

Financial Report 2018

GROUP DATA (IFRS) AT A GLANCE

	31.12.2018 KEUR	31.12.2017 KEUR
Revenues	46,647	42,744
Earnings before interest and depreciation	-906	2,974
Group result	-2,292	1,859
thereof attributable to the shareholders of EASY SOFTWARE AG	-2,322	1,933
Earnings per share in EUR	-0.43	0.36
Annual average staff level	318	275

	31.12.2018 KEUR	31.12.2017 KEUR
Total assets	36,133	35,671
Equity	22,056	24,443
Equity ratio	61 %	69 %

LIST OF ABBREVIATIONS

ECM	Enterprise Content Management
SAAS	Software as a Service
OEM	Original Equipment Manufacturer
PCM	Process Content Management
BANF	Purchase requisitions
CRM	Customer Relationship Management
SCRUM	Process model for agile software development

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DEAR SHAREHOLDERS, DEAR FRIENDS OF OUR COMPANY,

The claim "Digital, but EASY" positions EASY SOFTWARE AG as a manufacturer of easy-to-use software solutions, as a partner in coping with the challenges posed by digitization and as an enabler making digitization easy and accessible to anyone. We digitize as humans for humans and empower our customers across all sectors to implement digitization projects simply, quickly and flexibly. So our customers quickly come to an intuitive digital application that is integrated into their existing IT infrastructure and generates lasting value.

The digitization of business processes and models is the new imperative. Companies that fail to optimize their processes or dispatch digital offers to staff, customers and business partners are not getting ready for the future and falling behind (see Digitalisierungsindex Mittelstand 2018¹). The digitalization of individual processes must be quickly enabled today to ensure that specialist departments in a digital factory can try out, optimize and bring the solutions to market. Time-to-market is a decisive competitive advantage. In addition, users expect mobile offers that are easy to use. Almost half of all new ERP investments today are made in the cloud. By their acquisition of Apinauten GmbH from Leipzig, EASY has acquired the ApiOmat platform, which has been approved by the renowned IT analyst Gartner² is counted among the leading multi-experience platforms, enabling fast, easy and mobile digital applications locally or from the cloud.

EASY has secured access to one of the leading technology platforms for digitization (ApiOmat), and is thus preparing its offer for the future. In combination with the existing platforms for content services solutions and SAP®, EASY offers a complete portfolio for the digitalization of mobile and cloud-based business processes, and enables access to new customer segments in the major customer segment.

Another important step: The foundation to our solutions, the EASY archive, has been granted international audit and data protection certifications and is available on platform installations (local or in the cloud). Thank to our partnerships with SAP, Oracle, Microsoft and many other solution providers, EASY is capable of mapping a wide range of customer requirements.

We feel very well-positioned in this market and in the midst of this trend. More than 8,500 customers trust our solutions in local installations, and the cloud platform has seen robust growth to 6,500 subscriptions. The market for content management solutions and the digitization of business processes is growing at double-digit rates.

However, the positive picture of 2018 is also clouded somewhat, since the restructuring of EASY Group is taking its toll. EASY Group expanded its sales by 9.1%, which reflects our customer approval.

Particularly annoyingly, the 2017 cost structure of EUR 3.0 million in additional staff expenses was not covered by corresponding capacity utilization by projects. The reorganization of the consulting area as a business unit yielded soe positive results in the fourth quarter of 2018. Furthermore, a voluntary staff program is set to reduce personnel costs by approximately EUR 1.0 million in 2019. Also, prior-period events to the amount of EUR 0.74 million had to be adjusted for in 2018, and the disproportionate costs of the SAP project (EUR 0.2 million), one-time costs of the acquisition of Apinauten GmbH (EUR 0.25 million) and other one-time effects (EUR 0.4 million) had to be borne. All in all, this resulted in considerable burdens on earnings of approximately EUR 2.6 million in one-off effects.

After completion of restructuring in the fourth quarter of 2018, the result turned out significantly more positive. Revenues in the fourth quarter of 2018 grew by 13% year-on-year to EUR 14.9 million, and the EBITDA excluding one-off items and own work capitalized increased by approximately 56% to EUR 2.7 million. This turnover trend continued into the first quarter of 2019 with a sales growth of around 23% compared to the same quarter of the previous year.

Furthermore, the new staffing of sales management in the partner area as well as the national entities in the United Kingdom, the USA and Germany have all developed a positive momentum, so that all units contributed to the growth at the end of the year. The current management team consists of experienced experts from the international software industry, young in-house executives and the Apinauten team. The Board has thus set the course for generating sustainable growth and achieving operational excellence. In this way, the two strategic objectives of the EASY 21 strategy are being implemented. In the future, the newly created area of corporate communications will regularly report on current news around the company an thus deliver greater transparency.

Due to the acquisition of Apinauten GmbH in Leipzig, the headcount increased to around 360 employees at the turn of the year. Our staff are our most important asset, and management has accordingly launched a range of programs and offerings. Firstly, EASY promotes women in IT. This effort includes, among other things, a drive to employ more female staff in management positions. Our dedicated talent management program identifies talented staff in-house and prepares them for their next career step to ensure that relevant positions can be filled from within the company. In addition, we are still expanding the EASY Group training area to ensure that our customers, partners and employees build their qualifications and derive further benefits from EASY. We employ staff from more than 15 nations work at EASY Group, and our values promote diversity and equal opportunities. We wish to offer our staff and external candidates a cosmopolitan, modern and attractive working environment that ensures that family and working life are compatible.

EASY Group is looking to support social projects through social commitment and thus present itself as an attractive company with a positive reputation.

We would like to thank all our employees, whose commitment forms the basis to our growth in the first place, as well as our business partners for the good and trusting cooperation and our shareholders for their trust in us.

The Board

1: Source: Digitalisierungsindex Mittelstand 2018 <https://www.digitalisierungsindex.de/studie/gesamtbericht-2018/>
2: Source: Gartner "Critical Capabilities for Content Services Platforms", 13.11.2017

EASY GROUP | MANAGEMENT

THE EASY SOFTWARE TEAM

BOARD



Dieter Weißhaar
CEO

Joined in 2018

DEVELOPMENT



Jens-Peter Hess
Portfolio & Product Marketing

Joined in 2015



Andreas Schneider
Content Services

Joined in 2013



Marcel Rosenbaum
Cloud

Joined in 2012

CORPORATE FUNCTIONS



Werner Höllrigl
Services

Joined in 2018



Lisa Skelnik
Corporate Communication

Joined in 2016



Birgit Eijkhout
Marketing

Joined in 2017



Antonio del Negro
SAP

Joined in 2015



Marcel Etzel
ApiOmat

Joined in 2018

EASY GROUP | MANAGEMENT

THE EASY SOFTWARE TEAM

PARTNERS



Matthias Höfelmeyer
partners

Joined in 2012



Andy Boulton
UK & Ireland

Joined in 2018



Michael Rennell
America

Joined in 2018



Sürreyya Ecevit
Turkey

Joined in 2012

SALES



Alfred Pfaff
Germany

Joined in 2019



Michael Reiserer
ApiOmat / Cloud

Joined in 2018



Christian Märzendorfer
Austria

Joined in 2011



Gerald Rüdiger
AsiaPacific

Joined in 2013

EASY SOFTWARE AT A GLANCE



60
countries



12,800
systems installed



6
national companies
(Austria, Great Britain, Germany, Turkey, Singapore, USA)



18
branches



24h/7d
support



100
partners



100
interfaces



375
staff



12.5%
Research and
Development (2018,
turnover share)



46.6
Million in sales (2018)





REFERENCES

TOGETHER, WE WRITE SUCCESS STORIES

EASY APIOMAT PLATFORM

EASY CONTENT SERVICES

EASY FOR SAP

TOGETHER, WE WRITE SUCCESS STORIES



TOGETHER, WE WRITE SUCCESS STORIES



SCHRÖDER
A MEMBER OF THE OKE GROUP



VETTER



TRANS GOURMET



Union
Investment



BKK Linde
DIE GUTE WAHL



CLARIANT



e-shelter



KYOCERA
Document Solutions



Talgo



Stadtwerke
Karlsruhe
Besser versorgt, weiter gedacht.



Stadtwerke
NORDEN



ritter
gruppe



TIEF + STRASSENBAU
Joos



BAUUNTERNEHMUNG
KARL GEMÜNDEN
GmbH & Co. KG



avea
Ihr kommunaler Partner



HDI

2 of the top 10
aerospace industries worldwide

3 of the top 10
mechanical engineering companies in Europe

2 of the top 10
electronics companies worldwide

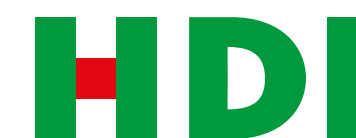
4 of the top 10
media companies in Germany



2 of the top 10
pharmaceutical companies worldwide

3 of the top 10
automotive manufacturers worldwide

4 of the top 10
retail companies worldwide
... rely on EASY SOFTWARE



EASY ApiOmat platform

DISCOUNT FOR MOTOR INSURANCE CUSTOMERS WITH GOOD DRIVING BEHAVIOUR

HDI establishes new business model with the DiamondDrive Telematics App

HDI DiamondDrive is the new telematics app of HDI Versicherung AG. This app permits motor insurance customers to record their own car trips and have their individual driving style assessed. Good and safe drivers receive a payback of up to 30% on their paid car insurance contribution. The app grants HDI an insight into the driving behaviour of its policyholders and permits the company to design their tariffs in an even more individual and risk-based or needs-based way in the future.

**Going live in
3 months**

**Connectors
Google Maps,
Push**

**Fully privacy
compliant**

"Thanks to ApiOmat, we've created a new digital product in less than 3 months, the HDI DiamondDrive app, which also meets all privacy requirements."

Dr. Dirk Höring
Head of Product Management at Privat Sach, HDI Versicherung AG





EASY ApiOmat platform

BKK LINDE DIGITIZED PAPER PROCESS

Digital service at a complex level

The BKK Linde ServiceApp allows insured persons to make their customer data available on all channels under full compliance with the applicable data protection standards. The insured person is free to decide when and to whom the data is provided. The digital family questionnaire EASY ApiOmat marks another successful implementation of a milestone of the customer-centric digitization strategy at BKK Linde, and further complex business processes such as hospital discharge management are being implemented.

103,000

insured persons

9

Branches

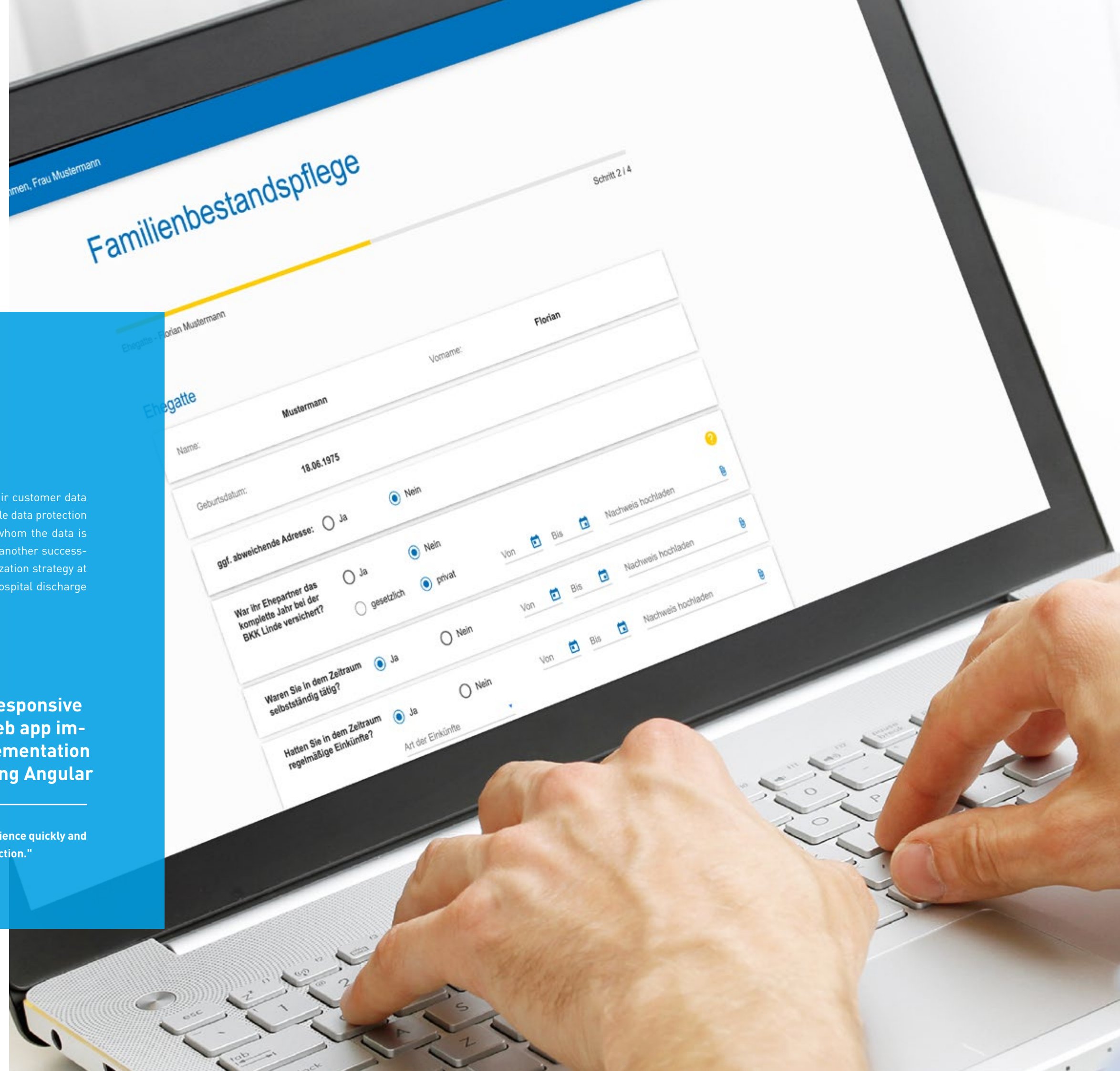
**Implementation
of the first digital
service for insured
persons in 30 days**

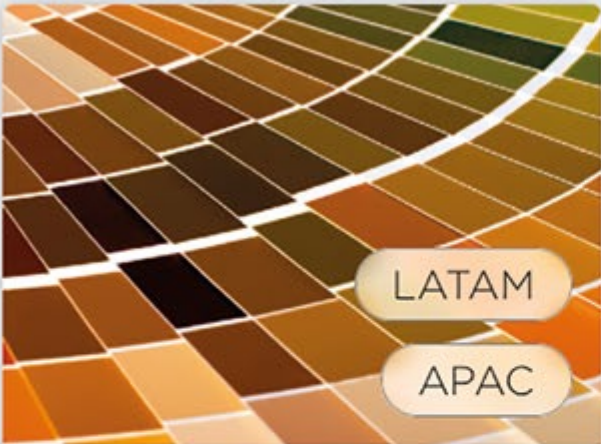
**Modernized
inventory IT
for the digital
world**

**Responsive
web app im-
plementation
using Angular**

"ApiOmat enables us to deliver this excellent, digital user experience quickly and efficiently while meeting the high demands of social data protection."

Robert Leubner,
Head of Marketing, BKK Linde






LATAM

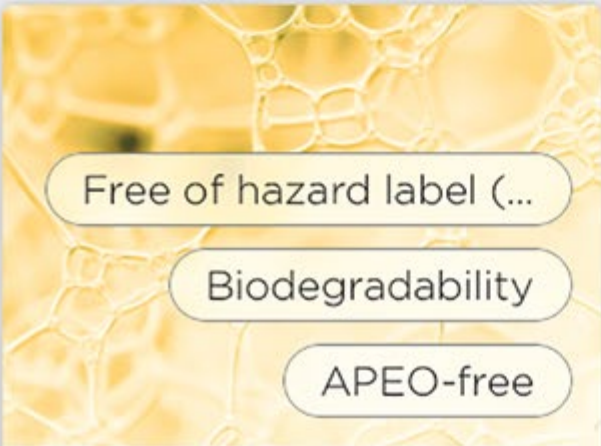
APAC

REGION



Liquid

PHYSICAL FORM




Free of hazard label (...)


Biodegradability

APEO-free


SUSTAINABILITY



ECOLABEL FIT



REGISTRATION



INGREDIENT TYPE

4 Products



CLARIANT

EASY ApiOmat platform

"PAINT ADDITIVES" APP

Digital product finder and
easy data maintenance

The Clariant "Paint Additives" offers customers an overview of the latest products and allows easy access to the full range of additives, dyes and emulsifiers. Customers and users can now find the right additives for their colours with the app, field staff members always have the latest product information at their fingertips, while product managers and editors can continue to use their established SharePoint document management folders and easily edit information. EASY ApiOmat has enabled the swift implementation of the "Paint Additives" app thanks to the multi-SharePoint connector and React Native SDKs; it also provides the infrastructure for follow-up projects.

CH 5,847

17,442

53

Billion of sales in 2016

staff

active countries worldwide

"ApiOmat has permitted us to meet the challenge of making the editorial support of product information as well as its direct publication as easy and quick as possible."

Ruediger Halberstadt
Service Manager Mobility, Clariant AG

MOBILE FIRST - ALSO AT WORK

Union Investment brings digital services to staff smartphones

The "UI Mobile" app permits employees to use their mobile phone to release invoices, approve vacation requests, or access intranet messages. A range of further processes and features are set to be integrated in the future. The most important aspect is in the fact that an Enterprise Mobility Strategy also pays off in business terms. Certain release processes were accelerated considerably. Users love using the Union Investment App. Tasks can be performed during idle waiting periods before meetings or on business trips.

EUR 290 2,800

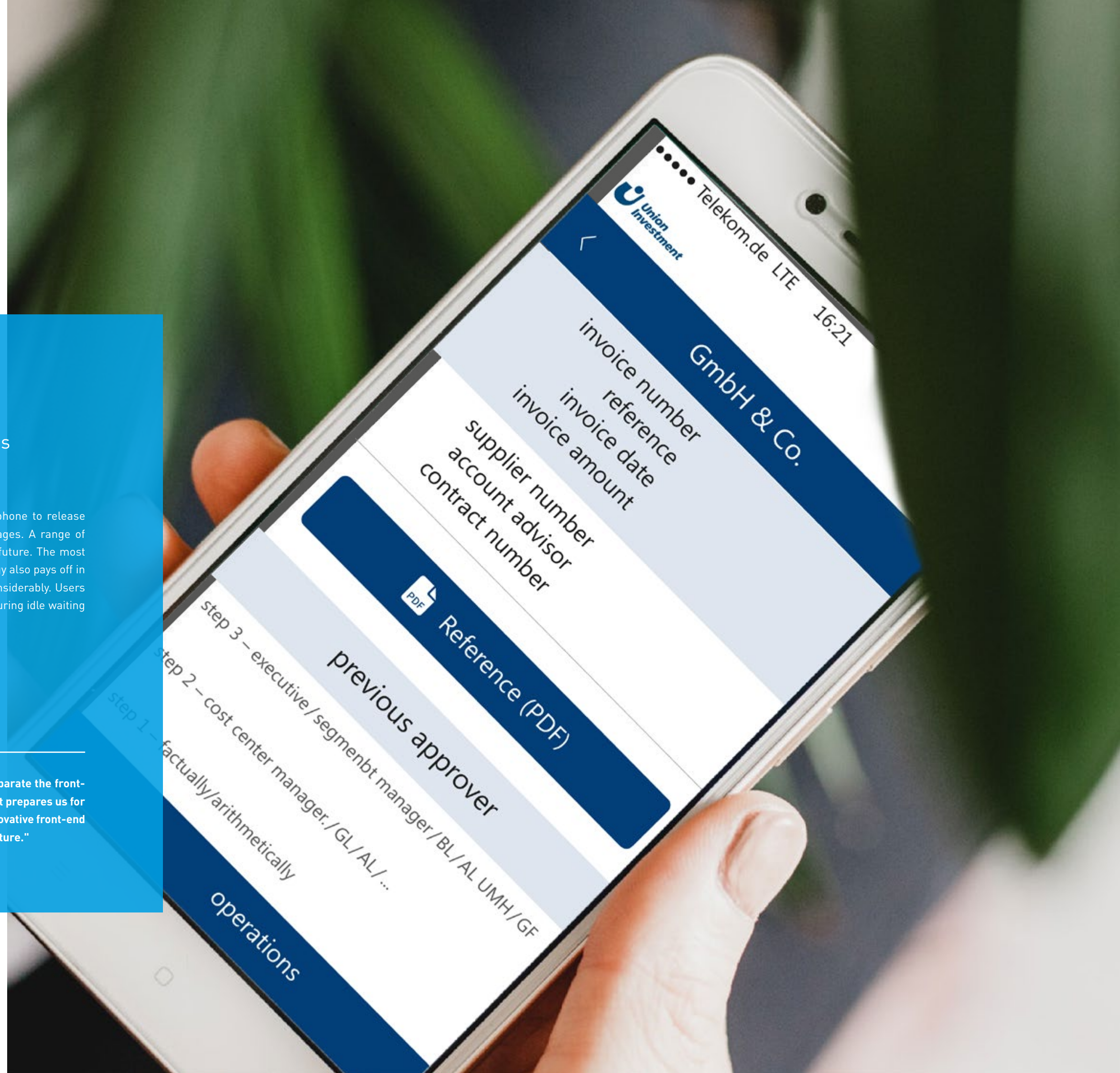
Billion of assets under
management

staff

"ApiOmat enables us to manage all interfaces centrally and separate the front-end and back-end development. ApiOmat is a building block that prepares us for the digital transformation. It allows us to transfer our data to innovative front-end solutions securely and to anyone else willing to join us in the future."

