB:

	directly held shares on 31.12.2019 as a percentage	Equity on 31.12.2019 in TEUR	Result of the Financial year 2019 in TEUR
flatex Finanz GmbH, Frankfurt am Main	100	53.973	*
Xervices GmbH, Willich	100	164	23
Brokerport Finance GmbH, Frankfurt	100	1.284	603
financial.service.plus. GmbH, Leipzig	72	868	97
DeGiro B.V., Amsterdam * *	9,4	19.453	3.733

***Profit and loss transfer agreement with flatex AG**
**** Equity and result concerns 2018 financial statement**

	indirectly held shares on 31.12.2019 as a percentage	Equity on 31.12.2019 in TEUR	Resulft of the Financial year 2019 in TEUR
flatex Bank AG, Frankfurt am Main	100	56.677	*
factoring.plus.GmbH, Leipzig	100	-9.370	-63

***Profit and loss transfer agreement with flatex Finanz GmbH**

Board of Directors

Frank Niehage, Frankfurt am Main - LL.M.
Chairman of the Management Board, with sole power of representation, from the restrictions of Section 181 version 2 BGB (prohibition of multiple representation).

Muhamad Said Chahrour, Frankfurt am Main - M. Sc.
Chief Financial Officer

The members of the Management Board of flatex AG receive fixed and variable remuneration of a current nature.
The total remuneration is as follows:

in EUR		2019	2018
	fix/variable	1.900.000,00	1.850.000,00

In addition, the Management Board received share-based compensation in the 2019 financial year in the form of 15,000 stock options from the 2015 option plan.

In the year under review, no Supervisory Board mandates were held in subsidiaries.

The pension provision for vested pension rights for eight (previous year: eight) retired members of the Management Board, including one pension commencement (2016), amounted to EUR 21,144k(previous year: EUR 18,778k) as of the balance sheet date, which was also offset in full against the plan assets held for this purpose as in the previous year.

Supervisory Board

Members of the Supervisory Board in the reporting period:

1) Mr Martin Korbmacher, Frankfurt am Main
Chairman
Occupation exercised: Managing Director Event Horizon Capital & Advisory GmbH
Managing Director arsago ACM GmbH

In 2019, Mr. Korbmacher was a member of the following other statutory supervisory boards of domestic and foreign companies:
- Member of the Supervisory Board of German Startups Group Berlin GmbH & Co KGaA, Berlin
- Chairman of the Supervisory Board of flatex Bank AG, Frankfurt am Main
- Chairman of the Supervisory Board of innoplexus AG, Eschborn
- Chairman of the Board of Directors of Starmind AG, Küsnacht, Switzerland

2) Mr Stefan Müller, Kulmbach
Vice chairman
Occupation: Head of Finance at Börsenmedien AG, Kulmbach

Mr. Müller was a member of the following other statutory supervisory boards of domestic companies in 2019:
- Member of the Supervisory Board of Finlab AG, Frankfurt am Main
- Deputy Chairman of the Supervisory Board of Heliad Equity Partners GmbH & Co KGaA, Frankfurt am Main
- Member of the Supervisory Board of flatex Bank AG, Frankfurt am Main

3) Mr Herbert Seuling, Kulmbach
board member
Occupation: Self-employed tax consultant

Expenses for Supervisory Board remuneration in the 2019 financial year totalled EUR 265k (previous year: EUR 267k).

Events after the balance sheet date (supplementary report)

No events occurred after the end of the financial year that are of particular significance for the net assets, financial position and results of operations of the company.

Frankfurt am Main, 30 April 2020

Frank Niehage	Muhamad Said Chahrour
Chairman of the Board	Chief Financial Officer