Jenny Wetzig

IT Architect Enterprise Mobility, Union Investment



COMPLEX DOCUMENT SYSTEM - DIGITIZED THROUGHOUT

More security in times of growth

In the 80s, Hama was well-known for camera accessories. The company, which was founded in 1923, has grown massively and has become a world leader in the trade of accessories for digital photography, smartphones, computers and more since. At peak times, Hama ships around 10,000 packages a day.

Growth is advantageous: Hama uses EASY CAPTURE, EASY INVOICE, EASY DOCUMENTS and EASY ARCHIVE to cover all aspects of accounting and document management digitally. Efficient workflows reduce transit times. The central archive guarantees audit-proof storage. Work on the roll-out of EASY CONTRACT is ongoing to optimize contracting as well.

18,000
products

20
branches worldwide

2,500
staff in the group

"Around 10,000 documents are currently in circulation in our workflow system alone. This shows how much we depend on efficient processes and automated workflows. Against this background, EASY solutions are optimal for us since everything works together seamlessly. EASY means that we are prepared for any future process requirements."

Anna Regler

International Process Management for Sales at Hama GmbH & Co KG.



EASY Content Services

ALL FROM A SINGLE PROVIDER.

EASY are the only ones to offer this.

The Kinopolis Group is among the most traditional movie theatres in Germany. The company owns 17 cinemas, each of which as an independent entity.

The bookkeeping, contract management and payroll accounting are handled centrally by Kinopolis Management Multiplex GmbH in Darmstadt - supported by EASY SOFTWARE. For instance, EASY CONTRACT ensures that the head office can see all contracts, terms and deadlines, as well as the associated delivery notes and protocols from maintenance contracts for projection and building services to cleaning, rental and sales and supplier contracts at a glance.

EASY HR is also used by Kinopolis to manage the files and payroll accounting for the staff of approximately 1,000 employees. No mean feat: Cinemas tend to employ students as auxiliary staff and the turnover is correspondingly high. The Management GmbH is nonetheless in a position to track of the employment contracts, relevant documents and statutory retention and deletion periods thanks to EASY HR.

Further projects are already in the pipeline: HR is currently being expanded to include applicant management - and Kinopolis is setting up a workflow for the more than 20000 incoming invoices per year in cooperation with EASY.

1905

foundation

> 1,000

staff

17

cinema entities

137

projection screens

26,297

seats

"EASY delivers solid software solutions and is the only provider of digital staff files, applicant management, contract management and invoice receipt workflow from a single source that I am aware of. We wouldn't consider another supplier."

Torsten Schwab

Personnel Officer, Kinopolis Management Multiplex GmbH





EASY for SAP®



FRESH INGREDIENTS FOR EFFICIENT PROCESSES

Digital files deliver optimized HR processes - EASY delivers the ingredients

Wiltmann GmbH & Co. KG made its name with its naturally matured, air-dried and smoked dry sausage. The owner-operated medium-sized enterprise has operated its production facility in Peckeloh (Westphalia) since 1887, and has become one of the leading providers of sausage and ham in Germany.

The background: The personnel files of around 800 employees were stored in various rooms and cabinets. Transparency and effective workflows were all but absent. The goal: Establish the basis for simplifying and optimizing the work processes of tomorrow by way of the EASY SOFTWARE digital personnel file. The challenge: Since convinced SAP supporters work at Wiltmann, the personnel file solution was to be based on SAP NetWeaver Folders Management and run within SAP. For instance, personnel clerks were to be capable of accessing documents in the file directly from the usual SAP HCM personnel master, eliminating the need for switching between programs, as well as reducing maintenance costs.

EASY SOFTWARE AG delivers the personnel file with ready-made best-practice document categories. Franz Wiltmann GmbH & Co.KG had this solution adapted to their own requirements. The result: HR specialists now find documents much faster than in the times of paper files. Wiltmann has also introduced a new level of transparency. That's because the increased speed of document retrieval is just one of the great advantages of electronic files. Immediate access takes place from all workstations with appropriate authorizations. This means that any authorized person is always in the picture in a matter of mouse clicks.

1887
foundation

800
staff

90,000 m²
production area

"Thanks to EASY solution, we can jump directly from the file into the SAP HR master file, obtain a structured view of the processes, easily integrate an e-mail directly from Outlook as part of the file - this is the added value that the file solution offers. "

Heinz Ostlinning

Personnel Manager Wiltmann GmbH & Co. KG



EASY Content Services



SAFELY MAINTAINED. SAFELY ARCHIVED.

The rail vehicle manufacturer
Talgo relies on EASY.

Talgo (Deutschland) GmbH is the go-to address when it comes to the maintenance and repair of wagons and railcars. Just recently, the company's Spanish parent company signed a contract with Deutsche Bahn for the delivery of 23 long-distance trains.

Safety comes first in the maintenance and repair of rail vehicles, and a detailed documentation is mandatory. A large number of documents must be stored safely and be easy to find - from the order form to test and assembly reports to measurement and weighing protocols or qualification certificates of employees.

For this reason, Talgo chose EASY CAPTURE, EASY ARCHIVE and EASY DOCUMENTS: Runs, logs, and other paper documents receive a barcode before scanning, which automatically assigns them to a task. Once filed in the EASY ARCHIVE, the tagged files can be quickly found via the order and wagon number or the corresponding search terms. In case of an audit or customer enquiry, the company is thus able to provide information in the shortest possible time.

By the way: Talgo also processes the invoice receipt, debt collection and soon even the contract management using EASY solutions.

19,000
customer documents
in the archive

48,000
vendor documents in
the archive

20,000
Order forms in the
archive

"In addition to current documents, we have digitized our entire archive. EASY ARCHIVE has given us access to all important paper documents from the last 25 years."

Stephan Korte
Head of Production and Operations, Talgo (Germany) GmbH



THE EASY SHARE

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

MARKET DEVELOPMENT

PRICE DEVELOPMENT

SHAREHOLDER STRUCTURE

MARKET DEVELOPMENT

The year 2018 was a difficult one on the stock markets. Despite solid economic data and a low interest rate environment, the DAX lost significant value over the course of the year due to economic uncertainties and global fears of recession. The uncertain outcome of the BREXIT negotiations, concerns over Italy's budget, and the trade dispute between China and the US were events of significance that dampened the sentiment on the capital markets. The DAX, which reached its all-time high of 13,559.60 points at the beginning of the year on 23.01.2018, fell to its low for the year of 10,381.50 points on 27.12.2018. The DAX ended the year 2018 with a level of 10,558.96 points and thus had a year-to-date decline of 18.3%. The DAX Sector Technology Index lost as much as 25.5%, while the TecDAX, which contains much smaller, growth-oriented technology stocks, fell only by 3.0%.

The EASY SOFTWARE AG share initially developed very positively in this difficult environment. Since was launched at a price of EUR 6.60, the price trend in the first half of the year clearly pointed upwards. After reaching the EUR 8.80 mark on 23.01.2018, the price subsequently levelled off at between EUR 7.50 and EUR 8.00. At the end of June, a renewed price increase followed, and the highest price for the year of EUR 9.00 was reached. Following publication of the half-year figures that fell short of expectations and were published in the context of a declining market, the EASY share fell sharply in the second half of the year to its low of EUR 4.62 by the end of October. Subsequently, the share stabilized at the level of EUR 5.00; 2018 with a price of EUR 4.99 in Xetra trading. This corresponds to a price loss of around 24.4% over the course of 2018.

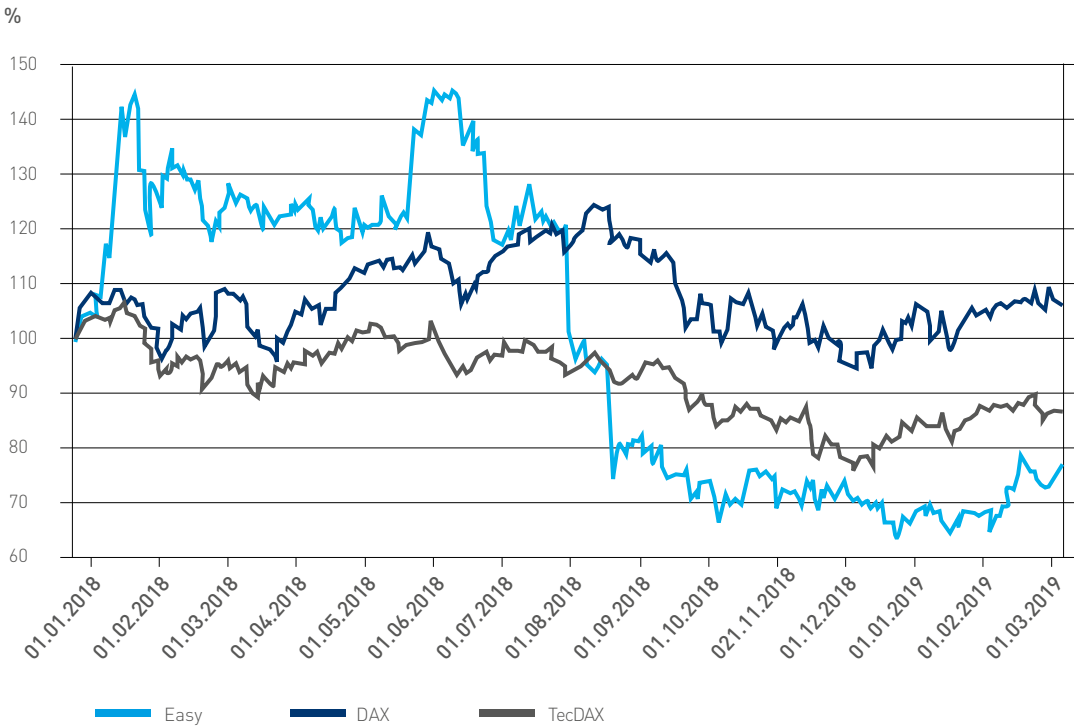
As a result of the price decline, the market capitalization of EASY SOFTWARE AG decreased to around EUR 27.0 million at the end of financial year 2018 (previous year: EUR 36.5 million). The most important trading centre for EASY shares was the electronic platform XETRA with a 65% share of sales in the reporting

period, followed by Tradegate with 24% and the Frankfurt trading floor with 7%. The average monthly trading volume was slightly below the high level of the previous year and amounted to 162,918 shares across all stock exchanges (2017: 175,828 shares). The liquidity support to ensure tradability of the EASY share in the XETRA trading system of Deutsche Börse AG continued to be provided by our designated sponsor BankM.

EASY shares in 2018 at a glance

Xetra opening price on 02.01.2018	EUR 6.60
High for 2018	EUR 9.00
Low for 2018	EUR 4.62
Xetra closing price on 28.12.2018	EUR 4.99
Share capital on 31.12.2018	EUR 5,403,000.00
Number of shares as of 31.12.2018	5,403,000

PRICE DEVELOPMENT

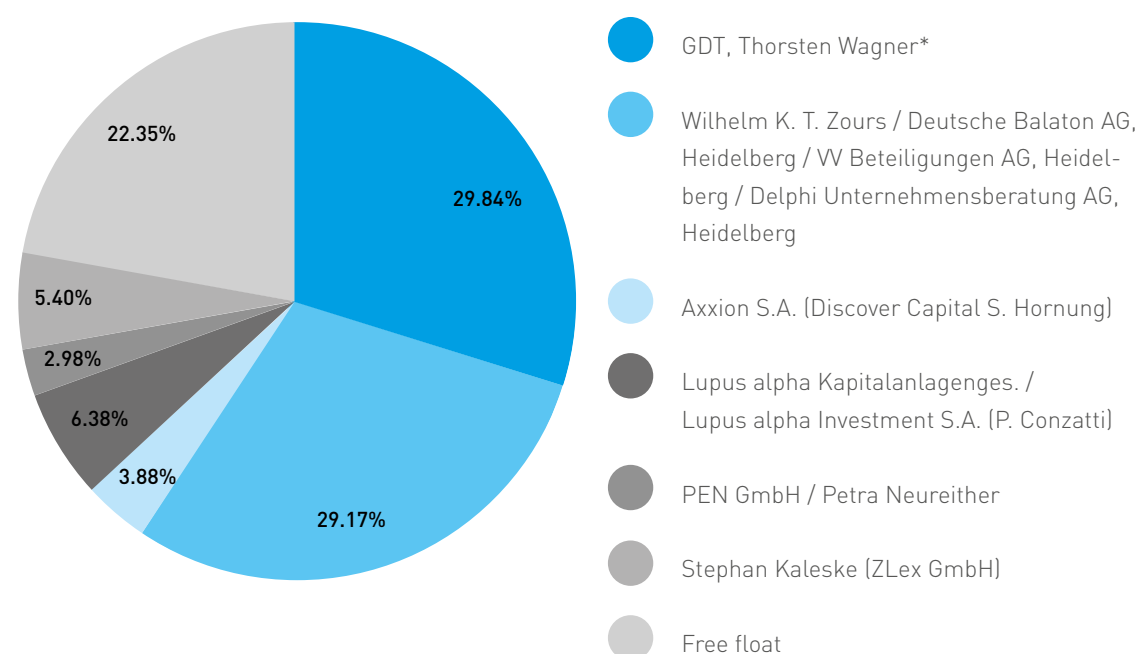


Characteristics of the EASY share

ISIN	DE0005634000
WKN	563 400
Ticker symbol	ESY
Class of shares	Bearer shares (no-par value shares)
Trading segment	General standard, regulated market
Trading venues/stock exchanges	XETRA, Frankfurt, Hamburg, Berlin, Stuttgart, Dusseldorf, Munich
Designated sponsor	BankM, Frankfurt am Main

SHAREHOLDER STRUCTURE

Stand: 24.04.2019



Since EASY SOFTWARE AG does not issue registered shares, the latest voting rights notifications are taken into account in the shareholder structure as of the balance sheet date. Kindly refer to the voting rights notification of Mr. Thorsten Wagner dated April 2, 2019, which included securities lending.

INVESTOR RELATIONS

The Investor Relations department at EASY SOFTWARE AG is responsible for open communication with shareholders and potential investors as well as any other interested market participants. As an interface to the capital market, the focus is on the comprehensive and transparent information of market participants. The goal is to further strengthen confidence in the company and EASY shares and to contribute to realistic expectations. For this purpose, the Executive Board gets in touch with the relevant financial market participants personally and directly. Thus, EASY SOFTWARE AG Board informs shareholders and the interested public about the economic development of the company as part of regular financial reporting promptly, and comments on current developments in

regular conference calls. All significant events are published as part of ad hoc public disclosure or by press release (Corporate News).

The business results and key messages are also commented on by experienced capital market analysts, who in turn make estimates regarding the further development of EASY SOFTWARE AG. The published research reports are available on the company website in the Investor Relations section. In addition to said research reports, it contains all other information about the shares, such as master data, shareholder structure, financial reports, current and past ad-hoc announcements, as well as press releases, financial calendar and contact details. The board is always happy to answer any questions from private and institutional investors, analysts and financial journalists.

At the Annual General Meeting, the Board provides shareholders and the interested public with information about the current situation and ongoing challenges. The Board also regularly presents the company at relevant capital market conferences.

Shareholder	in %
GDT, Thorsten Wagner*	29.84%
Wilhelm K. T. Zours / Deutsche Balaton AG, Heidelberg / VW Beteiligungen AG, Heidelberg / Delphi Unternehmensberatung AG, Heidelberg	29.17%
Axxion S.A. (Discover Capital S. Hornung)	3.88%
Lupus alpha Kapitalanlagenges. / Lupus alpha Investment S.A. (P. Conzatti)	6.38%
PEN GmbH, P. Neureither	2.98%
Stephan Kaleske (ZLex GmbH)	5.40%
Free float	22.35%
Total	100.00%

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

For instance, EASY SOFTWARE AG was represented at the spring conference, the most important German small-cap conference in Frankfurt am Main in May 2018 and will have a presence again this year.

Furthermore, participation in the German Equity Forum, the largest German investor conference in Frankfurt am Main, is planned for November 2019.

Interested investors and shareholders have the opportunity to register for the Investor Newsletter and receive regular updates on capital market-related topics and developments related to EASY SOFTWARE by e-mail.

Financial calendar	
29 April 2019	Publication of the financial report 2018
30 April 2019	Investor conference call
14 May 2019	Equity Forum, spring conference, Frankfurt am Main
6 August 2019	Annual General Meeting, Mülheim an der Ruhr
August 2019	Publication of the half-yearly financial report
25 to 27 November 2019	German Equity Forum, Frankfurt am Main
31 December 2019	End of the financial year



COMBINED MANAGEMENT AND GROUP MANAGEMENT REPORT OF EASY SOFTWARE AG FOR FINANCIAL YEAR 2018

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

FUNDAMENTALS OF THE GROUP

ECONOMIC REPORT

RISK AND OPPORTUNITY REPORT

OUTLOOK

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

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

1. FUNDAMENTALS OF THE GROUP

1.1 GROUP STRUCTURE

During the reporting period, EASY SOFTWARE Group consisted of EASY SOFTWARE AG as the parent company, the two wholly owned subsidiaries EASY SOFTWARE Deutschland GmbH (ESD) and EASY ENTERPRISE SERVICES GmbH (EES) with its wholly owned subsidiary EASY Mobile Service GmbH (EMS) as well as several foreign subsidiaries.

The following table shows the companies alongside their registered office and shareholding for entities that were fully consolidated in the consolidated financial statements of EASY SOFTWARE AG (EASY Group) as at 31 December 2018:

Company	Headquarters	Shareholding
EASY SOFTWARE AG	Mülheim an der Ruhr	
EASY SOFTWARE Deutschland GmbH	Mülheim an der Ruhr (as of December 31, 2018, Frankfurt am Main)	100 %
EASY ENTERPRISE SERVICES GmbH	Mülheim an der Ruhr	100 %
EASY Mobile Service GmbH	Mülheim an der Ruhr	100 %
EASY SOFTWARE GmbH	Salzburg (Österreich)	100 %
EASY SOFTWARE INC.	Exton (USA)	100 %
EASY SOFTWARE (UK) LTD.	Suffolk (Großbritannien)	100 %
EASY SOFTWARE (ASIA PACIFIC) PTE. LTD.	Singapur	100 %
EASY SOFTWARE TÜRKIYE LTD. STI.	Istanbul (Türkei)	51 %

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

In addition to the headquarters in Mülheim an der Ruhr, EASY Group operates German branches Munich, Frankfurt, Borna, Hamburg, Nuremberg, Paderborn, Bobingen and Potsdam. EASY is still also active in Dortmund and Straubing through shareholding. Foreign business is represented by its own legal entities or rather business partners, each of which has a sales mandate for the respective country.

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

The following companies were included in the consolidated financial statements of EASY SOFTWARE AG at equity:

Company	Headquarters	Shareholding
otris software AG	Dortmund	46 %
friendWorks GmbH	Straubing	52 %

EASY SOFTWARE AG holds direct shares of 46% in otris software AG (Dortmund) and 52% in friendWorks GmbH (Straubing) via EASY SOFTWARE Deutschland GmbH. No full consolidation is not applicable since there is no control aspect. otris software AG is a technology partner in the field of software development and friendWorks GmbH is a partner in software distribution, consulting and programming.

AKQUISITION OF APINAUTEN GMBH, LEIPZIG

As of December 27, 2018, EASY SOFTWARE AG acquired 2.15% of the share capital of Apinauten GmbH, Leipzig. This shareholding was increased to 72.3% with effect as of 01.01.2019. For further information please refer to the report on material events for the year under review.

1.2 OPERATIONS

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

EASY SOFTWARE is one of the pioneers of electronic file solutions, and, with more than 12,800 installations, including more than 1,000 in the SAP environment, the market leader among German document management and enterprise content management system providers. The core business of EASY SOFTWARE AG is the creation, implementation and distribution of software platforms and solutions for digitizing business processes. The focus is on document-intensive business processes with a focus on Procure to Pay, Contract Management, HR Management, Material Management, Field Services and Archiving. The EASY SOFTWARE platforms may be used to further automate and digitize further processes. EASY has implemented

more than 100 interfaces to various backend systems that enable fast and secure integration.

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

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

1.2.1 PRODUCTS AND SOLUTIONS

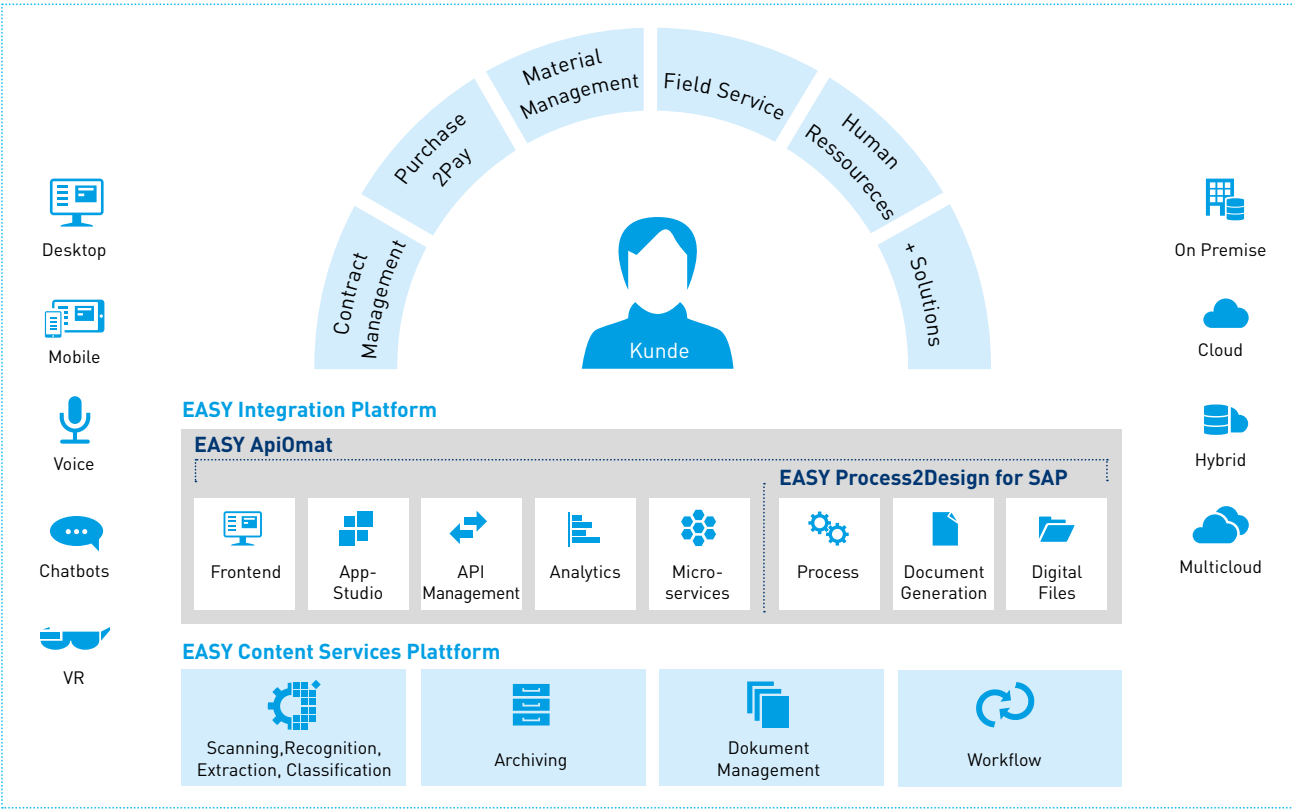
EASY Group offers user-oriented software for all common platforms based on modern technologies. At the same time, EASY is able to deliver tailor-made solutions for the digitization of business processes in every sector and company size. The software products and solutions developed and distributed by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

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

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

The EASY ApiOmat platform was developed on the basis of modern microservices architectures with a focus on mobile applications to accelerate the successful digitization of customers. It also forms the basis for EASY mobile solutions, providing the intuitive user experience needed in today's work environ-

ment. EASY ApiOmat is used for rapid prototyping in low code/no code development to create digital applications in a matter of hours and days for user flexibly and scalably without programming. The integration of EASY ApiOmat with EASY for SAP® solutions and EASY content services is quick and easy to implement.



1.2.2 SALES AND MARKETING

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

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

Online sales via partners brings EASY solutions into the target group market in a highly automated fashion and is thus scalable accordingly. Since the start of sales in October 2017, more than 6,500 users from the SME segment have already been won via the Haufe/Lexware platform.

The marketing for EASY Group will continue to pursue an inbound marketing strategy in the 2018 financial year. Holistic multi-channel marketing campaigns along the entire product and solution range of EASY SOFTWARE consistently pursue the goal of generating leads. It draws potential customers' attention to the EASY SOFTWARE products and solutions by relevant and helpful content, and adds value throughout the customer experience. Users experience tailor-made customer journeys with the aim of prequalifying them as leads as best as possible for sales and generating sales opportunities. The marketing is performed by a state-of-the-art automation tool that enables users to generate more traffic, convert leads, and demonstrate the return on investment (ROI) of their activities.

Another essential marketing activity of EASY Group is the attendance of fairs and events and the organization of our own events. EASY SOFTWARE AG was also present on the 2018 CeBIT in Hanover, the Hanover fair, the DSAG annual congress in Leipzig and other events. EASY WORLD, our in-house fair in Mülheim in September 2018, met with a growing response and focused on a range of product news in terms of content.

In the 2018 financial year, EASY employees in associations such as Bitkom were also involved in recognizing trends at an early stage and facilitating the development of industry standards.

1.2.3 GOALS AND STRATEGIES

EASY sets new goals for the coming years by way of the EASY 21 strategy. Digitization is and will remain a key issue - as well as an opportunity for EASY SOFTWARE AG.

As is the case with all software companies, EASY Group is about to be transformed into cloud solutions and platform services. The market environment is extremely dynamic. The IT analyst Gartner predicts an industry transformation from enterprise content management (ECM) to content services platforms. This is the precise core of our business, which offers its customers added value: EASY simplifies and manages content and processes along digital value chains on their behalf while granting them decisive competitive advantages in terms of time, costs and improved user experience.

The focus of the new corporate strategy EASY 21 is on bringing people and companies closer to digitization and sharing their benefits and added value - true to our motto "Digital, but EASY". As a market leader in content service platforms in Germany, Austria and Switzerland, EASY Group wants to play an active role in actively shaping the consolidating market environment and act as a challenger in other foreign markets in strategic terms. In doing so, we strive to grow above the market average both organically and

inorganically in order to expand our lead and improve our effectiveness and efficiency.

The EASY 21 strategy has two pillars and sets itself the goal that EASY SOFTWARE, as a market-leading company in the area of content services platforms, takes on a design role that is particularly reflected in the power of innovation and reputation in the market. On this basis, EASY 21 aims to provide EASY Group with sustainable growth above the market and double-digit EBITDA margins.

THE STRATEGIC GOALS OF EASY SOFTWARE ARE:

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

GROWTH IN THE CLOUD

Mobile and flexible solutions will be increasingly in demand in the information sector over the coming years. Based on this development, EASY will provide further solutions based on the cloud platforms that allow customers and partners of a range of industries to digitize and mobilize their business processes in an agile fashion. Customers will be able to connect their existing landscapes to the cloud in hybrid scenarios.

This protects existing investments while driving competitive advantage.

INNOVATION

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

INTERNATIONALIZATION

As one of the market leaders in Germany, EASY Group builds on a strong foundation to distribute its products and solutions in other countries and lan-

guages. Our products are already being used in more than 60 countries. Further internationalization will be achieved primarily through strengthening our international partner organization with a focus on larger partners. In cooperation with them, EASY is set to invest in the expansion of market development.

DEEPENING OUR VALUE CHAIN

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

1.3 MANAGEMENT CONTROL

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

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

1.3.1 FINANCIAL PERFORMANCE INDICATORS

The financial performance indicators used to manage the parent company are EBITDA and revenues, and those used to manage the group are consolidated EBITDA and consolidated revenues.

The basis for calculating these indicators are the single-entity financial statements of EASY SOFTWARE AG and the consolidated financial statements of EASY Group.

SALES

Due to the fact that EASY focuses more on scalable products and technologies, revenue development plays an important role in corporate and group management. Sales are broken down into license and cloud sales, as well as maintenance and service revenues. Each sales area has its own indicators. Sales of EASY SOFTWARE AG increased from EUR 32.5 million to EUR 32.9 million. Total consolidated revenue increased from EUR 42.7 million to EUR 46.6 million in the reporting period. To achieve these goals, the (further) development of innovative platforms and solutions forms an important part of the EASY SOFTWARE business.

EBITDA MARGIN

EASY places great emphasis on the successful monetization of our product and service portfolio. The goal is to achieve profitable growth. Against this background, (Group) EBITDA plays an important role in corporate and group management. The EBITDA margin is calculated from (Group) earnings before depreciation, interest and taxes divided by (consolidated) sales. In the reporting period, the Group generated an EBITDA of EUR -0.9 million (2017: EUR 3.0 million) and EASY SOFTWARE AG generated an EBITDA of EUR -1.1 million (2017: EUR 2.5 million).

Earnings were affected by restructuring costs, one-time effects and off-period charges to the amount of EUR 2.6 million. These are composed of different effects. The key factor was a voluntary personnel program to adjust the cost structure to EUR 1.0 million and other operating expenses of EUR 0.9 million. This included EUR 0.4 million for further restructuring measures, EUR 0.3 million for acquisitions and on a SAP ByDesign implementation project of EUR 0.2 million, which was unable to map the necessary reporting functionality for an international soft-

ware company within the standard. The non-period charges of EUR 0.74 million consist of sales commissions from previous years (EUR 0.25 million), non-recoverable customer receivables without value adjustments (EUR 0.29 million) and advance sales in partner businesses (EUR 0.20 million).. Following subsequent economic allocation of the burdens, the EBITDA before restructuring and one-off expenses would be EUR 1.7 million (2017: EUR 2.2 million).

1.3.2 NON-FINANCIAL PERFORMANCE INDICATORS

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

EMPLOYEE SATISFACTION

The high level of expertise of its employees is decisive for the positive business development of EASY SOFTWARE AG and EASY Group. Particularly due to the increasing competition for IT experts, qualified and motivated employees are critical to success. The Board regards the securing of a qualified staff as an essential task. EASY invests permanently in employee training to continuously improve staff performance. The high quality of our products and solutions, as well as the expert advice of customers form an essential part of corporate and group success. Talent development is one of the central programs of EASY personnel development.

CORPORATE SOCIAL RESPONSIBILITY (CSR) SUSTAINABILITY

The EASY Group is increasingly committed to corporate social responsibility. Social and environmental action plays an important role for EASY within the Group strategy. For instance, the EASY Group is cooperating closely with AfB non-profit GmbH (AfB Green IT). As part of the cooperation, AfB, which is the employer of many highly qualified disabled employees, will take on EASY Group's outdated hardware and put

it up for sale to third parties or dispose of it in compliance with international IT security standards. All work steps in this company are barrier-free and are carried out jointly by disabled and non-disabled people. The integration of employees into the professional world and the associated perspectives form an integral part of the business model. In addition, this approach helps to replace the resource-intensive new production of hardware, as well as reducing electronic waste and CO2 considerably. The EASY Group wants to continue to fulfil its commitment to social responsibility in the future.

WORK AND FAMILY LIFE BALANCE

EASY has created mobile work and trust time arrangements that allow employees to manage their work as part to improve the reconciliation of work and family life. The new subsidiary Apinauten GmbH, Leipzig, has decided to cooperate with Fröbel Group, which offers various kindergartens in almost all districts of Leipzig. As soon as offspring is on the cards, day care centres are reserved by Fröbel Group with a starting date as requested by the employees. Every employee has the opportunity to choose their desired daycare within Fröbel Group. This does not just facilitate the organization of everyday work, but has also become a vital lever for fostering staff retention.

DIVERSITY

EASY SOFTWARE AG is a cosmopolitan company that stands for a fair, respectful and trusting relationship with all our staff, partners, investors and customers. Our encounters always take place on equal terms and EASY SOFTWARE is committed to a diverse, open, fair, respectful and tolerant approach in the company and society at large, where intolerance, discrimination and disrespect are not deemed acceptable. The teams of the Group are widely mixed: People of different ages, sex, religion, personal orientation, abilities or nationalities represent diversity at EASY. EASY SOFTWARE appreciates and lives this diversity, as it opens up ideas and perspectives that inspire various areas of the company - research and development being among them.

As is the case across the entire IT industry, women are also underrepresented at EASY SOFTWARE. In 2018, EASY SOFTWARE AG had a 17% share of women in the upper echelons of management. The Board promotes an increase in the proportion of women at all employee and management levels. EASY SOFTWARE AG is planning for a target of at least 20% in the future by 31.12.2019, and is developing programs to attract and promote potential female staff, as well as making the occupational field more attractive and presenting EASY SOFTWARE as an attractive employer for women. Further information is provided in the Corporate Governance Report.

KEY PERFORMANCE INDICATORS

Other selected KPIs for managing the company in the sense of operational efficiency differ according to business sector. The consultancy business uses the number of billable days per consultant, while the distribution is based on license, cloud and service revenue and order intake per seller. The support service is measured by the extension rate, which expresses how many maintenance contracts are renewed in value each year. The support areas are valued at the cost of their services as a share of total turnover. Marketing is measured by the number of leads generated and the value of the sales pipeline.

1.4 RESEARCH AND DEVELOPMENT

The research and development activities of the Group are managed by EASY SOFTWARE AG through the business units, and are of paramount importance to the company and the group. New products and solutions, and thus the revenue drivers for future business years, are created here. The early recognition of trends that lead to the development of new solutions is supported by the active participation of EASY and its staff in various IT associations. A key focus of research and development work in the 2018 financial year were in the optimization and further development of the new EASY solution architecture, which allows for combinations of various products and solutions. Customers are free to choose whether to run EASY solutions in the cloud or locally. Hybrid scenarios are

the future deployment models of customers expecting new digital offerings as applications become ever more mobile. The focus of development work was on the modular structure, simple and intuitive user interfaces, mobile applications, transparent process flow as well as easy installation and configuration.

Another focal point in the area of research and development in the 2018 financial year was the further development of the EASY Cloud development platform. The microservices-based architecture is capable of leveraging new services such as electronic signatures, blockchains, virtual reality, voice input or artificial intelligence.

In the reporting period, Group expenses for the research and development of software products amounted to KEUR 5,778 (prev. year KEUR 3,661). KEUR 348 (prev. year KEUR 895) were capitalized. EASY SOFTWARE AG did not capitalize any development costs.

2. ECONOMIC REPORT

2.1 GENERAL ECONOMIC CONDITIONS

EASY Group predominantly operates in the German-speaking market and is therefore primarily affected by the general economic conditions prevailing here. The German economy continued to boom in 2018. According to the German Federal Ministry for Economic Affairs and Energy, the gross domestic product increased by 1.5% - a year-on-year decline. Growth was driven mainly by foreign trade and investment in equipment.

The brisk international demand for German industrial goods indicates that the German economy will continue to develop positively in 2019 as well. As industry capacity utilization continues to increase, high external demand should also boost domestic investment in equipment. The business climate is clouded by the external economic conditions caused by the impending BREXIT and the numerous trade conflicts. Accord-

ingly, the 2018 Annual Economic Report of the German Federal Ministry for Economic Affairs and Energy (BMWi) predicts 1.0% of growth for the gross domestic product.

However, the shortage of skilled workers is noticeable in some parts of the labour market.

International growth is also expected to continue the present trend. The International Monetary Fund (IMF) has published its growth forecast for 2019 and now expects the global economy to grow by 3.5%. This growth is driven by the current upswing in Europe and Asia and the US tax reform. However, BREXIT remains a major uncertainty factor. It also remains to be seen how the protectionist aspirations of the US government and the corresponding reactions of the affected trading partners will turn out.

2.2 MARKET AND MARKET ENVIRONMENT

Increasing digitization is providing significant impetus to the markets for EASY Group products. Just about all industries are affected and face new challenges in digitizing their business processes and developing new business models for the digital economy. This increasing digitization is reflected in the growth of the IT sector, which is analyzed and evaluated by the Federal Association for Information Technology, Telecommunications and New Media e. V. (Bitkom). Overall, Bitkom executives confirm that the German IT market (IT + consumer electronics) is alive and well. For 2019, the digital association expects a further increase of 1.5% to EUR 168.5 billion.

The largest growth is expected for the software segment (+ 6.3% to EUR 26 bn). The IT services sector, which includes project business and IT consultancy, is also forecast to display above-average growth (+ 2.3% to EUR 40.8bn).

The "Emerging Technologies Hype Cycle 2018", which US market researcher Gartner examines and classifies emerging technologies each year, identifies three particular megatrends. Firstly, the autonomous devices based on artificial intelligence (AI) that will

shape the market for the next ten years. Augmented analytics with automatic algorithms for data analysis is the second megatrend. Businesses need them to interpret the growing amount of data correctly. As the third megatrend Gartner has identified development support with the help of artificial intelligence. Again, the US market researchers predict new opportunities for developing applications.

EASY observes such trends and will derive meaningful additions for our offering. Artificial intelligence is already being tested in a number of customer projects.

2.3 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

ACQUISITION OF SYSTEC GMBH

EASY SOFTWARE AG acquired Systec GmbH on 10 January with retroactive effect from 1 January 2018. The successful merger to EASY SOFTWARE Deutschland GmbH means EASY gained qualified staff for consulting and sales, strengthened the regional position in the area of Lower Saxony/North Rhine-Westphalia as well as obtaining direct access to a range of interesting end customers.

ACQUISITION OF APINAUTEN GMBH, LEIPZIG

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

Further to the acquisition of the shares, the purchase agreement also stipulates that Apinauten GmbH will be merged with a wholly owned subsidiary of EASY SOFTWARE AG, EASY ENTERPRISE SERVICES GmbH. The remaining shares are set to be acquired in 2020. The purchase price for the first share purchase amounted to approximately EUR 8.0 million. EASY SOFTWARE AG will also provide Apinauten GmbH with approximately KEUR 850 in equity for the replacement of silent participations. The purchase price for the residual share purchase scheduled for 2020 amounts

to 360,000 EASY shares or the equivalent value as of June 30, 2020.

ONGOING COURT PROCEEDINGS

On April 7, 2017, the Higher Regional Court of Düsseldorf decided on claims for damages of EASY SOFTWARE AG amounting to EUR 1.5 million in "ScanOptic" vis-à-vis former board members. These had lodged an appeal against the first-instance judgment of LG Duisburg, which had failed in favour of EASY. OLG Düsseldorf found in favour of the plaintiff, but the higher value suit was dismissed. The court took the view that the claims asserted by EASY SOFTWARE AG were time-barred.

EASY SOFTWARE AG decided to file a non-admission appeal with the Federal Court of Justice (BGH) in the 2017 financial year to enable an appeal against this verdict of OLG Düsseldorf.

By decision of 24 July 2018, the BGH found in favour of the non-admission complaint and approved the appeal. The BGH overturned the verdict of the OLG Düsseldorf, declared the claims as not time-barred and referred the matter back to OLG Düsseldorf for further clarification of facts. OLG Düsseldorf then reported that the action in respect of the extension of the loan grant to EASY SOFTWARE (UK) PLC to the amount of EUR 0.13 million seems justified. The merits with regard to the further claim were deemed doubtful. The senate therefore proposed to terminate the legal dispute by way of a settlement, namely by paying the defendant between KEUR 133 and KEUR 1,513. A final settlement with the defendant has not yet taken place.

In further proceedings in the matter of a surety involving EASY SOLUTIONS GmbH, a deficiency complaint against the decision in favour of EASY was filed by the defendant in 2017. The BGH rejected the non-admission complaint of the opposing party by decision of 24 July 2018. The cost-fixing procedure is completed. The payment of damages had already taken place by the other party in 2017.

For the development of a third pending lawsuit concerning payments "SBR" contrary to duty, indly refer the explanation in the notes to the consolidated financial statements (serial No. 32), since there were no changes in the year under review.

2.4 ASSESSMENT OF BUSINESS DEVELOPMENT

The development of the group in financial year 2018 was in line with the expectations of the Board in terms of sales, and is considered to be favourable. The results were disappointing due to managerial misjudgments regarding the cost structure and utilization management. Especially in the German market, EASY has grown both organically and inorganically. The reorganization of direct sales contributed positively to this. Substantial revenues were generated with new and existing customers, which reflects the healthy structure of the sales department. In the cloud business, the first economies of scale also became visible despite the longer than expected sales cycles. Starting from a low level, SaaS revenues increased significantly in the reporting period. In particular, the partnership with Haufe/Lexware is developing very positively, with numbers exceeding 6,500 users at the end of the financial year.

Group development was clouded by the unsatisfactory business development in the consulting area, which resulted in losses. Profitable growth was achieved in Austria and Turkey, while the restructuring measures were implemented in the other foreign companies.

Due to the negative earnings contribution of the cloud and consulting business, the EASY Group failed to meet the EBITDA expectations in the first half of the year significantly, and the new Board has initiated restructuring measures. This was compounded by higher personnel costs in the course of 2017 due to new hires, which hardly had an impact on sales and earnings in 2018. Also, the cost of materials ratio increased slightly. The result was additionally burdened by the uncovered prior-period effects from previous years.

Direct business in particular grew robustly. Sales of software licenses and software maintenance increased by EUR 0.9 million. Overall, in excess of 200 new customers were won. The sales and earnings contributions from the takeover of the customer base of of Systec GmbH also contributed to the positive development of direct business. These customer relationships and the staff was integrated swiftly and without any layoffs.

The business development of EASY SOFTWARE AG thus made a major contribution to the overall development of EASY Group.

2.5 THE BUSINESS POSITION

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

2.5.1 EARNINGS SITUATION OF THE GROUP SALES DEVELOPMENT

Consolidated sales of EASY Group amounted to EUR 46.6 million in the financial year 2018 (2017: EUR 42.7 million). This corresponds to an increase of 9.1%.

52% of Group sales were accounted for by maintenance revenues (2017: 55%), 25% on services and the cloud (2017: 23%), 23% on software licenses (2017: 21%), 0% (2017: 1%) to other sales.

Sales in the cloud business almost doubled in the reporting period, contributing 2% to Group sales (2017: 3%). In regional terms, the German and Austrian markets developed particularly well. Business in Turkey also received new impetus in 2018. Sales in the UK and US markets were at the same level as in the previous year. Please refer to the section segment reporting in the notes to the consolidated financial statements for further details.

Total revenues under consideration of own work capitalized and other operating income amounted to EUR 47.3 million (2017: EUR 44.3 million). Own work capitalized consisted of developments in the cloud business and amounted to KEUR 348 (2017: KEUR 895), which was lower than the previous year and on par with expectations.

EARNINGS DEVELOPMENT

Along with an increase in revenues, expenses also increased during the reporting period. The cost of materials increased from EUR 10.7 million in the previous year to EUR 11.1 million, and personnel expenses increased from EUR 21.4 million to EUR 25.6 million.