2019

MANAGEMENT-REPORT

Table of contents

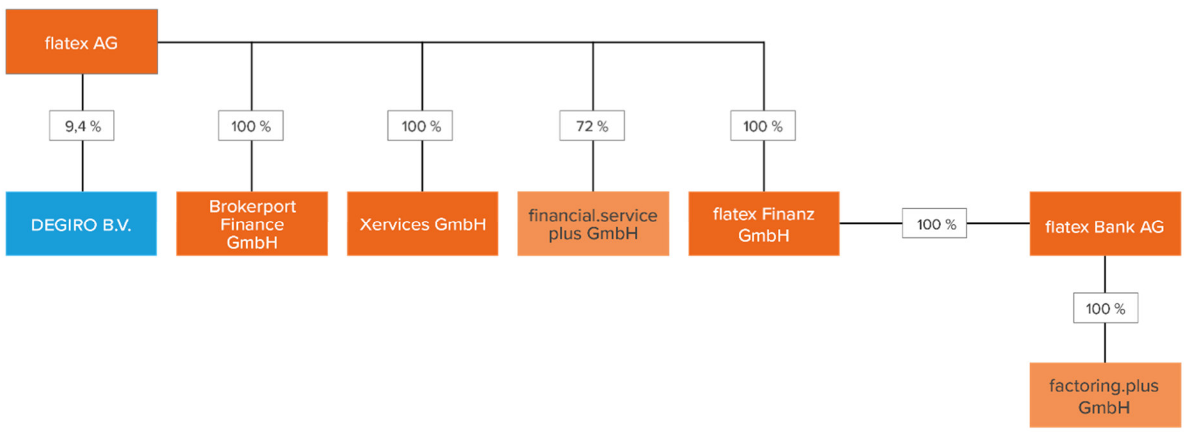
1 Fundamentals of society

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

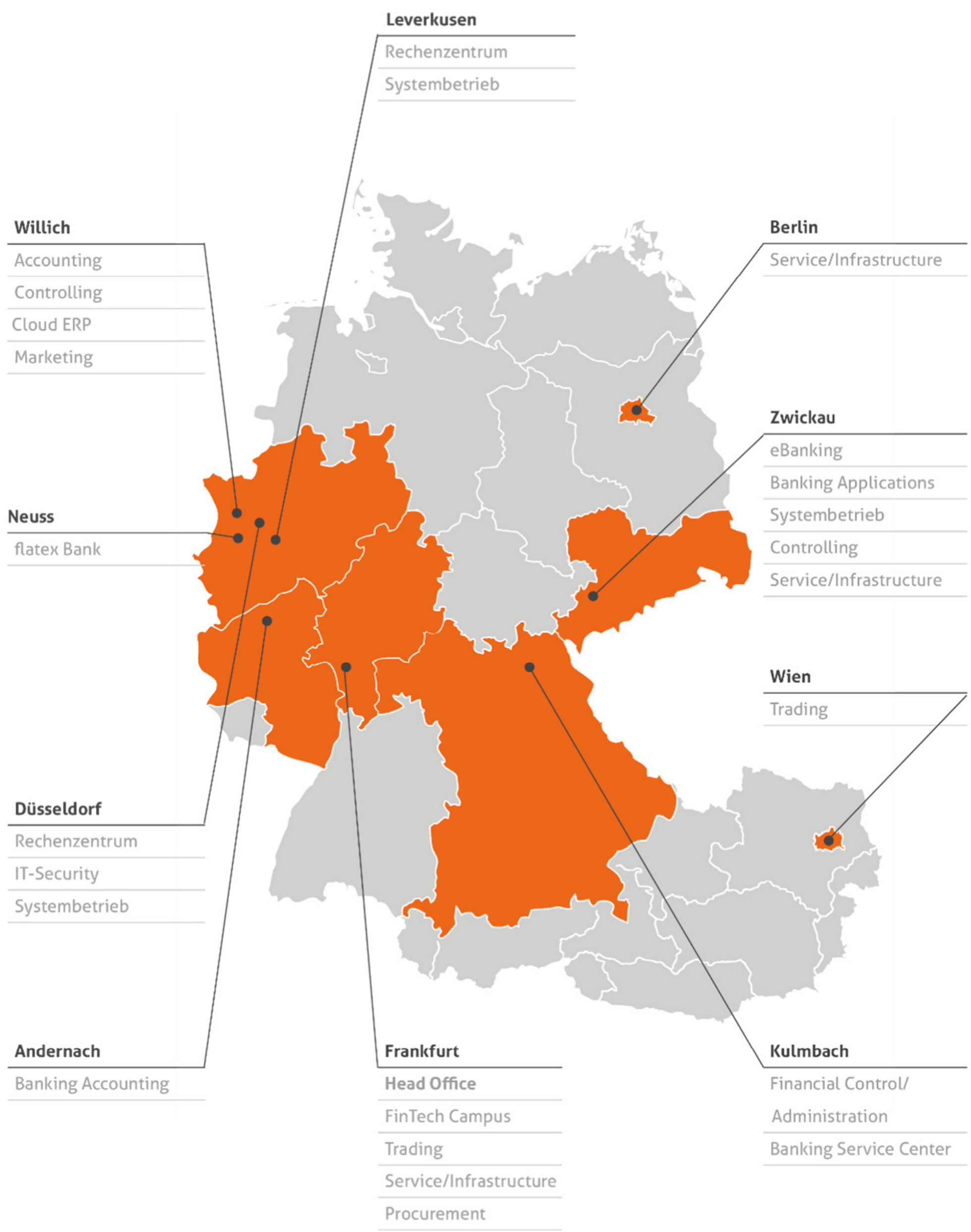
The business activity of flatex AG is the development, production, distribution and maintenance of software, hardware and IT infrastructure. The core of the business activity is the flatex Core Banking System *(short: FTX:CBS).*