Despite a rise in revenue, the cost of materials ratio fell from 25.0% to 23.8%, mainly due to lower sales of services. The personnel expense ratio rose from 50.2% to 54.9%. The latter is attributable to an increase in the number of employees in the areas of services, sales and marketing, as well as due to acquisitions. Furthermore, payments of around EUR 1.0 million and one-off costs were incurred through payments and the creation of provisions for severance payments as part of the personnel restructuring within the EASY Group.

By contrast, other operating expenses increased to EUR 11.5 million in the year under review (2017: EUR 9.2 million). This was primarily due to an increase in costs due to the growth in staff numbers, such as travel and motor vehicle costs as well as higher IT costs due to the changeover of ERP systems. The one-time costs for acquisitions, restructuring of the subsidiaries in the United Kingdom and the USA, as well as other non-operating expenses amounted to approximately EUR 1.6 million within EASY Group.

Against this background, earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR -0.9 million in financial year 2018 (2017: EUR 3.0 million). Depreciation on intangible assets and property, plant and equipment increased from EUR 2.1 million to EUR 2.7 million. The EBIT

(earnings before interest and taxes) fell to EUR -3.6 million (2017: EUR 0.9 million).

The result of investments valued at equity in respect of our interest in otris software AG and friendWorks GmbH amounted to EUR 1.2 million (2017: EUR 0.8 million). Overall, the financial result including the investment earnings increased to EUR 1.1 million (2017: EUR 0.8 million). Consolidated earnings before taxes (EBT) decreased correspondingly to the amount of EUR -2.4 million (2017: EUR 1.6 million). Consideration of the tax income of EUR 0.1 million (2017: EUR 0.2 million) results in a consolidated net loss (operating result) of EUR 2.3 million (2017: consolidated net income of EUR 1.9 million). This corresponds to earnings per share of EUR -0.43 (2017: EUR 0.36).

2.5.2 RESULTS OF EASY SOFTWARE AG BUSINESS OPERATIONS

The EASY SOFTWARE AG revenues increased slightly to EUR 32.9 million in the 2018 financial year (2017: EUR 32.5 million). The total output including changes in inventories and other operating income amounted to EUR 33.2 million compared to the previous year (2017: EUR 33.4 million) due to lower other operating income.

Revenues increased by a total of EUR 1.2 million in the key areas of licenses, software maintenance and services, whereas hardware/other declined.

On the cost side, the cost of materials fell from EUR 9.7 million to EUR 9.4 million due to a lower share of purchased goods. Personnel expenses increased from EUR 13.7 million to EUR 15.9 million in the reporting period. Payments made as part of the personnel restructuring and provisions for severance payments entailed one-off costs of EUR 0.524 million.

Other operating expenses, including one-time costs, eg for acquisitions, reorganization of foreign subsidiaries and the introduction of a new ERP system, increased to EUR 9.0 million (2017: EUR 7.4 million), resulting in an EBITDA of EUR -1.0 million (2017: EUR 2.6 million).

Depreciation and amortization increased by EUR 0.2 million compared to the previous year, resulting in an EBIT of EUR -2.3 million (2017: EUR 1.5 million). The financial result grew to EUR 2.6 million mainly due to very positive developments in investment income (2017: EUR 1.3 million). The EBT amounted to EUR 0.3 million (2017: EUR 2.8 million). The net profit for the year fell to EUR 0.3 million (2017: EUR 2.6 million).

2.5.3 ASSETS AND FINANCIAL POSITION OF THE GROUP

2.5.3.1 FINANCIAL POSITION

CAPITAL STRUCTURE

Compared to the previous year, the balance sheet total increased from EUR 35.7 million to EUR 36.1 million in the reporting period. On the asset side, the increase was mainly attributable to higher goodwill, investments accounted for using the equity method, as well as growing trade receivables. On the liabilities side, equity declined to EUR 22.1 million due to the net loss for the year (2017: EUR 24.4 million). By taking out a repayment loan and the passivation of part of the purchase price liability from the purchase of Apinuatén GmbH, long-term debts increased over the previous year. Current liabilities decreased slightly. As a result, EASY Group still has a very solid equity ratio of 61.0% as of 31 December 2018 (2017: 68.5%).

LONG-TERM ASSETS

Goodwill increased from EUR 5.8 million to EUR 6.2 million, while investments accounted for using the equity method increased from EUR 6.2 million to EUR 6.5 million. Deferred tax assets decreased from EUR 3.3 million to EUR 3.0 million. The other items changed only slightly; non-current assets grew from EUR 24.4 million as of 31 December 2017 to EUR 24.8 million as of 31 December 2018. This corresponds to a share of the balance sheet total of 68.7% (2017: 68.4%).

SHORT-TERM ASSETS

Current assets amounted to EUR 11.3 million and remained at the level of the previous year, which corresponds to a share of total assets of 31.3% (2017: 31.5%).

LONG-TERM LIABILITIES

Non-current financial liabilities expanded in the past financial year and amounted to EUR 3.4 million as of December 31, 2018 (31 December 2017: EUR 0.3 million). Personnel provisions relate to pension obligations and remained at the previous year's level at EUR 0.3 million; non-current liabilities thus increased to EUR 3.7 million as of 31 December 2018 (31 December 2017: EUR 0.6 million). This corresponds to a share of total assets of 10.2% (2017: 1.8%).

SHORT-TERM BORROWED CAPITAL

Short-term debt decreased from EUR 10.6 million as of 31 December 2017 to EUR 10.4 million as of 31 December 2018 in the reporting period, which corresponds to a share of 28.8% of total assets (2017: 29.7%). Significant changes compared to the previous year resulted in financial liabilities of EUR 3.0 million (31 December 2017: EUR 4.9 million) and other liabilities of EUR 5.7 million (31 December 2017: EUR 4.2 million).

EQUITY

As of December 31, 2018, equity including uncontrolled interests decreased to EUR 22.1 million (31 December 2017: EUR 24.4 million). The decline was mainly caused by the decline in consolidated net income for the year. Pursuant to a resolution passed by the Annual General Meeting on 21 August 2018, the EASY SOFTWARE AG retained earnings of EUR 2.6 million reported as of 31 December 2017 were transferred to other revenue reserves. In particular due to the lower consolidated profit for the year and the transfer to other retained earnings, total comprehensive income decreased from EUR 9.0 million as at 31 December 2017 to EUR 4.0 million as at 31 December 2018. The subscribed capital of EUR 5.4 million and the capital reserve remained unchanged over the previous year, while retained earnings increased to EUR 2.6 million. The equity ratio declined slightly from 68.5% as of 31 December 2017 to 61.0% as of 31 December 2018.

2.5.3.2 FINANCIAL POSITION

The net cash inflow from operating activities decreased to EUR -0.1 million in the past financial year (2017: EUR 1.2 million). This is primarily due to the lower consolidated net income.

The net cash outflow from investing activities amounted to EUR 1.0 million in the reporting period (2017: EUR 1.6 million). Payments for business acquisitions and intangible assets amounted to EUR 1.7 million during the financial year (2017: EUR 2.0 million). This was compounded by investments in property, plant and equipment amounting to EUR 0.3 million (2017: EUR 0.5 million).

The net cash inflow from financing activities amounted to EUR 0.9 million in the financial year 2018 (2017: EUR 0.3 million). Payments for the scheduled repayment of loans to the amount of EUR 3.0 million were offset by proceeds from the raising of loans to the amount of EUR 4.0 million. Interest payments amounted to EUR 0.1 million (2017: EUR 0.1 million).

This resulted in a slightly negative overall cash flow of EUR -0.3 million for financial year 2018 (2017: EUR -0.1 million). Cash and cash equivalents amounted to EUR 1.5 million as of 31 December 2018 (31 December 2017: EUR 1.7 million).

2.5.4 NET WORTH AND FINANCIAL POSITION OF EASY SOFTWARE AG

CAPITAL STRUCTURE

Compared to the previous year, the balance sheet total increased from EUR 29.1 million to EUR 31.0 million in the reporting period. The growth on the asset side was mainly attributable to the EUR 1.8 million increase in shares in affiliated companies and shareholdings as well as EUR 0.9 million in receivables from affiliated companies. On the liabilities side, the increase in other provisions by EUR 0.7 million and that in liabilities to banks by EUR 1.9 million were the main drivers. As a result, the equity ratio changed only slightly from 63.4% as of December 31, 2017 to 60.4% as of December 31, 2018.

ASSETS

Non-current assets increased from EUR 18.0 million to EUR 19.2 million in the reporting period. The main reason for this growth was the increase in shares in affiliated companies following the acquisition of Systec GmbH and the merger with EASY SOFTWARE DEUTSCHLAND GmbH.

Property, plant and equipment remained at the previous year's level less scheduled depreciation. Financial assets are tested for impairment annually. As in the previous year, no impairments were reported as of the balance sheet date on December 31, 2018. Overall, 61.9% (2017: 62.0%) of the balance sheet were attributable to total assets.

CURRENT ASSETS

Inventories, which play a subordinate role for the balance sheet of EASY SOFTWARE AG, decreased by EUR 0.25 million compared to the previous year. Receivables and other assets increased from EUR 10.4 million as of 31 December 2017 to EUR 11.4 million as of 31 December 2018. This was primarily attributable to higher cash pooling receivables of EUR 3.1 million (2017: EUR 2.3 million). Other receivables from affiliated companies also grew slightly. Trade receivables and other assets increased only slightly compared to the previous year. In total, current assets increased to EUR 11.5 million as of 31 December 2018 (2017: EUR 10.7 million), corresponding to 37.3% of the balance sheet total (2017: 36.7%).

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

Prepaid expenses decreased from EUR 0.3 million as at 31 December 2017 to EUR 0.2 million at the end of the reporting period. As in the previous year, the excess from the netting of a pension obligation amounted to less than EUR 0.1 million.

EQUITY

The company equity increased by EUR 0.3 million to EUR 18.7 million as a result of the net profit for the

financial year (2017: EUR 18.4 million). Subscribed capital and capital reserves remained unchanged compared to the previous year, while retained earnings increased due to the appropriation of the balance sheet profit in 2017. As a result, the equity ratio declined only slightly from 63.4% as of December 31, 2017 to 60.4% as of December 31, 2018.

ACCRUALS

Provisions increased during the reporting period, namely from EUR 1.3 million as of 31 December 2017 to EUR 1.9 million as of 31 December 2018. As in the previous year, this included around EUR 0.1 million in provisions for operating taxes and EUR 1.8 million in other provisions (2017: EUR 1.2 million). The other provisions mainly comprise liabilities due to annual special payments and employee commissions of EUR 0.8 million (2017: EUR 0.6 million) for severance payments from personnel restructuring of EUR 0.4 million (2017: EUR 0) and outstanding holidays of EUR 0.1 million (2017: EUR 0.2 million).

LIABILITIES

Liabilities in the financial year amounted to EUR 10.1 million (2017: EUR 8.8 million). Liabilities to banks increased from EUR 4.2 million to EUR 6.2 million, while trade payables increased from EUR 0.9 million to EUR 1.2 million. Liabilities to affiliated companies decreased to EUR 1.4 million (2017: EUR 1.7 million), while the liabilities to companies with a participating interest increased to EUR 0.5 million. (2017: EUR 0.4 million). The other liabilities fell to EUR 0.9 million; this was mainly due to the payment of the remaining purchase price for the acquisition of the customer base of Schleupen AG. Total liabilities amounted to EUR 10.1 million as of 31 December 2018 (2017: EUR 8.8 million), corresponding to 32.5% of the balance sheet total (2017: 30.1%).

DEFERRALS

Deferred income relates to software maintenance agreements with service periods that exceed the financial year and that are billed and paid in advance.

At the end of the reporting period, these amounted to EUR 0.3 million (2017: EUR 0.6 million).

FINANCIAL POSITION

The cash and cash equivalents amounted to KEUR 91 on 31 December 2018 (31 December 2017: KEUR 12). A current account credit line of EUR 3.0 million was available; EUR 1.2 million thereof was not utilized as of the balance sheet date.

2.5.5 FINANCIAL MANAGEMENT

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

The target of adequate capitalization in excess of 50%, which was reached at both the parent company and the group level; it is intended to bolster the external rating by banks. The consistent adherence to covenants is monitored. The interest-bearing liabilities come with covenants that take into consideration the equity ratio and a multiple of group EBITDA. A covenant was not complied with as of December 31, 2018; however, this breach was cured immediately after the balance sheet date so that no effects on the loan relationship are to be expected.

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

been created in the form of available capital resources and agreed financing measures.

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

As part of continued successful internal financing, no distribution is scheduled again this year.

2.5.6 INVESTMENTS

In the past financial year, EASY Group made investments with a volume of EUR 1.0 million (2017: EUR 3.4 million). Thereof, EUR 0.3 million (2017: EUR 0.5 million) were transferred to property, plant and equipment and EUR 0.7 million (2017: EUR 2.9 million) into intangible assets and development costs.

EASY SOFTWARE AG made investments with a volume of EUR 2.3 million (2017: EUR 2.4 million). The investments amounted to EUR 0.3 million in intangible assets, EUR 0.3 million in property, plant and equipment and, due to the acquisition of Systec GmbH and the merger with EASY SOFTWARE Deutschland GmbH shares in affiliated companies to the amount of EUR 1.7 million.

Investments with a significantly higher volume of EUR 10.0 million to EUR 12.0 million are planned for the 2019 financial year; these are mainly earmarked for the acquisition of Apinauten GmbH. The investments focus on the Group's growth in the B2B market segment for cloud-based and mobile software solutions.

2.5.7 ORDER SITUATION

The order backlog of EASY Group at the end of the reporting year was in line with the overall economic situation. As at 31.12.2018, the order backlog in Germany amounted to EUR 4.8 million (31.12.2017: EUR 4.9 million). For the 2019 financial year, the Board

expects a stable order backlog for new business from all Group companies.

2.5.8 STAFF

Qualified and motivated employees are an essential asset for EASY. In the reporting period, the average number of employees in the Group increased from 270 to 318. New employees were mainly hired in the areas of services, sales and marketing. On the other hand, staff taken on from Systec GmbH also affected the number of employees.

In the 2018 financial year, EASY SOFTWARE AG employed an average of 193 (2017: 171) employees. At the end of the financial year, the number of EASY SOFTWARE AG employees was 194 (2017: 180). Again, the increase was mainly attributable to the areas of services, sales and marketing.

2.6 REMUNERATION

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

The total compensation granted to active members of the Board amounted to KEUR 580 in the 2018 financial year (prev. year KEUR 441). Mr. Willy Cremers received fixed remuneration to the amount of KEUR 133, success-based remuneration to the amount of KEUR 0 and additional benefits of KEUR 11 as Executive Board member for the financial year (until August 31). The employment contract of Mr. Willy Cremers did not contain any rules on benefits in the event of premature or regular termination of contract. Mr. Thorsten Eska received fixed remuneration of KEUR 98, performance-related compensation of KEUR 28, ancillary benefits of KEUR 15 and pensions of KEUR

9 as Executive Board member for the financial year (until 30 September). Mr. Thorsten Eska received a severance payment of KEUR 100 upon leaving the company. Mr. Dieter Weißhaar received fixed remuneration of KEUR 175 for the financial year (from 1 June), performance-related payments of KEUR 0 and ancillary benefits of KEUR 11. A provision of KEUR 47 was formed for variable compensation that is yet to be paid out. In 2018, additional short-term and long-term performance-related payments were agreed with Mr. Dieter Weißhaar (royalties 1-3), which are limited to a

maximum of KEUR 300 per year in total (total compensation cap). The long-term targets amount to a maximum of KEUR 250 per fiscal year and will be paid out until the 2020 financial year if the targets are met. The goals are based on individually set annual targets and the multi-year group EBITDA. The employment contract of Mr Dieter Weißhaar contains provisions for benefits in the event of premature termination of the contract, according to which claims may be granted pro rata temporis.

Granted benefits KEUR	Willy Cremers Executive Board Departure: 31.08.2018				Thorsten Eska Executive Board Departure: 30.09.2018				Dieter Weißhaar Executive Board Entry: 01.06.2018			
	2017	2018	Min.	Max.	2017	2018	Min.	Max.	2017	2018	Min.	Max.
Fixed compensation	200	133			130	98			0	175		
Ancillary benefits	18	11			21	15			0	11		
Total	218	144	0	0	151	113	0	0	0	186	0	0
One-year variable compensation	0	0			28	28	0		0	50		50
Benefit expenses	0	0			8	9			0	0		
Total compensation	218	144	0	0	187	150	0	0	0	236		50

Inflow KEUR	Willy Cremers Executive Board Departure: 31.08.2018				Thorsten Eska Executive Board Departure: 30.09.2018				Dieter Weißhaar Executive Board Entry: 01.06.2018			
	2017	2018	Min.	Max.	2017	2018	Min.	Max.	2017	2018	Min.	Max.
Fixed compensation	200	133			130	98			0	175		
Ancillary benefits	18	11			21	15			0	11		
Total	218	144	0	0	151	113	0	0	0	186	0	0
One-year variable compensation	45	0			19	28			0	0		
Benefit expenses	0	0			8	9			0	0		
Total compensation	263	144	0	0	178	150	0	0	0	186	0	0

In accordance with § 21 of the Articles of Association, members of the Supervisory Board are to receive compensation of EUR 15,000.00 (prev. year EUR 15,000.00) per financial year. The chairperson receives 2.5 times and the deputy 1.75 times the amount. Furthermore, the members of the Supervisory Board receive an attendance fee of EUR 1,500.00 per meet-

ing for attending the meetings. Performance-related compensation components were neither granted nor paid. No consultancy contracts with Supervisory Board members. For 2017 and 2018, the members of the Supervisory Board were granted the following compensation (excluding expenses, value added tax):

Granted remuneration	Fixed compensation		Attendance fees		Total compensation	
EUR	2017	2018	2017	2018	2017	2018
Oliver Krautscheid (Chairperson)	37,500	37,500	18,000	22,500	55,500	60,000
Stefan ten Doornkaat (Deputy)	26,250	26,250	18,000	22,500	44,250	48,750
Thomas Mayerbacher (Supervisory Board)	15.000	15.000	18,000	22,500	33.000	37,500
Total	78,750	78,750	54,000	67,500	132,750	146,250

All remuneration relates exclusively to short-term benefits.

2.7 CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH §289 ET SEQ. HGB AND § 315D HGB

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

2.8 OTHER INFORMATION COMPOSITION OF THE SUBSCRIBED CAPITAL

As of 31 December 2018, the share capital of EASY SOFTWARE AG amounted to EUR 5,403,000.00. It is divided into 5,403,000 bearer shares with a pro rata amount of the share capital of EUR 1.00 per share. As of 31 December 2018, there were no treasury shares.

In utilizing the authorized capital for 2014, a capital increase was carried out with the authorization of the Annual General Meeting and by approval of the Super-

visory Board in March 2019. The placement price amounted to EUR 4.81 per share. By issuing 1,039,039 new no-par-value bearer shares with a pro rata share capital of EUR 1.00 per share, the EASY SOFTWARE AG share capital as of the date of preparation of the financial statements stood at EUR 6,442,039. There were no shares in treasury as of the date of preparation of the financial statements.

RESTRICTIONS CONCERNING VOTING RIGHTS OR SHARE TRANSFERS

The EASY SOFTWARE AG shareholders are neither limited by German law nor by the Articles of Association of the company in their decision to purchase or dispose of shares. The acquisition and sale of shares does not require the approval of the company's executive bodies for effectiveness. The company is not aware of any restrictions on the transferability of shares. Each share grants one vote at the Annual General Meeting. The voting rights of shareholders are not subject to any restrictions under either the law or the Articles of Association of the company. The voting rights are not limited to a certain number of shares or a certain number of votes. All shareholders who have

registered in time for the Annual General Meeting and have demonstrated their entitlement to attend and to exercise their voting rights are entitled to do so for any shares held and registered by them. Solely the statutory voting prohibitions apply. (eg § 136 AktG).

IN THE REPORTING PERIOD, THE COMPANY RECEIVED THE FOLLOWING NOTICES PURSUANT TO SECTION 33 WPHG:

Notice date	Notifiable name of the shareholder	Date of threshold contact	Reason for the message	Total voting rights shares
01.06.2018	Wilhelm K. T. Zours, Deutsche Balaton Aktiengesellschaft	28.05.2018	Purchase	15.01% (attributable)
16.04.2018	Axxion S. A., Grevenmacher (Luxemburg)	11.04.2018	Disposal	13.14% (direct)

SHARES WITH SPECIAL RIGHTS CONFERRING CONTROL POWERS

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

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

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

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

The appointment and dismissal of the members of the Executive Board are regulated in §§ 84, 85 AktG and in § 23 of the Articles of Association of EASY SOFTWARE AG. The Supervisory Board appoints the members of the Executive Board accordingly. According to § 23 of the Articles of Association the Executive Board must be composed of at least one person. Otherwise, the Supervisory Board determines the number of members of the Executive Board. The Supervisory Board is to appoint the members for a maximum of five years. A repeated appointment for a maximum of five years or an early cancellation thereof are both permissible. The Supervisory Board may appoint a member of the

Executive Board as Chairperson, as well as deputy board members.

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

POWERS OF THE EXECUTIVE BOARD TO ISSUE OR RETURN SHARES

The Executive Board was authorized by resolution of the Annual General Meeting on August 28, 2013 to issue the share capital of the company with the approval of the Supervisory Board once or several times in instalments of up to EUR 1,350,750.00 (in words: one million three hundred and fifty thousand seven hundred and fifty Euros) by issuing new shares for cash by August 27, 2018 (Authorized Capital 2013/I). The shareholders are in principle entitled to subscription rights. The shares may also be acquired

by a bank or consortium thereof with the obligation to offer them to shareholders for subscription. The Board is authorized to restrict shareholders' statutory subscription rights for fractional amounts with the approval of the Supervisory Board.

The Authorized Capital 2013/I expired on 27 August 2018.

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

The company utilized the Authorized Capital 2014 partially in March 2019 by issuance of 1,039,039 new no-par-value bearer shares. The residual Authorized Capital 2014 amounts to EUR 311,711.00.

ACQUISITION OF OWN SHARES

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

So far this authorization has not been exercised.

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

Former Board member Thorsten Eska had agreed to a special termination right that permitted him to resign from his position on the Board, including the termination of his employment contract, in the event of a change of control of the company. In the case of the permissible exercise of the special right of termination, there was a claim for severance pay that corresponded to the value of his annual remuneration.

Apart from that, there were and are no agreements in the event of a change of control as a result of a takeover bid.

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

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

3. RISK AND OPPORTUNITY REPORT

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

3.1 RISK MANAGEMENT

At EASY SOFTWARE AG and the EASY Group, consistent control and risk management forms an essential

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

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

The efficiency of the entire risk management system is regularly monitored and evaluated. The conversion of all EASY companies subject to operational control by EASY Group to a group-wide standardized ERP system is intended to further improve these control and risk management systems. Potentials for improvement will be implemented immediately. The following measures were specifically derived from the events in 2018:

- Centralization of German accounting in the EASY SOFTWARE AG shared service in the sense of the same valuation standards
- Two-monthly monitoring of the cash flow situation of all subsidiaries
- Implementation of a uniform approval matrix across all companies and revision of transactions requiring approval
- Central monitoring of commission agreements and conclusion of a new works agreement on the variable remuneration models
- Adoption of order guidelines in relation to the partner business and exclusion of partner orders without retail customer reference
- Communication of corporate compliance guidelines and reporting procedures to the corporate compliance officer
- Testing of internal and external data security through penetration tests

3.2 RISK MANAGEMENT WITH REGARD TO THE ACCOUNTING PROCESS

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

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

3.3 RISKS

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

GENERAL MARKET RISKS

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

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

PRODUCT RISKS

The software EASY Group products and solutions offer comprehensive functionalities. This enables the company to meet most customer requirements. For new product developments, however, the large range of functions also represents a risk since new product generations must also offer the full functional scope. The ever-increasing complexity also entails increasing risks in terms of product development. In addition, there is a risk that new products contain previously unknown or undetected errors on delivery. Resolving

such errors may consume significant resources, leading to higher costs and delays due to further product releases.

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

DISTRIBUTION AND SALES RISKS

The products and solutions of the EASY Group cannot be installed autonomously by the customer. The sale is usually only possible after a comprehensive consultation involving different departments of the client company. This places high demands on the knowledge and skills of the salespersons and consultants. EASY conducts regular training sessions with all sales staff to keep them up-to-date with the latest technical knowledge and sales practices. New staff may use this training program to get up and running faster and advise customers on improving their processes using EASY products. There is a risk that customer behaviour change and turns to other business models. EASY has enhanced the acquisition process and developed its own references based on the experience gained in recent years in this business model to meet the growing demand for cloud-based solutions. The technological platform has been tested on the market and may thus be used as a convincing supplementary sales argument.

DEPENDENCE ON STAFF AND KNOW-HOW CARRIERS

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

conditions so as to be perceived as an attractive employer both internally and externally.

RISKS IN THE PARTNER BUSINESS

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

VALUATION ALLOWANCES

There is a risk concerning valuation allowances on shares in affiliated companies in the separate financial statements or goodwill in the consolidated financial statements within EASY Group, provided that they do not achieve the expected positive results (in the future). The shares or goodwill are subject to annual impairment tests. No value adjustments were required in 2018.

LIQUIDITY RISK

Liquidity risks arise from the potential inability of EASY Group companies to meet existing or future payment obligations due to insufficient cash availability. EASY Group has established and documented appropriate processes to manage financial risks. For instance, a cash pool agreement was concluded between the parent company EASY SOFTWARE Deutschland GmbH and EASY ENTERPRISE SERVICES GmbH. Financial planning, which serves as the basis for determining the liquidity risk and the future foreign exchange and interest rate risk, and whereby all subsidiaries relevant from a cash flow point of view also form an

important component. Financial planning has a planning horizon of twelve months and is updated regularly. Liquidity risk is determined and managed centrally within the framework of daily and medium-term liquidity planning.

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

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

CREDIT RISK

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

The EASY Group takes sufficient account of the special business risks by creating specific valuation allowances. The group-wide specific valuation allowances amount to EUR 0.4 million (2017: EUR 0.2 million). Information about the creditworthiness of new clients are regularly obtained to assess the risk of default. The knowledge gained is taken into account when designing the service relationships with the customers.

RISKS OF MARKET PRICE CHANGES

Risks from changes in market prices in the currency area are controlled centrally by [Group] accounting

and are currently not hedged due to their manageable impact on EASY Group. The turnover of EASY Group invoiced in currencies other than EUR amounts to the equivalent of EUR 2.6 million, corresponding to 5.5% of total sales (2017: EUR 2.5 million or rather 5.7%), with the German and Austrian companies invoicing exclusively in EUR.

Risks from changes in market prices in the interest rate area are also controlled centrally by [group] accounting. Interest rate risks are counteracted by agreeing fixed-interest loans. Negative interest on deposits are allocated by way of cash pooling. The risk from a decline in interest income is considered insignificantly due to the low importance of interest income for the group.

DATA SECURITY

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

LEGAL DISPUTES

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

3.4 OPPORTUNITY MANAGEMENT

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

The analysis of opportunities falls within the remit of the Executive Board. The analysis of opportunities is

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

3.5 OPPORTUNITIES

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

GROWING DIGITIZATION

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

The EASY portfolio forms an integral part of the digital transformation, and the demand for mobile, digital solutions is increasing significantly. As a technology leader in software solutions for digital business processes, the advancing digitization offers the EASY

Group great opportunities to meet the growing demand for simplifying and automating all document-related operations. Over the past few years, a modern portfolio of solutions, which largely standardizes even complex content and covers important topics such as mobility and collaboration, has been established. EASY has already won its first innovative projects in the field of Internet of Things (IoT) on its strength. The acquisition of Apinauten GmbH aims at these opportunities in digitization. This may take a correspondingly positive impact on the asset, financial and earnings position of the Group in the future.

ADVANCING REGULATION

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

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

INCREASING ESTABLISHMENT OF OWN PRODUCTS AND SOLUTIONS

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

EXPLOITING NEW TARGET GROUPS AND MARKETS

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

INCREASING SCALABILITY

The growing segment of software-as-a-service solutions will become even more important in the future. EASY Group with the EASY archive and solution based in the cloud opens up considerable scaling opportunities, and particularly so via the new online sales and cooperations like the partnership with Haufe/Lexware, which is developing very positively. Partners have the opportunity to participate in this success and establish an ecosystem with self-developed (workflow) apps that help build the EASY solution world further. As the market leader

in Germany with more than 12,800 installations and solutions capable of seamless integrating into all common application programs, EASY is excellently positioned to benefit from the prevailing trends.

INORGANIC GROWTH

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

For instance, Systec GmbH, a former distribution partner, was acquired in early 2018 and retroactively merged with EASY SOFTWARE Deutschland GmbH as of January 1, 2018.

EASY SOFTWARE AG has concluded a purchase agreement for 72.3% of the shares in Apinauten GmbH of Leipzig on 20 December 2018 with economic effect from 1 January 2019, with the goal of increasing the growth of the company in the B2B market segment for cloud-based and mobile software solutions.

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

3.6 MANAGEMENT ASSESSMENT OF THE OVERALL RISK AND OPPORTUNITY SITUATION

In summary, the Executive Board assumes that the risks of EASY Group are limited and manageable. There are no identifiable risks with significant effects on the Group or its financial, earnings or asset situation are considered probable. Our assessment of the probability of occurrence of individual risks and their potential effects has not

changed significantly compared to the previous year. EASY SOFTWARE AG does not recognize any risks that could jeopardize the continued existence of the group today or in the future.

4. OUTLOOK

After the completion of the transformation program EASY FIT in 2017, it was determined that the company was unable to put the established personnel resources into production and that the cost structure thus did not correspond to the course of business. The newly introduced SAP by Design System has also revealed significant process weaknesses that need to be addressed. For this reason, the newly appointed Chairperson of the Board has announced a new strategy called EASY 21, and initiated measures to achieve operational efficiency from September.

As the largest single measure, the advisory business was restructured and the consulting departments, which had been scattered throughout the group, were combined under a single umbrella of responsibility. The aim was to have the services provided by our own consultants and to carry out third-party orders on a case-by-case basis. This was achieved in the fourth quarter of 2018, with the result that the division achieved its first positive results at the end of the year.

A voluntary personnel program that is set to reduce personnel costs by EUR 1.0 million in the course of 2019 was implemented in the fourth quarter. Further individual measures such as the optimization of the SAP environment and the implementation of the SAP by design system at foreign subsidiaries generated further one-off costs.

The new Executive Board has also had to make adjustments from non-period events, which include sales commissions paid in 2018 and to be allocated to 2017 (EUR 0.2 million), revenue derecognitions from sales that were made in previous years and did

not prove recoverable (EUR 0.3 million), as well as further shifts in costs and revenues with a negative impact on earnings of EUR 0.2 million. As a result, the previously prepared forecast proved unrealistic, while customer demand remained solid and sales growth was confirmed.

Overall, the financial year 2018 was burdened with EUR 2.6 million non-recurring expenses. Equally, that was also a need for staff changes in the management of foreign business in the US and the UK. All foreign subsidiaries today report directly to the Chairperson of the Board.

On a positive note, the measures took effect in the fourth quarter of 2018 and achieved an improved result with sales growth of 13% and an approximately 56% EBITDA increase before closing and non-recurring expenses. The first quarter of 2019 confirmed this trend with sales growth of 23% compared to the same quarter of the previous year.

DEVELOPMENTS IN THE BUSINESS SEGMENTS

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

EASY SOFTWARE has managed to build sales and customers for existing business by content services solutions based on EASY archive, EASY for SAP in the SAP environment, as well as in the EASY Cloud. The EASY Cloud business is expected to break even on a monthly basis in the second half of 2019. The technology acquisition of ApiOmat opens up new market segments, customer groups and sales potential for EASY Group. New business with licenses and cloud subscriptions grew by 21.6% to EUR 11.6 million.

The largest business division, support (53% of total revenue), is characterized by high customer loyalty and thus growing revenues (+4.7% to EUR 24.7 million). The other service units (consulting, training and managed services) grew to sales of EUR 10.7 million and are expected to generate positive contribution margins in 2019.

EASY Group also continues to pursue a strategy of growing inorganically. Accordingly, EASY took over Systec GmbH, an IT system house for document management from Bielefeld, in early 2018. Acquisitions are primarily aimed at expanding market share and expanding the portfolio through technology acquisitions, while still allowing qualified employees and new talent to be won. In the past financial year, EASY was able to increase the number of employees across the group to 318.

ASSET, FINANCIAL AND EARNINGS POSITION

Based on the above-mentioned development in the individual areas as well as the solid order backlog, the Executive Board confirms the growth course announced in the framework of EASY 21 and the targeted double-digit EBITDA result for the medium term at the group level. Assuming stable competitive structures, unchanged overall economic conditions and continued positive development in the relevant target markets, from today's perspective, the Executive Board expects revenue growth to reach EUR 51 million to EUR 53 million and Group EBITDA for the 2019 financial year of EUR 2.8 to EUR 3.8 million. The result will be burdened with one-off costs from the refinancing of the Apinauten GmbH acquisition. This corresponds to revenue growth of 9.5% to 13.7% and an EBITDA margin in the high single-digit percentage range. Income planning continues to include a portion of own work capitalized, which serves to expand the cloud portfolio. The greatest challenges remain in recruitment, especially in the SAP environment.

Due to the close business relations between EASY SOFTWARE AG, EASY SOFTWARE Deutschland GmbH and EASY ENTERPRISE SERVICES GmbH, as well as our dynamic structure within the group, a separate quantitative forecast for EASY SOFTWARE AG is not deemed necessary. We assume that the same market and growth forecast applies here.

The employee survey 2019 showed a high level of satisfaction despite the restructuring and optimization measures implemented.



Mülheim an der Ruhr, 26 April 2019
Dieter Weißhaar
Executive Board



CONSOLIDATED FINANCIAL STATE- MENTS 2018 (IFRS)

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

CONSOLIDATED BALANCE SHEET - ASSETS

CONSOLIDATED BALANCE SHEET - LIABILITIES

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED CHANGES IN EQUITY

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED BALANCE SHEET - ASSETS

	Notes	31.12.2018 KEUR	31.12.2017 KEUR
Long-term assets			
Software development costs	(1)	1,099	964
Goodwill	(2)	6,176	5,794
Other intangible assets	(3)	6,555	6,792
Property, plant and equipment	(4)	1,204	1,285
At-equity financial assets	(5)	6,494	6,189
Financial assets	(6)	193	0
Other receivables and assets	(11)	119	120
Deferred tax assets	(7)	2,994	3,262
		24,834	24,406
Short-term assets			
Inventories	(8)	33	251
Trade receivables and other assets	(9)	8,706	8,173
Receivables from income taxes	(10)	521	599
Other receivables and assets	(11)	571	500
Means of payment	(12)	1,468	1,742
		11,299	11,265
Total assets		36,133	35,671

CONSOLIDATED BALANCE SHEET - LIABILITIES

	Notes	31.12.2018 KEUR	31.12.2017 KEUR
Equity			
	(13)		
Subscribed capital		5,403	5,403
Reserves			
Capital reserve		10,017	10,017
Retained earnings		2,632	35
Overall result		3,953	8,957
Equity interests of shareholders of the parent company		22,005	24,412
Non-controlling interests		51	31
		22,056	24,443
Debts			
Long-term debt			
Personnel provisions	(14)	315	301
Financial liabilities	(16)	3,361	341
Short-term debt			
Income tax liabilities	(15)	118	139
Financial liabilities	(16)	3,019	4,853
Accounts payable trade	(17)	1,591	1,345
Other debts	(18)	5,673	4,249
		14,077	11,228
Total liabilities		36,133	35,671

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2018

	Notes	2018 KEUR	2017 KEUR
Revenues	(20)	46,647	42,744
Own work capitalized	(21)	348	895
Other operating income	(22)	255	648
Cost of materials	(23)	11,100	10,690
Personnel expenses	(24)	25,604	21,438
Other operating expenses	(25)	11,452	9,185
Earnings before interest and depreciation (EBITDA)		-906	2,974
Depreciation on intangible assets and property, plant and equipment	(1), (3), (4)	2,665	2,122
Not income from investments accounted for at equity	(26)	1,236	839
Financial income	(27)	13	16
Financial expenses	(27)	105	82
Earnings before taxes (EBT)	(27)	-2,427	1,625
Taxes on income and earnings	(28)	135	234
Group result		- 2,292	1,859
thereof attributable to non-controlling interests		30	- 74
thereof attributable to the shareholders of EASY SOFTWARE AG	(29)	-2,322	1,933
Earnings per share (in EUR) (diluted and undiluted)	(29)	-0.43	0.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

	Notes	2018 KEUR	2017 KEUR
Group result		-2,292	1,859
Other income			
Items that will not be reclassified to the income statement in the future			
Actuarial gains and losses from the calculation of personnel provisions	(14)	-18	6
Items that may be reclassified to the income statement under certain conditions in the future			
Currency translation differences from the consolidation of foreign business units		-77	-193
thereof attributable to the minorities		-10	-15
Other income		-95	-187
Total result for the period		-2,387	1,672
thereof attributable to non-controlling companies		20	- 89
thereof attributable to shareholders of EASY SOFTWARE AG as total result.		-2,407	1,761

CONSOLIDATED CHANGES IN EQUITY FOR THE PERIOD
FROM 1 JANUARY TO 31 DECEMBER 2018

				Overall result					
	Subscribed capital KEUR	Capital reserves KEUR	Retained earnings KEUR	Balance sheet loss (-)/profit (+) KEUR	Actuarial gains/losses acc. IAS 19 KEUR	Difference from foreign currency translation KEUR	Equity attributable to the shareholders of the parent company KEUR	Non-controlling interests KEUR	Total equity KEUR
2017 Development									
1 January 2017	5,403	10,017	35	7,331	-239	104	22,651	120	22,771
Total result for the period	0	0	0	1,933	6	-178	1,761	- 89	1,672
31 December 2017	5,403	10,017	35	9,264	-233	-74	24,412	31	24,443
2018 Development									
1 January 2018	5,403	10,017	35	9,264	-233	-74	24,412	31	24,443
Retained earnings	0	0	2,597	-2,597	0	0	0	0	0
Total result for the period	0	0	0	-2,322	-18	-67	-2,407	20	-2,387
31. Dezember 2018	5,403	10,017	2,632	4,345	-251	-141	22,005	51	22,056

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD
FROM 1 JANUARY TO 31 DECEMBER 2018

	2018 KEUR	2017 KEUR
Group result	-2,292	1,859
- / + The financing and investment activity attributable net interest earned / paid out	92	66
+ Depreciation on non-current assets	2,665	2,122
- / + Profit / loss from the disposal of property, plant and equipment	-1	21
- / + Increase / decrease in inventories, trade receivables and benefits and other assets	-513	-1,559
- / + Increase / decrease in deferred tax assets and liabilities	-214	-412
- Other non-cash expenses and income	-1,236	-1,019
+ / - Increase / decrease in trade payables and liabilities, benefits and other liabilities	1,410	553
- Currency translation differences	27	-193
- Income taxes paid	-58	-212
= Cash flow from operating activities	-120	1,226
+ Deposits from the sale of property, plant and equipment	40	37
- Payments for business acquisitions	-1,242	0
- Payments for investments in intangible assets	-470	-1,991
- Payments for investments in property, plant and equipment	-311	-463
+ Distributions received from equity investments	931	782
+ Interest received	13	16
= Cash flow from investing activities	-1,039	-1,619
+ Bank loans taken out	4,000	2,904
- Repayment of bank loans	-3,007	-2,521
- Interest paid	-105	-82
= Cash flow from financing activities	888	301
= Cash-effective change in cash and cash equivalents	-271	-92
- Effect of exchange rate changes on cash and cash equivalents	-3	-94
+ Financial funds at the beginning of the period	1,742	1,928
= Financial funds at the end of the period	1,468	1,742



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2018 FINANCIAL YEAR

GENERAL INFORMATION

OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES

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

CONSOLIDATED CASH FLOW STATEMENT

SEGMENT REPORTING

OTHER INFORMATION

DEVELOPMENT OF THE CONSOLIDATED ASSETS LEVEL AS OF DECEMBER 31, 2018

A: GENERAL INFORMATION

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

The company is listed with the competent District Court in Duisburg, Germany under commercial register number HRB 15618. The EASY SOFTWARE AG share is admitted to trading on the Regulated Market (General Standard) of the Frankfurt Stock Exchange under securities identification number 563 400.

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

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

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

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B: OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES

A) CONFORMITY OF THE CONSOLIDATED FINANCIAL STATEMENTS WITH IFRS

The consolidated financial statements for the financial year 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standard Board (IASB), London/United Kingdom, as they are to be applied in the European Union as of December 31, 2018. It also complies with the commercial law provisions of § 315e (1) HGB. In preparing the consolidated financial statements, the same accounting policies have been applied to them except for the first-time mandatory standards and interpretations or amendments and additions.

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

The consolidated financial statements have applied IASB's revised, amended and newly issued accounting standards and interpretations, which were mandatory for EASY SOFTWARE AG in the 2018 financial year, for the first time.

The following table contains a detailed statement of the new or amended standards and interpretations to be applied as of 31 December 2018:

Standard	Title/regulatory content	First mandatory application in the EU	EU endorsement
IFRS 15	Revenues from contracts with customers	01.01.2018	29.10.2016
IFRS 9	Financial instruments	01.01.2018	29.11.2016
Amend. IFRS 4	Application of IFRS 9 with IFRS 4	01.01.2018	09.11.2017
Amend. IFRS 2	Classification and valuation of transactions with share-based payment	01.01.2018	27.02.2018
Various	Annual improvement project IASB 2014-2016	01.01.2018	08.02.2018
Amend. IAS 40	Transfers of investment property	01.01.2018	14.03.2018
IFRIC 22	Transactions in foreign currency and prepayments paid in advance	01.01.2018	28.03.2018

The first-time application of these standards or rather interpretations in the reporting period will have the following material effects on the net assets, financial position and results of operations of the EASY Group and the disclosures in the notes.

IFRS 9: FINANCIAL INSTRUMENTS

The standard introduces a consistent approach to the classification and measurement of financial assets. It then replaces IAS 39. It refers to the cash flow characteristics and the business model under which the financial assets are to be managed. In addition, a new impairment model is planned based on expected credit losses. The new standard also includes new rules on the application of hedge accounting to better illustrate a company's risk management activities, particularly with respect to the management of non-financial risks.

The simplified impairment model of IFRS 9 is used to calculate the expected default rates. Accordingly, the losses expected over the entire term are to be recognized from all trade receivables. The recognition of expected losses under the new value adjustment model does not result in any adjustments at the time of first-time application on January 1, 2018.

IFRS 15: REVENUES FROM CONTRACTS WITH CUSTOMERS

The standard replaces IAS 11, construction contracts, and IAS 18, revenues, as well as the related interpretations. The recognition of revenue under IFRS 15 is intended to reflect the transfer of the promised goods or services to the customer in the amount that corresponds to the consideration that the entity expects to receive in exchange for those goods or services. Revenues are realized when the customer receives power of disposal over the goods or services. IFRS 15 also contains requirements for the disclosure of contractual surpluses or obligations. This includes assets and liabilities arising from customer contracts that are generated according to the relationship between the service provided by the company and customer payments. The new standard also requires expanded quantitative and qualitative information to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

IFRS 15 does not result in any changes to the presentation of revenue. A period-related revenue recognition continues to be in place.