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.

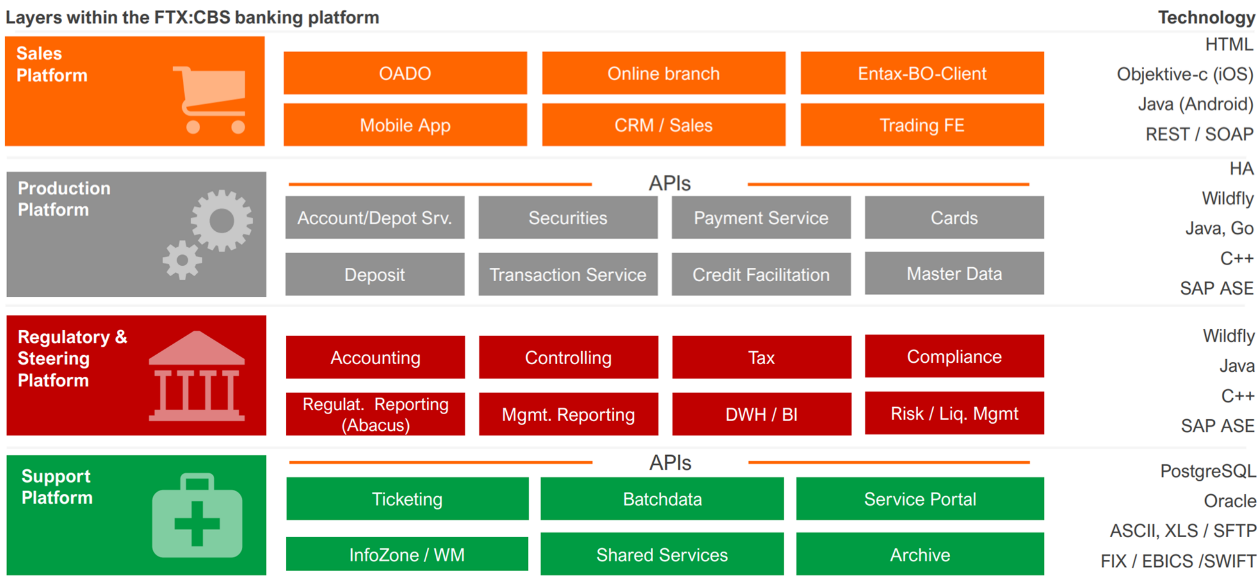
1.6 Locations

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:



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

Deutsche Bank / COMMERZBANK

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.

Deutsche Post / Postbank / RENTEN SERVICE

flatex AG provides its high frequency payment platform to Deutsche Post Rentenservice which takes care of 26m pension payment transactions every month.

KOMMUNAL KREDIT

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.

bankenverband

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.

Notable clients and partners

flatex online broker	VITRADE	pbb direkt	BANKHAUS VON DER HEYDT
Morgan Stanley	zinsgold	WHITEBOX	optiopay
ZINS PILOT	crosslend	SAVEDO ZINSPORTAL	auxmoney
BCB Betriebs-Center für Banken	1822direkt	HSH NORDBANK	HypoVereinsbank
BERENBERG	VTB	GEFA BANK	Bank M
TRADEGATE AG	mwb fairtrade	STEUBING AG	EQUATEX
bank-verlag	PROSEGUR	ETRIS BANK	AKTIVBANK AG

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	• Revenue • EBITDA-Margin
Non-financial Performance Indicators	• Customers • Accounts • Resources / Employees
Other Indicators (for Deviation Analysis)	• 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 2019[4]. 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.