Sales contracts for software licenses are realized at the time of the transfer of risk. Maintenance contracts for software maintenance are based on a period-related revenue realization over the term of the contract. In the case of other service contracts, revenue is recognized after the service has been rendered.

C) NEW STANDARDS TO BE APPLIED IN LATER PERIODS

A number of other accounting standards and interpretations have been newly adopted or revised by the IASB and must be applied by EASY SOFTWARE AG as of 1 January 2019 at the earliest, provided they have been approved by the European Commission and are

relevant to EASY SOFTWARE AG. Their application has also been waived voluntarily for the present financial statements.

The following are the main standards and interpretations expected to be applied for EASY SOFTWARE AG:

IFRS 16: LEASES

This standard essentially introduces new rules for the classification of leases by the lessee. The previously applicable risk and reward approach was abandoned in favor of recognizing all leases in the form of a right of use and a corresponding lease obligation. Exceptions to this rule are only for leases with a term of up to twelve months or low-value assets.

The change in leasing accounting in accordance with IFRS 16 is expected to take effects on the net assets and results of operations for EASY Group. The accounting for the rights of use will lead to an increase in non-current assets and corresponding financial liabilities; the equity ratio is set to be reduced accordingly. The previous expenses for operating leases are replaced by depreciation of the rights of use and interest expenses for the compounding of liabilities. A detailed quantification of the effects has not yet been made. The shortened retrospective transition method is to be employed.

The option of early adoption of standards/interpretations that was previously adopted by the IASB was not exercised. The other new or revised standards/interpretations will have no material impact on the net assets, financial position and results of operations for EASY Group according to current estimates.

D) CONSOLIDATION PRINCIPLES SCOPE OF CONSOLIDATION

In addition to EASY SOFTWARE AG, Mülheim an der Ruhr, the parent company included subsidiaries controlled by it. The company obtains control if it exercises control over the investee, is exposed to varia-

ble returns on its investment, and may influence the amount of the returns due to its power of disposal.

Companies	Shareholding	
	31.12.2018	31.12.2017
EASY SOFTWARE GmbH, Salzburg, Austria	100 %	100 %
EASY SOFTWARE (UK) LTD., Suffolk, United Kingdom	100 %	100 %
EASY ENTERPRISE SERVICES GmbH, Mülheim an der Ruhr	100 %	100 %
EASY MOBILE SERVICE GmbH, Mülheim an der Ruhr	100 %	100 %
EASY SOFTWARE INC., Exton, PA / USA	100 %	100 %
EASY SOFTWARE (ASIA PACIFIC) PTE. LTD., Singapur	100 %	100 %
EASY SOFTWARE TÜRKİYE LTD. STI., Istanbul, Turkey	51 %	51 %
EASY SOFTWARE Deutschland GmbH, Frankfurt	100 %	100 %

	Carrying amounts 01.01.2018 KEUR
Goodwill	479
Other intangible assets	
Customer relationships	1,439
Order backlog	22
Residual	24
Property, plant and equipment	9
Inventories	43
Trade receivables and other assets	183
Other receivables and assets	11
Means of payment	258
Assets	2,468
Deferred tax liabilities	482
Income tax liabilities	36
Accounts payable trade	248
Other debts	202
Liabilities	968

EASY SOFTWARE AG indirectly holds 52% of the shares in friendWorks GmbH, Straubing via EASY SOFTWARE Deutschland GmbH. Despite holding a majority of the voting rights, this company is not controlled since the articles of association require a majority of 75% of the voting rights for significant resolutions, and the management is a minority shareholder.

CHANGES IN THE SCOPE OF CONSOLIDATION

EASY SOFTWARE AG acquired 100% of the shares in Systec GmbH, Bielefeld, with a purchase agreement dated 10 January 2018, retroactively to 1 January 2018. The IT system house for document management with 9 staff recently generated external sales of around EUR 2 million, of which more than EUR 1 million was with EASY SOFTWARE AG. This acquisition helps EASY win qualified employees and strengthen the regional position in Lower Saxony/North Rhine-Westphalia.

The purchase price for the company amounts to EUR 1,500,000, subject to a reduction in the purchase price in the event of non-achievement of certain results. The purchase price of KEUR 1,500 was paid through the transfer of cash in the current financial year.

The acquisition of the company has taken over the assets and liabilities shown in the table: Depreciation of KEUR 219 is attributable to the assets acquired in the course of the financial year. The values of the receivables correspond to their fair values on the acquisition date.

There are no signs of uncollectible claims. All claims are due in the short term.

At a purchase price of KEUR 1,500 and an equity of KEUR 1,021 measured at fair value on the basis of purchase price allocation, the goodwill amounts to KEUR 479.

The goodwill results in particular from the benefits of future sales growth and company staff. These benefits are not recognized separately from goodwill since they do not meet the recognition criteria for intangible assets. The goodwill is not deductible for tax purposes.

Non-capitalisable ancillary costs of the acquisition amounting to KEUR 8 were recognized under other operating expenses.

Systec GmbH was merged into EASY SOFTWARE Deutschland GmbH with effect from 1 January 2018. As a result, the revenues and net income included in the consolidated statement of comprehensive income cannot be disclosed since the date of acquisition.

There have been no other changes in the scope of consolidation since 31 December 2017.

CONSOLIDATION PRINCIPLES AND DEADLINE

The consolidated financial statements are based on the annual financial statements of the subsidiaries and parent company prepared in accordance with uniform accounting policies as of December 31, 2018.

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

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

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

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

E) CURRENCY CONVERSIONS

The individual financial statements of the subsidiaries value business transactions in foreign currencies at the prevailing exchange rate. Exchange rate fluctuations occurring up to the balance sheet date are taken into account in the valuation of foreign currency receivables and liabilities; profits and losses from this

effect are recognized under profit or loss. Currency translation differences on assets and liabilities that are to be recognized as a net investment in a foreign business operation are recognized directly in the foreign currency translation adjustment item.

The financial statements of the foreign subsidiaries EASY SOFTWARE (UK) LTD., Suffolk/UK, EASY SOFTWARE INC., Exton/USA, EASY SOFTWARE (ASIA PACIFIC) PTE. LTD. /Singapore, and EASY SOFTWARE TURKIYE LTD. STI., Istanbul/Turkey are exchanged into euros according to the functional currency concept in accordance with IAS 21. Accordingly, the functional currency is the currency of the primary economic environment the subsidiary operates in. Since all involved companies conduct their business independently in financial, economic and organizational terms, the applicable national currency is generally the functional currency. The assets and liabilities are therefore converted at the closing rate on the balance sheet date; the items of the income statement are converted at the annual average exchange rate. The differences from the translation of financial statements are recognized directly in equity through the adjustment item from the currency conversion. In the year of deconsolidation of foreign subsidiaries, these currency differences are reversed through profit or loss. The following exchange rates were used for currency conversion:

	Average price per EUR		Closing price per EUR	
	2018	2017	2018	2017
US Dollars (USD)	1.1798	1.1274	1.1447	1.1980
British Pound (GBP)	0.8846	0.8762	0.9017	0.8879
Singapore Dollars (SGD)	1.5924	1.5581	1.5652	1.6015
Turkish Lira (TRY)	5.5741	4.1085	6.0533	4.5372

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

F) ACCOUNTING AND VALUATION PRINCIPLES

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

Specifically, the main accounting policies are as follows:

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

ance with IAS 38 and are therefore recognized directly as expenses in the income statement.

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

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

Other intangible assets, in particular the acquired customer bases, are valued at acquisition cost less scheduled depreciation.

Other intangible assets are depreciated using the straight-line method over a limited useful life.

The valuation of **fixed assets** is carried out at acquisition cost (purchase price including incidental acquisition costs), less scheduled depreciation and impairments. The optional revaluation method according to IAS 16 is not applicable. Property, plant and equipment are depreciated using the straight-line method.

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

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

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

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

Leases are classified on initial recognition as either finance or operating leases. The economic ownership of leased assets is attributed to the lessee in accordance with IAS 17 where the lessee bears all the significant risks and rewards incidental to the leased asset (finance lease). Insofar as the economic ownership is attributable to EASY SOFTWARE AG, the leased asset is capitalized at the time of conclusion of contract to the amount of the lower of fair or present value of the minimum lease payments. Assets held under a finance lease are recognized as assets recognized at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognized as an obligation under finance leases within the consolidated balance sheet. All other leases are treated as operating leases, and lease expenses are recognized as a straight-line expense.

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

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

Inventories in the form of product licenses and goods are stated under IAS 2 at the lower of acquisition

cost or net realizable value; this is determined from expected sales proceeds less costs yet to be incurred. Any work in progress - outside the scope of IFRS 15 - is carried at the lower of cost or net realizable value.

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

Trade receivables also include the net assets of unfinished projects as work in progress. These are fixed-price contracts whereby the total contract revenue can be reliably measured and it is probable that the economic benefit from the contracts will flow to the company. Furthermore, both the costs still to be incurred by the time the project is completed and the degree of completion achieved at the balance sheet date can be measured reliably. The order costs can also be clearly determined and reliably assessed.

The contract revenues and contract costs resulting from these projects are recognized as income and expenses ("percentage of completion method") in accordance with progress as of the balance sheet date. Any expected loss due to the production order is recognized immediately as an expense.

The degree of completion of a project is determined on the basis of the deliveries and services provided and

documented for the project up to the balance sheet date in relation to overall performance. The order proceeds result from the service hours evaluated at the agreed hourly rates.

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

Receivables from income tax and income tax liabilities are recognized at the amount expected to be refunded by or paid to the tax authority.

Means of payment are valued at their face value.

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

The assessment basis for the deferred taxes is determined at the respective income tax rate that is expected to be valid at the time the differences are realized. The tax rates for the calculation of deferred taxes in Germany and abroad are adjusted to the legal position applicable at the respective reporting date. In assessing deferred taxes for the current year and future deferred taxes, a total tax rate of 32.625% (prev. year 32,625%) assessed. In the US, a tax rate of 30.99% (prev. year 30.99%) and in the United Kingdom a tax rate of 17.0% to 19.0% (prev. year 17.0% to 19.0%) was used.

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

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

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

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

Personnel provisions under defined benefit plans are calculated separately for each plan as the group's net obligation under estimation of future benefits earned by employees in previous periods and in the current period where applicable. This amount is discounted and the fair value of any plan assets deducted.

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

Revaluation of the net liability from defined benefit plans are recognized directly under other comprehensive income. The revaluation includes the actuarial gains and losses, the return on plan assets (excluding interest) and the impact of any asset ceiling (excluding interest). The group calculates the net interest expense (income) on the net liability (benefit) from defined benefit plans for the period by applying the

discount rate used to measure the defined benefit obligation at the beginning of the annual reporting period. This discount rate is applied to the net liability (asset) of the defined benefit plan at that time. In doing so, any changes that arise as a result of contributions and benefits over the reporting period to the net liability (asset) of defined benefit pension plans are considered. Net interest and other expenses for defined benefit plans are recognized under profit or loss.

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

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

The valuation of **Accounts payable** trade is carried at amortized cost. Generally, all financial liabilities are carried at amortized cost using the effective interest method in accordance with IFRS 9, since the fair value option is not applied by the company.

Other debts are stated at the repayment amount.

Revenues from the sale of software and the provision of software maintenance and services and cloud as well as the sale of hardware and the like are realized when the delivery or service owed has been rendered, the transfer of risk has occurred or rather the service has been provided, the revenue is likely to be realized and the amount of the expected consideration can be reliably determined. Software maintenance revenues are recognized on a straight-line basis over the term of contract regardless of actual customer usage.

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

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

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

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

G) SEGMENT REPORTING

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

H) RISK PROVISION

The special risks of the business are fully taken into account by the posting of individual value adjustments. The creditworthiness of new customers is generally obtained to assess the credit risk. The results obtained are taken into consideration when entering into service relationships. The maximum default risk corre-

sponds to the amount of recognized financial assets. The default risk is considered to be relatively low due to the high credit standing of the EASY customer base, as well as its diversification. There are no dependencies on major individual customers.

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

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

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

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

The relevant Board Directive prescribes risk management as a process with a systematic approach and documentation. The identification of existing developments and internal guidelines is an ongoing task and reported to the Executive Board.

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

I) ESTIMATES AND ASSESSMENTS

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

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

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

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

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

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

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

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

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

J) CAPITAL MANAGEMENT

The goals of the management are sales growth and EBITDA growth. The goals of capital management are subordinated to these goals. These processes are to guarantee the financial flexibility and long-term maintenance of the business. In particular, this involves securing liquidity, limiting economic risks and optimizing the cost of capital. An adequate capital base

(more than 50.0%) must also be in place to support the external rating by banks. Overall, the aim is to attain a strong increase in the value of the group. The operating business is generally financed by equity and debt. The capital management strategy of EASY SOFTWARE AG has not changed in comparison to the previous year. Goal fulfilment is monitored as part of corporate planning. This ensures that sufficient liquidity is available at all times.

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

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

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

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

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

The composition and development of intangible assets and property, plant and equipment as of December 31, 2018 are shown in the attached development of Group fixed assets.

1. SOFTWARE DEVELOPMENT COSTS

Software development costs are amortized on a straight-line basis over the expected product life of five to eight years. The depreciation in the amount of KEUR 214 (prev. year KEUR 39) are included in the consolidated income statement under item amortization of intangible assets and property, plant and equipment.

2. GOODWILL

The goodwill resulting from a business merger was determined at the time of first-time consolidation in accordance with the requirements of IFRS 3. Goodwill is broken down into the cash-generating units defined as legal units in the EASY Group as follows, with the exception of the PCM division.

	31.12.2018	31.12.2017
	KEUR	KEUR
EASY SOFTWARE Deutschland GmbH	3,928	3,928
EASY SOFTWARE AG (business unit PCM)	783	783
EASY SOFTWARE (UK) LTD.	406	533
EASY SOFTWARE Deutschland GmbH (Systec GmbH)	479	0
EASY SOFTWARE GmbH	352	352
EASY SOFTWARE INC.	228	198
	6,176	5,794

In accordance with the requirements of IFRS 3 in conjunction with IAS 36, an annual impairment test is performed on the goodwill figures. In doing so, the relevant book value is compared with the respective recoverable amount. The recoverable amount corresponds to the value in use calculated as the present value of future cash flows. The expected cash flows are based on a qualified planning process under consideration of company-internal experience as well as external economic data collected from outside the company. The cash flows are calculated using the indirect method based on profit before tax adjusted for non-cash expenses and income, as well as the change in working capital. Discounted net cash flows were calculated using the current prospects for success and the financial and earnings planning for the next five years. For all companies with expected average increases, gains in sales revenues of between 2% and 8% (prev. year between 3% and 11%) as well as average growth rates of personnel costs of 0% to 9% (prev. year 2% to 7%) were applied as essential planning premises. After the detailed planning phase, a growth rate of 1.0% (prev. year 0%) was applied. Planned special effects are also taken into account. The pre-tax discount rate, which is used to discount the planned cash flows at the balance sheet date, amounts to 12.95% (prev. year 7,64 %) per annum.

There was no need for a value adjustment in 2018, as was the case in previous years. Since the determined recoverable amounts significantly exceed the book values, no changes in the valuation parameters, which would lead to a recoverable amount short of the book values, are to be realistically expected.

3. OTHER INTANGIBLE ASSETS

Depreciation and amortization to the amount of KEUR 2,058 (prev. year KEUR 1,737) are included in the consolidated income statement under the item amortization of intangible assets and property, plant and equipment. There were no impairments. The customer bases reported under other intangible assets amounting to KEUR 5,748 (prev. year KEUR 5,692) were due to acquired customer relationships. These will be fully written off within the next 3 - 8 years (prev. year 4 - 8 years).

4. PROPERTY, PLANT AND EQUIPMENT

Depreciation to the amount of KEUR 393 (prev. year KEUR 346) are included in the consolidated income statement under the item amortization of intangible assets and property, plant and equipment. There were no impairments. None of the assets that were acquired through finance leases are to be recognized as property, plant and equipment in accordance with IAS 17.

5. AT-EQUITY FINANCIAL ASSETS

The shares in associated companies concern the following companies:

Companies	Shareholding	
	31.12.2018	31.12.2017
otris software AG, Dortmund	46 %	46 %
friendWorks GmbH, Straubing	52 %	52 %

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

The item is composed as follows:

	31.12.2018 KEUR	31.12.2017 KEUR
otris software AG	6,214	5,852
friendWorks GmbH	280	337
	6,494	6,189

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

	otris software AG 2018 KEUR	friend-Works GmbH 2018 KEUR	Total 2018 KEUR
Long-term assets	1,932	106	2,038
Short-term assets	4,063	917	4,980
Debts	1,735	335	2,070
Net assets	4,260	688	4,948
Revenues	11,511	2,957	14,468
Net income	2,550	265	2,815

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

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

	otris software AG 2018 KEUR	friend-Works GmbH 2018 KEUR	Total 2018 KEUR
As of 01.01.2018	5,852	337	6,189
Pro rata period surplus	1,173	138	1,311
Continuation of hidden reserves	-75	0	-75
Distribution	-736	-195	-931
As of 31.12.2018	6,214	280	6,494

6. FINANCIAL ASSETS

The financial assets result from part of the purchase price payment for the acquisition of Apinauten GmbH. Please refer to the explanations in note 42 for further information. The fair values were determined according to hierarchy levels 3. The acquisition costs and book values for the shareholdings correspond to the fair values.

7. DEFERRED TAX ASSETS

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

	31.12.2018 KEUR	31.12.2017 KEUR
Pension provisions	145	148
Losses carried forward	4,421	4,523
Deferred tax assets	4,566	4,671
Software development costs	349	309
Other intangible assets	1,223	1,090
Profits from contract revenue in projects not yet completed	0	10
Deferred tax liabilities	1,572	1,409
Balance sheet disclosure after netting	2,994	3,262

Income taxes include both allocations and claims.

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

Deferred tax assets on loss carryforwards amounting to KEUR 873 (previous year: KEUR 868) are attributable to two subsidiaries that made losses in the past. It is assumed that the deferred tax assets will be recoverable. For one company, a significant positive development is expected from the software it has developed for the cloud business, as well as due to an initiated corporate law measure. At a foreign subsidiary, extensive measures were implemented in the management of the company, so that significant positive results are expected for this company as well.

The loss carryforwards not yet taken into account in the calculation of the deferred tax assets amount to KEUR 7,265 (prev. year KEUR 3,770). The unrecognised deferred taxes attributable to this amount to KEUR 2,370 (prev. year KEUR 1.230).

8. INVENTORIES

The inventories relate to work in progress.

9. TRADE RECEIVABLES AND OTHER ASSETS

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

Gross sum before value adjustment	Net sum = balance sheet value	neither impaired nor overdue	thereof not impaired as of the balance sheet date and overdue in the following time bands			
			less than 10 days KEUR	between 11 and 30 days KEUR	between 31 days and 1 year KEUR	greater than 1 year KEUR
KEUR	KEUR	KEUR				
As of 31 December 2018						
9,187	8,706	5,499	619	952	1,463	173
As of 31 December 2017						
8,331	8,173	3,280	650	1,377	2,524	342

The development of allowances for credit losses on trade receivables is as follows:

	2018 KEUR	2017 KEUR
1 January	158	151
Reversals	6	90
Addition	329	97
Utilization	0	0
31 December	481	158

The increase in value adjustments over the previous year is an expression of improved risk provisioning especially in the area of customer receivables from licensing surveys in the area of compliance and additional claims of overdrawn partner rebates.

Trade receivables in the amount of KEUR 52 (prev. year KEUR 115) are recognized in the year under review.

10. RECEIVABLES FROM INCOME TAXES

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

11. OTHER RECEIVABLES AND ASSETS

The other receivables mainly consist of accruals of KEUR 408 (prev. year KEUR 471). KEUR 119 (prev. year KEUR 120) of the other sums are shown as non-current.

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

12. MEANS OF PAYMENT

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

	31.12.2018 KEUR	31.12.2017 KEUR
Cash on hand	8	8
Bank deposits	1,460	1,734
	1,468	1,742

13. EQUITY

As of 31 December 2018, the subscribed capital remained at EUR 5,403,000.00, unchanged from the previous year. It is divided into 5,403,000 ordinary bearer shares with no par value with a notional share in the subscribed capital of EUR 1.00 each. All shares grant equal rights.

The Executive Board was authorized by resolution of the Annual General Meeting on August 28, 2013 to issue the share capital with the approval of the Supervisory Board once or several times in instalments of up to EUR 1,350,750.00 by issuing new shares for cash by August 27, 2018 (Authorized Capital 2013). The Board was authorized to restrict shareholders' statutory subscription rights for fractional amounts with the approval of the Supervisory Board. The Authorized Capital 2013 was not utilized.

The Executive Board was authorized by resolution of the Annual General Meeting on August 8, 2014 to issue the share capital with the approval of the Supervisory Board once or several times in instalments of up to EUR 1,350,750.00 by issuing new shares for cash by August 7, 2019 (Authorized Capital 2014). The Board is authorized to restrict shareholders' statutory subscription rights for fractional amounts with the approval of the Supervisory Board. The Authorized

Capital 2014 was utilized at the commencement of 2019. Please refer to the explanations in note 42 for further information.

the Board was authorized to acquire and dispose of treasury shares pursuant to § 71 (1) no. 8 AktG by resolution of the Annual General Meeting on June 8, 2017 and with the consent of the Supervisory Board under the possible exclusion of shareholders' offer and subscription rights. The Board is authorized to restrict shareholders' statutory subscription rights for fractional amounts with the approval of the Supervisory Board. The acquisition or sale of treasury shares has not been carried out to date. The capital reserve was formed by the issue of units above their nominal value. The capital reserves are treated in accordance with stock corporation law.