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	Muhamad Said Chahrour
Chairman of the Board	Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To flatex AG, Frankfurt am Main

AUDIT OPINIONS

We have audited the annual financial statements of flatex AG, Frankfurt am Main - consisting of the balance sheet as of December 31, 2019 and the income statement for the fiscal year from January 1, 2019 to December 31, 2019.
The consolidated financial statements have been audited from January 1, 2019 to December 31, 2019, as well as the notes to the financial statements, including the presentation of the accounting policies. In addition, we have audited the management report of flatex AG, Frankfurt am Main, for the fiscal year from January 1, 2019 to December 31, 2019.
31. December 2019.

In our opinion, based on the findings of our audit

- the attached annual financial statements comply in all material respects with the German commercial law provisions applicable to corporations and give a true and fair view of the net assets and financial position of the Company as of December 31, 2019, and of its results of operations for the fiscal year from January 1, 2019 to December 31, 2019, in accordance with German generally accepted accounting principles, and
- On the whole the attached management report provides a suitable understanding of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

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

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and the management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is described in the section "AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT".
of our audit opinion. We are independent of the Company in accordance with German commercial and professional law and have fulfilled our other German professional obligations in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements and the management report.

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

The legal representatives are responsible for the preparation of the annual financial statements, which comply in all material respects with the German commercial law provisions applicable to corporations, and for ensuring that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls which they have determined, in accordance with the German principles of proper accounting, to be necessary to enable the preparation of annual financial statements that are free from material misstatements.

is a substantial - intended or unintended - misrepresentation.

In preparing the financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. Furthermore, they are responsible for disclosing any relevant facts in connection with the continuation of the company's activities. They are also responsible for preparing the financial statements in accordance with the going concern principle, except in cases where there is a conflict of fact or law.

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

The Supervisory Board is responsible for monitoring the Company's accounting process for the preparation of the annual financial statements and the management report.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Our objective is to obtain reasonable assurance whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, whether the management report as a whole provides a suitable understanding of the Company's position and suitably presents the risks of material misstatement of the annual financial statements, and whether the management report is consistent, in all material respects, with the annual financial statements and the findings of our audit and complies with German legal requirements as well as with the opportunities and risks of future development, as well as to issue an auditor's report containing our audit opinions on the annual financial statements and the management report.

Sufficient certainty is a high degree of certainty, but it is no guarantee that an audit conducted in accordance with § 317 HGB (German Commercial Code), taking into account the German principles of proper auditing established by the Institut der Wirtschaftsprüfer (IDW), will always detect a material misstatement. Misrepresentations can result from violations or inaccuracies and are considered material if they could reasonably be expected to influence, individually or in total, the economic decisions of the addressees made on the basis of these financial statements and management report.

During the audit we exercise due discretion and maintain a critical attitude. Beyond that

- we identify and assess the risks of material misstatement of the financial statements and management report, *whether due to fraud or error,* plan and perform the audit procedures in response to such risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk that material misstatements will not be detected in the financial statements is greater for misstatements than for inaccuracies because misstatements can include fraudulent collusion, forgeries, intentional omissions, misleading statements, or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the financial statements and the procedures and measures relevant to the audit of the management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system.
- we evaluate the appropriateness of the accounting policies used by the legal representatives

as well as the justifiability of the estimated values and related data presented by the legal representatives.

- We draw conclusions about the appropriateness of the accounting policies used by the legal representatives to continue the Company's operations and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. If we come to the conclusion that a material uncertainty exists, we are obliged to draw attention in the audit opinion to the relevant information in the annual financial statements and the management report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may mean that the Company is no longer able to continue its business activities.
- We assess the overall presentation, structure and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the The annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.
- In our opinion, the management report is consistent with the annual financial statements and the management report is in accordance with the law and provides a true and fair view of the Company's position.
- we perform audit procedures on the future-oriented statements made by the legal representatives in the management report. Based on sufficient and appropriate audit evidence, we particularly verify the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent audit opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

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

Frankfurt am Main, May 19, 2020

BDO AG
Auditing company

signed Otte
Auditor

signed Hebel
Auditor