The revenue reserves relate to the statutory reserve for public limited companies. Pursuant to a resolution passed by the Annual General Meeting on 21 August 2017, the EASY SOFTWARE AG retained earnings of KEUR 2,597 reported as of 31 December 2017 were transferred to other revenue reserves.

The non-controlling interests relate to 49% of the subscribed capital of the EASY SOFTWARE TÜRKİYE LTD. STI. shareholders.

14. PERSONNEL PROVISIONS

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

	31.12.2018 %	31.12.2017 %
Actuarial interest rate for pensioners	1.60	1.55
Actuarial interest rate for entitled persons	2.27	1.93
Pension dynamic	1.00 - 2.00	1.00 - 2.00
Biometric probabilities "Mortality tables 2018 G" (prev. year "2005 G" acc. to Prof. Dr. Klaus Heubeck)		

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

The net liability for pension obligations has developed as follows:

	2018 KEUR	2017 KEUR		2018 KEUR	2017 KEUR
Projected benefit value as of 1 January	1,090	1,070	Plan assets as of 1 January	789	751
current service cost	32	33	Contributions	31	31
interest expense	19	18	Interest income	8	8
Actuarial gains/losses from changes in the financial assumptions	-30	-6	Result from plan assets that are not included in interest income	0	-1
Actuarial gains/losses from experience adjustments	56	-5	Plan assets as of 31 December	828	789
So. immat. VW (Easy Dt)	-24	-20	Net debt (-)	-315	-301
Projected benefit value as of 31 December	1,143	1,090			

Plan assets relate to receivables from reinsurance policies, and they earn interest at 0% to 2%.

Any increase (decrease) in the discount rate by 0.5 percentage points would have led to a decrease (increase) in the present value of the defined benefit obligation by KEUR 73. Any increase (decrease) in the pension dynamic by 1% would have led to an increase (decrease) in the present value of the defined benefit obligation by EUR 116 thousand (EUR 98 thousand). The sensitivity analysis may not be representative of the actual change to the pension obligation; that's because deviations from the assumptions are unlikely to arise in isolation since there are interactions between the assumptions.

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

For the coming financial year, contributions of KEUR 31 (prev. year KEUR 31) as well as pension payments of KEUR 24 (prev. year KEUR 23) are expected. No significant changes are expected in coming years.

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

Defined contribution pension plans, whereby the company pays contributions to state pension funds on the basis of the statutory provisions, are also in place. The company has no obligations beyond the payment of contributions. The contributions to state pension insurance funds, which are recognized as costs, amount to KEUR 1,471 (prev. year KEUR 1,389).

15. INCOME TAX LIABILITIES

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

16. FINANCIAL LIABILITIES

Financial liabilities result from bank loans, purchase price liabilities and a silent partnership. Current account loans with a book value of KEUR 1,835 (prev. year KEUR 2,907) are charged interest at rates of 4.75% (prev. year 6.75% to 8.5%). Part of the current account loans with a book value of KEUR 0 (prev. year KEUR 867) is secured by assignment of trade receivables (global assignment). The current account loans are used for short-term liquidity bridging. A repayment loan with a book value of KEUR 340 (prev. year KEUR 1,362) bears interest at 1.47%. This loan was taken out to finance the remaining purchase price from the acquisition of EASY SOFTWARE Deutschland GmbH. Another repayment loan with a book value of KEUR 4.000 (prev. year KEUR 0) bears interest at 2.25%. It was taken out to finance the purchase price from the acquisition of Apinauten GmbH. For the bank loans, it has been agreed with the bank that the equity ratio of the consolidated balance sheet must be at least 30% of adjusted total assets and that the ratio of interest-bearing liabilities to EBITDA is not to exceed 3. In case of a breach of the covenants, the company will be granted a reasonable period of time to make good the breach. In contrast to the previous year, the second key figure was not met as of the balance sheet date. However, since the interest-bearing liabilities were reduced to such an extent in January 2019 that the covenants would have been complied with, the breach of the covenants on the balance sheet date are not

expected to have any impact on the continuation of the loan relationship. The liability for part of the purchase price for the acquisition of Apinauten GmbH has a book value of KEUR 193 (prev. year Residual purchase price from the acquisition of the assets of Schleupen KG KEUR 925) which does not bear interest. The silent participation in a subsidiary results in a liability with a book value of KEUR 12 (previous year: KEUR 12). KEUR 0). The compensation for the silent partner is 49% of the profit or loss of the subsidiary.

17. ACCOUNTS PAYABLE TRADE

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

18. OTHER DEBTS

Other debts amount to KEUR 1,149 (prev. year KEUR 1,359) in deferred income, and KEUR 4,524 (prev. year KEUR 2,890) in other liabilities. Other liabilities include personnel liabilities of KEUR 2,713 (prev. year KEUR 1,336), liabilities to associated companies of KEUR 483 (prev. year KEUR 407) and liabilities from other taxes of KEUR 786 (prev. year KEUR 628). All other debts are non-interest bearing.

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

19. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

		Book value		Fair value	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
		KEUR	KEUR	KEUR	KEUR
Financial assets					
Shareholdings	(1)	193	0	193	0
Trade receivables and other assets	(2)	8,706	8,173	8,706	8,173
Means of payment	(2)	1,468	1,742	1,468	1,742
Financial liabilities					
Financial liabilities	(3)	6,380	5,194	6,380	5,194
Accounts payable trade	(3)	1,591	1,345	1,591	1,345
Other liabilities (financial instruments only)	(3)	3,739	2,245	3,739	2,245

Valuation categories according to IFRS 9:

(1) Assets recognized at fair value in other comprehensive income through profit or loss

(2) Assets carried at amortized cost

(3) Liabilities carried at amortized cost

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

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

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

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

Level 1: Quoted, (unadjusted) prices in active markets for equivalent assets or liabilities;

Level 2: Input factors other than level 1 prices that are observable for the asset or liability, either directly or indirectly, and

Level 3: Factors not based on observable market data for valuation of the asset or liability.

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

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

In the previous year, the situation was as follows:

	Book value KEUR	expected cash outflow KEUR	thereof due in the following time bands			
			up to 2 months KEUR	2-12 months KEUR	1-2 years KEUR	2-5 years KEUR
Financial liabilities	5,194	5,194	4,004	850	340	0
Accounts payable trade	1,345	1,345	1,345	0	0	0
Other liabilities (financial instruments only)	2,245	2,245	1,434	811	0	0
	8,784	8,784	6,783	1,661	340	0

In fiscal years 2018 and 2017, the following net gains and losses on financial instruments were recognized:

		Gains / Losses (-)		Disclosed in the statement of comprehensive income
		2018 KEUR	2017 KEUR	
Financial assets				
Trade receivables and other assets	(1)	-705	- 17	Other operating income, other operating expenses
Means of payment	(1)	13	16	Financial income
Financial liabilities				
Liabilities to banks	(2)	- 100	- 63	Finance costs

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

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

20. REVENUES

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

	2018 KEUR	2017 KEUR
Domestic	38,193	33,391
Abroad	8,454	9,353
	46,647	42,744
Software maintenance	24,439	23,589
Services and Cloud	11,439	9,749
Total services	35,878	33,338
Sale of software	10,628	9,101
Sales of hardware and other	141	305
Sale of goods in total	10,769	9,406
	46,647	42,744

Of the reported revenue, KEUR 52 (prev. year KEUR 115) were derived from construction contracts according to IFRS 15.

The order proceeds resulted in contract costs amounting to KEUR 52 (prev. year KEUR 83) and profits in the amount of KEUR 0 (prev. year KEUR 32).

21. OWN WORK CAPITALIZED

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

22. OTHER OPERATING INCOME

The other operating income relates to:

	2018 KEUR	2017 KEUR
Reduction of value adjustments	99	90
Insurance compensations	78	67
Exchange rate differences	38	138
Derecognition of liabilities	3	260
Rental income	0	0
Residual	37	93
	255	648

23. COST OF MATERIALS

The cost of materials is composed as follows:

	2018 KEUR	2017 KEUR
Software	3,239	3,051
Hardware and other goods	619	810
Software maintenance and other services	7,242	6,829
	11,100	10,690

24. PERSONNEL EXPENSES

The personnel expenses are composed as follows:

	2018 KEUR	2017 KEUR
Wages	21,107	18,245
Severance	953	29
Social contributions	3,544	3,164
	25,604	21,438

25. OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

	2018 KEUR	2017 KEUR
Car costs	1,463	1,136
Rent and ancillary costs	1,433	1,388
Travel and entertainment costs	1,425	1,141
IT costs	1,384	647
Third party development/works	1,319	2,078
Other expenses	1,121	213
Advertising and trade fairs	1,045	1,185
Value adjustments and bad debt losses	804	113
Consulting and auditing costs	586	381
Telephone and postage	441	352
Insurance	235	264
Sales commissions	113	233
Exchange rate differences	47	0
Other taxes	36	54
Total	11,452	9,185

Rent, motor vehicle costs and other miscellaneous expenses include payments from operating leases to the amount of KEUR 2,371 (previous year KEUR 1,930).

26. RESULT FROM INVESTMENTS ACCOUNTED FOR AT EQUITY METHOD

The result is attributable to the following associates:

	2018 KEUR	2017 KEUR
otris software AG	1,098	648
friendworks GmbH	138	191
	1,236	839

27. FINANCIAL RESULTS

The financial income relates to income from the current interest on bank balances on current and term money accounts. They are based on assets classified as "assets measured at amortized cost" under IFRS 9. The financial expenses relate to expenses for borrowing from banks and originate from the category "liabilities measured at amortized cost".

28. TAXES ON INCOME AND EARNINGS

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

The taxes on income and earnings are composed as follows:

	2018 KEUR	2017 KEUR
Deferred tax income	205	412
Current tax expense	-70	-178
Total tax income	135	234

Reconciliation of expected to actual tax expense:

	2018 KEUR	2017 KEUR
Earnings before income tax	-2,427	1,625
Expected income tax (EBT x tax rate 32.625%)	792	-530
plus / minus differences from:		
Unusable losses	-1,377	-113
Non-tax deductible expenses / tax-exempt income	339	229
Use of loss carryforwards	386	669
Differences from foreign tax rates	-5	-29
Taxes previous years	0	9
Other	0	-1
Actual tax income	135	234

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

	31.12.2018		
	Sum before income taxes KEUR	Income taxes KEUR	Amount after income tax KEUR
Actuarial gains and losses from the calculation of personnel provisions	-26	8	-18
Currency translation differences from the consolidation of foreign business units	-77	0	-77
	-103	8	-95

In the previous year, the situation was as follows:

	31.12.2017		
	Betrag vor Ertragsteuern KEUR	income taxes KEUR	Amount after income tax KEUR
Actuarial gains and losses from the calculation of personnel provisions	9	-3	6
Currency translation differences from the consolidation of foreign business units	-193	0	-193
	-184	-3	-187

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

		2018	2017
Surplus for the period	KEUR	-2,292	1,859
Result attributable to other shareholders	KEUR	-30	74
Net income attributable to equity holders of the parent company	KEUR	-2,322	1,933
Number of shares	Units	5,403,000	5,403,000
Earnings per share	EUR / share	-0.43	0.36

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

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

30. EXPENSES FOR RESEARCH AND DEVELOPMENT

In the reporting period, expenses for the research and development of software products amounted to KEUR 5,778 (prev. KEUR 3,661), which are included in the current expenses of the period.

31. CONTINGENCIES

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

As of December 31, 2018, there were no reportable contingent liabilities.

32. CONTINGENT RECEIVABLES

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

The amount of the claim for damages in the first trial amounts to EUR 1.5 million plus interest. This verdict was overturned by OLG Dusseldorf and the claim of EASY SOFTWARE AG was dismissed. The company filed a non-admission complaint with the BGH in 2017 against this decision. By decision of 24 July 2018, the BGH approved the appeal and rejected the matter to OLG Dusseldorf. OLG Dusseldorf reported that the claim relating to the extension of the suit amounting to EUR 0.1 million was apparently justified. The merits with regard to the further claim were deemed doubtful. The Senate proposed to terminate the legal dispute by means of a settlement by payment of between KEUR 133 and 1,513 to the defendant. The defendant has not responded to the settlement proposal to date.

EASY SOFTWARE AG is also conducting a lawsuit against a former member of the Executive Board and the former Chairman of the Supervisory Board. In this lawsuit, EASY SOFTWARE AG asserts claims for breach of duty against the now insolvent company controlled by the defendants to the amount of EUR 1.5 million plus interest. In the counterclaim, the former Board member has lodged a claim for compensation of EUR 0.6 million. A settlement proposal for a EUR

0.8 million payment to EASY SOFTWARE AG in 2018 was rejected by the opposing party. The most recent oral hearing was held in front of OLG Duisburg on 23 January 2019. The chamber announced that it would publish its verdict on April 29, 2019. We continue to expect verdicts in our favour.

33. OTHER FINANCIAL OBLIGATIONS

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

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

In the previous year, the situation was as follows:

	up to 1 year KEUR	1 to 5 years KEUR	over 5 years KEUR	Total KEUR
Rental fee	887	2,284	0	3,171
Other leases	625	669	0	1,294
Software licenses	250	0	0	250
	1,762	2,953	0	4,715

The rents relate mainly to the administration building of EASY SOFTWARE AG. The lease runs until 2022, followed by an extension option. The lease also includes a consumer price index-based rent adjustment clause. The software licenses result from minimum purchase obligations to an associated company for the following year.

D: CONSOLIDATED CASH FLOW STATEMENT 34. INFORMATION ON THE CONSOLIDATED CASH FLOW STATEMENT

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

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

In contrast to the previous year, the distributions of companies accounted for using the equity method

were recognized as cash flow from investing activities rather than as cash flow from operating activities. The figure for the previous year has been adjusted accordingly.

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

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

	2018 KEUR	2017 KEUR
Financial liabilities as of 1 January	5,194	3,886
Financial liabilities as of 31 December	6,380	5,194
Changes	1,186	1,308
Non-cash purchase price liability	- 193	-925
Interest paid	-105	- 82
Cash flow from financing activities	888	301

E. SEGMENT REPORTING

35. PRESENTATION OF SEGMENT REPORTING

The segment reporting is prepared in accordance with IFRS 8. The segmentation by region follows the internal management of the Group and the reporting to the Management Board (responsible entity).

For the segments abroad, only sales services are provided; in the domestic segment, all products and services of EASY Group are provided and distributed. The following figures were shown for financial year 2018:

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

In the previous year, the situation was as follows:

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

	Germany KEUR	Austria KEUR	England KEUR	United States KEUR	Singapur KEUR	Turkey KEUR	Consolida- tion KEUR	Total KEUR
Revenues	39,908	1,897	1,109	1,072	0	270	- 1,512	42,744
- External sales	38,399	1,895	1,109	1,071	0	270	0	42,744
- intersegment sales	1,509	2	0	1	0	0	- 1,512	0
Depreciation	2,016	83	12	9	0	2	0	2,122
Interest income	-16	0	13	14	0	5	0	16
Interest expenses	82	0	0	0	0	0	0	82
Result from associated companies	839	0	0	0	0	0	0	839
Earnings before taxes (EBT)	1,615	43	-69	192	-5	-151	0	1,625
Income tax expenses	214	-17	-19	56	0	0	0	234
Profit / loss	1,829	26	- 88	248	-5	-151	0	1,859
Total book value of the assets	35,039	631	929	2,151	36	291	-3,406	35,671
Additions to fixed assets	3,339	22	9	8	0	1	0	3,379
Investments in associated companies	6,189	0	0	0	0	0	0	6,189
Long-term assets	23,834	203	113	251	0	5	0	24,406
Deferred tax assets	2,948	0	68	246	0	0	0	3,262
Debts	13,198	123	268	816	2	227	-3,406	11,228

F. OTHER INFORMATION

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

The company received the following notices pursuant to section 33 WpHG:

Notice date	Notifiable name of the shareholder	Date of threshold contact	Reason for the message	Total voting rights shares
01.06.2018	Wilhelm K. T. Zours, Deutsche Balaton Aktiengesellschaft	28.05.2018	Purchase	15.01% (attributable)
16.04.2018	Axxion S. A., Grevenmacher (Luxemburg)	11.04.2018	Disposal	13.14% (direct)

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

07.07.2017	Stephan Kaleske	07.07.2017	Purchase	5.40% (directly 2.997%, attributed 2.41%)
04.07.2017	Petra Neureither, PEN GmbH	04.07.2017	Purchase	5.55% (attributed)

On 16 April 2013, VV Beteiligungen Aktiengesellschaft, Heidelberg/Germany, informed us in accordance with § 21 (1) WpHG that the voting rights of VV Beteiligungen Aktiengesellschaft in EASY SOFTWARE AG, Am Hauptbahnhof 4, 45468 Mülheim an der Ruhr, Germany, exceeded the thresholds of 3% and 5% of the voting rights as of 12 April 2013, reaching 5.73% of the voting rights (309,807 voting rights) on that day. The voting rights are attributable to VV Beteiligungen Aktiengesellschaft pursuant to § 22 (1) sentence 1 no. 1 WpHG via Deutsche Balaton Aktiengesellschaft of Heidelberg/Germany.

On 16 April 2013, Delphi Unternehmensberatung Aktiengesellschaft, Heidelberg/Germany, informed us in accordance with § 21 (1) WpHG that the voting rights of Delphi Unternehmensberatung Aktiengesellschaft in EASY SOFTWARE AG, Am Hauptbahnhof 4, 45468

Mülheim an der Ruhr, Germany, exceeded the thresholds of 3% and 5% of the voting rights as of 12 April 2013, reaching 5.73% of the voting rights (309,807 voting rights) on that day. The voting rights are attributed to Delphi Unternehmensberatung Aktiengesellschaft via VV Beteiligungen Aktiengesellschaft and Deutsche Balaton Aktiengesellschaft, Heidelberg/Germany in accordance with § 22 (1) sentence 1 no. 1 WpHG.

On June 25, 2012, Lupus alpha Kapitalanlagegesellschaft mbH, Frankfurt/Germany, informed us in accordance with § 21 (1) WpHG that its share of the voting rights in EASY SOFTWARE AG, Am Hauptbahnhof 4, 45468 Mülheim an der Ruhr, Germany, exceeded the thresholds of 3% and 5% as of 21 June 2012, reaching 6.38% (345,000 voting rights) on this day. Thereof, 1.48% (80,000 voting rights) are directly held by Lupus alpha Kapitalanlagegesellschaft mbH

in accordance with § 21 (1) WpHG. A further 4.90% of the voting rights (265,000 voting rights) are attributed to Lupus alpha Kapitalanlagegesellschaft mbH pursuant to § 22 (2) WpHG from shares held by Lupus alpha Investment SA.

On June 25, 2012, Lupus alpha Investment SA, Luxembourg, informed us in accordance with § 21 (1) WpHG that its voting rights in EASY SOFTWARE AG, Am Hauptbahnhof 4, 45468 Mülheim an der Ruhr, Germany exceeded the threshold of 5% on 21 June 2012, reaching 6.38% (345,000 voting rights) on that day. Thereof, 4.90% of the voting rights (265,000 voting rights) are held directly by Lupus alpha Investment SA, Luxembourg in accordance with § 21 (1) WpHG. Another share of voting rights of 1.48% (80,000 voting rights) is attributable to Lupus alpha Investment SA in accordance with § 22 (2) WpHG.

On February 24, 2012, Mr. Thorsten Wagner, Germany, informed us in accordance with § 21 (1) WpHG that his share of the voting rights in EASY SOFTWARE AG, Mülheim an der Ruhr, Germany, exceeded the threshold of 25% on 24 February 2012, reaching 25.08% (1,355,285 voting rights) on that day; thereof, 25.08% (1,355,285 voting rights) are attributable to him in accordance with § 22 (1) sentence 1 no. 1 WpHG. The voting rights attributed to Mr. Thorsten Wagner are held via the following company controlled by him, whose voting rights in EASY SOFTWARE AG amount to 3% or more: Global Derivative Trading GmbH.

On April 18, 2011, Global Derivative Trading GmbH, Lehrte, Germany, informed us that its share of the voting rights in EASY SOFTWARE AG, Mülheim an der Ruhr, Germany, exceeded the threshold of 20% on April 15, 2011, reaching 20.73% (1,119,853 voting rights) on that day.

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

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

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

The total compensation granted to active members of the Board amounted to KEUR 580 in the 2018 financial year (prev. KEUR 405).

Mr. Willy Cremers received fixed remuneration to the amount of KEUR 133, success-based remuneration to the amount of KEUR 0 and additional benefits of KEUR 11 as Executive Board member for the financial year (until August 31). In addition to these fixed payments and fringe benefits, no further payable benefits have been granted. The employment contract of Mr. Willy Cremers does not contain any rules on benefits in the event of premature or regular termination of contract.

In his role as Executive Board member for the financial year (until September 30, 2018), Mr. Thorsten Eska was granted as fixed remuneration to the amount of KEUR 98, performance-related remuneration to the amount of KEUR 28, additional benefits to the amount of KEUR 15 and pension payments of KEUR 9. He received a severance payment of KEUR 100 upon leaving the company.

Mr Dieter Weißhaar received fixed remuneration of KEUR 175 for the financial year (from 1 June 2018), performance-related payments of KEUR 0 and ancillary benefits of KEUR 11. Other liabilities amounting to KEUR 47 were recognized for variable compensation still due for payment. In 2018, additional short-term and long-term performance-related payments were agreed with Mr. Dieter Weißhaar (royalties 1-3), which are limited to a maximum of KEUR 300 per year in total (total compensation cap). The long-term targets

amount to a maximum of KEUR 250 per fiscal year and will be paid out until the 2020 financial year if the targets are met. The goals are based on individually set annual targets and the multi-year group EBITDA. The employment contract of Mr Dieter Weißhaar contains provisions for benefits in the event of premature termination of the contract, according to which claims may be granted pro rata temporis.

A pensions provision of EUR 388 thousand (prev. year KEUR 344) was formed for a former member of the Executive Board. Remuneration to the amount of KEUR 24 (previous year: KEUR 20) was remitted.

In accordance with § 21 of the Articles of Association, members of the Supervisory Board are to receive compensation of EUR 15,000.00 (prev. year EUR 15,000.00) per financial year. The chairperson receives 2.5 times and the deputy 1.75 times the amount. Furthermore, the members of the Supervisory Board receive an attendance fee of EUR 1,500.00 per meeting for attending the meetings. Performance-related compensation components were not paid. For 2018, the members of the Supervisory Board received compensation of KEUR 142 (prev. year KEUR 130) including attendance fees. All remuneration relates exclusively to short-term benefits.

No loan agreements were in place with members of the Supervisory and Executive Boards.

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

38. RELATIONSHIPS WITH RELATED PERSONS AND COMPANIES

Related parties within the meaning of IAS 24 are legal or natural persons that are capable of influencing EASY SOFTWARE AG and its subsidiaries or subject to the control or significant influence by EASY SOFTWARE AG or its subsidiaries.

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

The benefits to the amount of KEUR 359 (prev. year KEUR 411), which EASY SOFTWARE AG provided to associated companies, consisted mainly of the sale of software licenses.

The benefits to the amount of KEUR 4,996 (prev. year KEUR 4,232), which EASY SOFTWARE AG received from related parties, mainly consisted of the purchase of software licenses and the provision of customer training and building leasing services. They are entirely attributable to associated companies.

The amount of outstanding balances in relation to related parties and companies consists of liabilities to associated companies amounting to KEUR 483 (prev. year KEUR 407). The accounts receivable are unsecured and settled in cash. No guarantees were granted or received.

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

	31.12.2018 Units (%)	31.12.2017 Units (%)
Executive Board		
Willy Cremers	0 (0,00 %)	10 (0,00 %)
Thorsten Eska	0 (0,00 %)	50 (0,00 %)
Dieter Weißhaar	1.000 (0,02 %)	0 (0,00 %)
Supervisory Board		
Oliver Krautscheid	2.000 (0,04 %)	2.000 (0,04 %)
Stefan ten Doornkaat	1 (0,00 %)	1 (0,00 %)
Thomas Mayerbacher	0 (0,00 %)	0 (0,00 %)

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

39. ORGANS EXECUTIVE BOARD

Willy Cremers, Paderborn, CEO, speaker, diploma in computer science (until August 31, 2018)
Thorsten Eska, Neuhausen, CFO, graduate in business administration (until September 30, 2018)
Dieter Weißhaar, Member of the Executive Board, Essen, diploma in economics (from 1 June 2018), CEO (from 1 September 2018)

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

SUPERVISORY BOARD

Oliver Krautscheid, Chairperson, Frankfurt am Main, Managing Director of Change Capital GmbH, Zug (Switzerland).

Mr. Krautscheid has additional Supervisory Board mandates as Chairman of MOLOGEN AG, Berlin, as Chairman of EPG Engineered nanoProducts Germany AG, Griesheim, and as Chairman of CD Deutsche Eigenheim AG, Berlin.
Stefan ten Doornkaat, solicitor and lawyer specializing in tax law of Dusseldorf, self-employed in his own office, Dusseldorf

Mr. ten Doornkaat has additional supervisory board mandates as Chairman of Global Oil and Gas AG (Dortmund), as Chairman of Kinghero AG, Bad Vilbel, as a member of Mox Deals AG iL, Ratingen on behalf of the insolvency administrator, as a member of EPG nanoProducts Germany AG, Griesheim, and as a member of CD Deutsche Eigenheim AG, Berlin.
Mr. Thomas Mayerbacher, Kaiserslautern, diploma in industrial engineering, member of the executive board of CFO of SALT Solutions AG, Munich, self-employed management consultant.

Mr. Mayerbacher has no further supervisory board mandates.

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

The fee for the services of the auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, which was calculated for the financial year, amounts to KEUR 93 for the audit of individual and consolidated financial statements in 2018 and KEUR 4 for other services. Other confirmation and tax consultancy services were not provided for the financial year.

41. STAFF

In the financial year 2018, an average of 318 (prev. year 270) were employed in the group. By geographical location, 294 (prev. year 247) employees were located in Germany, 5 (prev. year 6) employees were located in Austria, 3 (prev. year 4) employees were located in the USA, 11 (prev. year 8) employees were located in the UK and 5 (prev. year 5) employees were located in Turkey and Singapore.

42. EVENTS AFTER THE BALANCE SHEET DATE

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

Further to the acquisition of the shares, the purchase agreement also stipulates that Apinauten GmbH will be merged with a wholly owned subsidiary of EASY SOFTWARE AG, EASY ENTERPRISE SERVICES GmbH. The remaining shares are set to be acquired in 2020. The purchase price for the first share purchase amounted to approximately EUR 8.0 million. EASY SOFTWARE AG will also provide Apinauten GmbH with approximately KEUR 850 in equity for the replacement of silent participations. The purchase price for the residual share purchase scheduled for 2020 amounts to 360,000 EASY shares or the equivalent value as of June 30, 2020. Non-capitalisable ancillary costs of the acquisition amounting to KEUR 246 were recognized under other operating expenses.

As part of the due diligence investigation, consideration was already given to the purchase price allocation. Hidden reserves are expected in the customer base and in the software. A final assessment and evaluation is currently not feasible. For this reason, the disclosures on assets and liabilities as well as those required under IFRS 3.B64 cannot yet be made.

On February 18, 2019, based on the authorization resolution of the Annual General Meeting of August 8, 2014 and with the approval of the Supervisory Board, the Executive Board of EASY SOFTWARE AG resolved to increase the share capital of the Company to EUR 6,442,039.00 by granting shareholders' subscription rights by issuance of up to 1,039,039 new no-par-value bearer shares against cash contributions. The placement price per share was set at EUR 4.81 by the Executive Board with the approval of the Supervisory Board.

The existing shareholders of EASY SOFTWARE AG subscribed to all 1,039,039 new no-par-value bearer shares by exercising their subscription and oversubscription rights. The capital increase was fully placed at a price of EUR 4.81 per share. The new shares are entitled to dividends from 1 January 2018.

The issue proceeds of EUR 5.0 million serve to finance part of the purchase price for the shares in Apinauten GmbH acquired by the company.

One of the major shareholders, Deutsche Balaton AG, published a takeover offer for EASY SOFTWARE AG on 15 April 2019, in response to which the Executive and the Supervisory Boards issued an opinion pursuant to § 27 WpÜG on April 23, 2019.

Executive and the Supervisory Board as well as employee representatives considered the offer inappropriate and recommended its rejection. Legal advice on the opinion and preparation of a fairness opinion resulted in one-off charges in the 2019 financial year. No further events of particular significance occurred after the end of the financial year.

43. EXEMPTION ACCORDING TO § 264

ABS. 3 HGB

EASY SOFTWARE Deutschland GmbH waives the preparation of the notes and the management report as well as the disclosure of the annual financial statements for the financial year 2018. For this company, EASY SOFTWARE AG publishes its consolidated financial statements and group management report in the Federal Gazette as a relief measure.

44. APPROVAL OF THE FINANCIAL REPORT

The Management Board of EASY SOFTWARE AG approved the consolidated financial statements and group management report for handover to the Supervisory Board on April 12, 2019.

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

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

Mülheim an der Ruhr, April 26, 2019



Dieter Weißhaar
Executive Board



DEVELOPMENT OF THE GROUP FIXED ASSETS AS OF 31 DECEMBER 2018

2018	Acquisition and production costs						Cumulative depreciation						Net book value	
			Additions from company acquisition	Disposals	Currency translation	31.12.2018		01.01.2018	of the fiscal year	Disposals	Currency translation	31.12.2018	31.12.2018	31.12.2017
	01.01.2018 KEUR	Additions KEUR	KEUR	KEUR	KEUR	KEUR		KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Software development costs	2,030	348	0	466	0	1,912		1,066	214	467	0	813	1,099	964
Goodwill	5,847	0	479	0	-97	6,229		53	0	0	0	53	6,176	5,794
Customer bases	9,782	0	1,439	22	0	11,199		4,090	1,383	22	0	5,451	5,748	5,692
Intellectual property rights	6,369	372	46	291	0	6,496		5,269	675	255	0	5,689	807	1,100
Other intangible assets	16,151	372	1,485	313	0	17,695		9,359	2,058	277	0	11,140	6,555	6,792
Land and buildings	942	9	0	0	0	951		513	18	0	0	531	420	429
Operating and office equipment	2,801	302	9	848	-7	2,257		1,945	375	844	-3	1,473	784	856
Property, plant and equipment	3,743	311	9	848	-7	3,208		2,458	393	844	-3	2,004	1,204	1,285
	27,771	1,031	1,973	1,627	-104	29,044		12,936	2,665	1,588	-3	14,010	15,034	14,835

DEVELOPMENT OF THE GROUP FIXED ASSETS AS OF 31 DECEMBER 2017

2017	Acquisition and production costs						Cumulative depreciation						Net book value	
	01.01.2017 KEUR	Additions KEUR	Additions from company acquisition KEUR	Disposals KEUR	Currency translation KEUR	31.12.2017 KEUR		01.01.2017 KEUR	of the fiscal year KEUR	Disposals KEUR	Currency translation KEUR	31.12.2017 KEUR	31.12.2017 KEUR	31.12.2016 KEUR
Software development costs	1,418	894	0	282	0	2,030		1,309	39	282	0	1,066	964	109
Goodwill	5,847	0	0	0	0	5,847		53	0	0	0	53	5,794	5,794
Customer bases	8,005	1,777	0	0	0	9,782		2,904	1,186	0	0	4,090	5,692	5,101
Intellectual property rights	6,489	245	0	365	0	6,369		5,083	551	365	0	5,269	1,100	1,406
Other intangible assets	14,494	2,022	0	365	0	16,151		7,987	1,737	365	0	9,359	6,792	6,507
Land and buildings	943	5	0	6	0	942		501	18	6	0	513	429	442
Operating and office equipment	5,424	458	0	3,065	-16	2,801		4,642	328	3,012	-13	1,945	856	782
Property, plant and equipment	6,367	463	0	3,071	-16	3,743		5,143	346	3,018	-13	2,458	1,285	1,224
	28,126	3,379	0	3,718	-16	27,771		14,492	2,122	3,665	-13	12,936	14,835	13,634

The background features a low-angle shot of several modern skyscrapers with glass facades, reaching towards a blue sky with light clouds. Overlaid on this image are various financial data visualizations. On the left, there's a vertical bar chart with red and green bars. In the center and right, there are line graphs with yellow and blue lines. Numerous numerical values in green and red are scattered across the image, some appearing as floating text and others integrated into the data visualizations. The overall theme is corporate finance and business growth.

FINAL REMARKS

BALANCE SHEET OATH OF THE BOARD

INDEPENDENT AUDITOR'S REPORT

SUPERVISORY BOARD REPORT

BALANCE SHEET OATH OF THE BOARD

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

Mülheim an der Ruhr, April 26, 2019

EASY SOFTWARE AG



Dieter Weißhaar
Executive Board

INDEPENDENT AUDITOR'S REPORT

For EASY SOFTWARE AG, Mülheim an der Ruhr

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

AUDIT OPINIONS

We have audited the consolidated financial statements of EASY SOFTWARE AG, Mülheim an der Ruhr, and its subsidiaries (the Group), consisting of the consolidated balance sheet as of December 31, 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1 to 31 December 2018 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

We have also examined the combined management and group management report (hereinafter referred to as the combined management report) of EASY SOFTWARE AG, Mülheim an der Ruhr, for the financial year from 1 January to 31 December 2018. The [corporate] statement on corporate governance published on the company website, which is referenced in section 2.7 of the combined management report, was not examined in terms of content in accordance with the German statutory provisions

In our opinion, based on the findings of the audit the accompanying consolidated financial statements comply with the IFRS as adopted by the EU and the additional statutory provisions of German law pursuant to § 315e (1) HGB in all material respects, and provide a true and fair view of the asset and financial standing of the Group as of 31 December 2018 and its results of operations for the financial year from 1 January to 31 December 2018, and the attached combined management report furnishes a true picture of the situation of the Group. This combined management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development in

all material respects. Our opinion on the combined management report does not cover the above-mentioned components of the combined management report that are not examined in terms of content.

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

BASIS FOR THE AUDIT OPINION

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

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

Particularly important audit matters are matters that were, to our best judgement, most significant in our audit of the consolidated financial statements for the fiscal year from 1 January 2014 to 31 December 2018. These matters were taken into account in the scope of our audit of the consolidated financial statements

as a whole and in our opinion on the audit; we do not furnish a separate opinion on these matters.

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

- 1 Impairment of goodwill
- 2 Impairment of deferred tax assets

1 IMPAIRMENT OF GOODWILL

A) RISK TO THE FINANCIAL REPORT

As of the balance sheet date, the consolidated balance sheet shows six goodwill items with a total book value of EUR 6.2 million (previous year: EUR 5.8 million). This corresponds to around 17.1% (previous year 16.2%) of the balance sheet total.

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

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

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

B) AUDIT PROCEDURE AND CONCLUSIONS

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

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

We paid particular attention to material goodwill items where the recoverable amount for the cash-generating unit is only slightly above the book value.

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

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

2 IMPAIRMENT OF DEFERRED TAX ASSETS

A) RISK TO THE FINANCIAL REPORT

As of the balance sheet date, the consolidated balance sheet shows deferred tax assets with a carrying amount of EUR 3.0 million (previous year: EUR 3.3 million). This corresponds to around 8.3% (previous year: 9.1%) of the balance sheet total. For this purpose, deferred tax assets of EUR 4.6 million (previous year: EUR 4.7 million) were recognized and netted against deferred tax liabilities of EUR 1.6 million (previous year: EUR 1.4 million). Of the deferred tax assets recognized, EUR 4.4 million (previous year: EUR 4.5 million) relate to tax loss carryforwards that will be usable in the future in the opinion of the legal representatives.

The information provided by the company on goodwill is located in the sections "B. Overview of significant accounting policies ", subsection "f) Accounting policies", paragraph "Deferred taxes" and "C. Information and explanatory notes to the consolidated balance sheet and the consolidated income statement, subsection "7. Deferred tax assets" of the notes to the consolidated financial statements.

In determining the recoverable amount of deferred tax assets to be recognized, the legal representatives

make assumptions of the future taxable income on the basis of the budget forecasts they have prepared, unless sufficient deferred tax liabilities are available. Deferred tax assets are recognized on tax loss carry-forwards to the extent that taxable income is likely to be generated in subsequent financial years based on the estimates of the legal representatives. In case of doubts about the future usability of the deferred tax assets, deferred tax assets must not be recognized or previously recognized deferred tax assets are to be adjusted for impairment.

The assessment of the recoverability of deferred tax assets depends to a large extent on the estimates and assumptions regarding the operating performance of the companies and the respective tax-related environment, and is therefore subject to high estimation uncertainties. Against this background and due to the magnitude of the amount, the recoverability of deferred tax assets was of particular importance during our audit.

B) AUDIT PROCEDURE AND CONCLUSIONS

Insofar as sufficient deferred tax liabilities are not present, we have assessed the recoverability of the deferred tax assets on the basis of the plans prepared by EASY SOFTWARE AG, Mülheim an der Ruhr, for the future taxable income situation of the individual group companies. In doing so, we also examined the plans for one-sided application of discretion.

In addition to a plausibility check of the underlying planning, we assessed the planning accuracy by comparing the planning of the previous year to the realized actual values. We have also examined the calculation methods used for methodologically correct application, as well as their mathematical correctness in the scope of random checks.

The assumptions and discretionary decisions of the legal representatives underlying the recoverability of deferred tax assets are within acceptable limits and are generally balanced.

OTHER INFORMATION

The legal representatives are responsible for the provision of other information. The other information includes:

the (corporate) statement on corporate governance published on the company website, which is referenced in the combined management report; and the other parts of the annual report, with the exception of the audited consolidated financial statements and the content of the combined management report and our auditor's opinion, the insurance pursuant to § 297 (2) sentence 4 HGB on the consolidated financial statements and the insurance pursuant to § 289 (1) sentence 5 HGB in conjunction with § 315 (1) sentence 5 HGB on the combined management report.

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

In the context of our audit of the consolidated financial statements, we have a responsibility to read the other information and to assess whether the other information

contains material inconsistencies with the consolidated financial statements, the components of the combined management report examined in terms of content or our knowledge as acquired during the audit, or otherwise appear significantly misrepresented.

If our work leads us to conclude that there is a material misstatement within the other information, we are required to report that fact. We have nothing to report in this context.

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

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

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

Furthermore, the legal representatives are responsible for the preparation of the combined management report, which must collectively convey an accurate picture of the group's position, which is in all material respects consistent with the consolidated financial statements, in compliance with the German legal requirements, and the opportunities and risks of future development. The legal representatives are also responsible for the precautions and measures (systems) they deem necessary to permit the preparation of the combined management report in accordance with the applicable German legal requirements and to provide sufficient and adequate evidence for the statements in the combined management report.

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

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

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

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

During the audit, we exercise due discretion and maintain a critical attitude. Furthermore, we identify and assess the risks of material misstatement, whether intentional or unintentional, in the consolidated financial statements and the combined management report, and conduct and perform audit procedures in response to such risks, as well as obtaining sufficient and appropriate audit evidence to form the basis of our opinion. The risk that

material misstatements are not detected is higher for violations than for inaccuracies, since violations may include fraudulent interactions, counterfeiting, intentional incompleteness, misrepresentations or overriding internal controls.

we obtain an understanding of the internal control system insofar as relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the combined management report so as to design audit procedures that are appropriate for the circumstances, but not with the aim of providing an opinion on the effectiveness of these systems.

we assess the appropriateness of the accounting policies applied by the legal representatives and the reasonableness of the estimates and related disclosures made by the legal representatives.

we draw conclusions on the appropriateness of the accounting policy applied by the legal representatives for the continuing operations and whether there is material uncertainty related to events or circumstances that may raise significant doubts about the group's ability to continue as a going concern on the basis of the audit evidence obtained. If we reach the conclusion that a material uncertainty has been discovered, we are required to draw attention to the disclosures in the consolidated financial statements and the combined management report in the auditor's report or, if these disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained for the period up to the date of our audit opinion. However, future events or circumstances may lead to the group being unable to continue its business activities.

we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in that the consolidated financial statements prepared in compliance with the IFRS as adopted by the EU and supplemented by section § 315e (1) HGB provide a true and fair view of

the net assets, financial position and results of the operations of the group.

we solicit sufficient and appropriate audit evidence on the accounting information for the companies or business activities within the group to furnish audit opinions on the consolidated financial statements and the combined management report. We are responsible for the guidance, supervision and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

we assess the consistency of the combined management report with the consolidated financial statements, its legal compliance and the picture of the position of the group conveyed therein.

we perform audit procedures on the forward-looking statements presented by the legal representatives in the combined management report. On the basis of sufficient and suitable audit evidence, we particularly investigate the significant assumptions underlying the forward-looking statements of the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not provide a separate opinion on the forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss the planned scope and timing of the audit as well as significant audit findings with those responsible for corporate governance, including any deficiencies in the internal control system that we identify during our audit.

We issue a statement that we have complied with the relevant independence requirements to those responsible for corporate governance, and discuss all relationships and other matters that may reasonably be expected to affect our independence and the safeguards provided in this context with them.

From the matters discussed with the parties responsible for corporate governance, we select those of

primary significance in the audit of the consolidated financial statements for the current period, which are therefore the key audit matters. We outline these matters in the audit report, unless laws or other rules preclude the public disclosure of these facts.

OTHER LEGAL AND REGULATORY REQUIREMENTS

OTHER DISCLOSURES ACCORDING TO ARTICLE 10 EU-APRVO

We were elected as Group auditors by the Annual General Meeting on August 21, 2018. Following the Annual General Meeting, we were commissioned by the Supervisory Board. Since financial year 2018, we have been the auditors of EASY SOFTWARE AG, Mülheim an der Ruhr. Previously, we were appointed as Group auditors of EASY SOFTWARE AG, Mülheim an der Ruhr from 2012 to 2014.

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

RESPONSIBLE AUDITOR

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

Hanover, April 29, 2019

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Christian Fröhlich Hans-Peter Möller
Auditor Auditor

SUPERVISORY BOARD REPORT

Dear Shareholders,

in the following, I would like to inform you about the work of the Supervisory Board in the past financial year 2018.

COOPERATION BETWEEN THE EXECUTIVE AND SUPERVISORY BOARDS

During the financial year 2018, the Supervisory Board fulfilled the duties incumbent on it by law, the Articles of Association and the Rules of Procedure with utmost diligence. We advised the Executive Board on the management of the company and carefully reviewed and monitored its work. We followed the operational and strategic development of the company closely. The benchmarks for monitoring were, in particular, the legality, regularity, appropriateness and efficiency of the management as well as the performance of the risk management and corporate organization. The Supervisory Board observed the situation and development of the company as well as its business transactions closely throughout the reporting year 2018.

The Executive Board informed the Supervisory Board by means of written and verbal reports on individual business transactions and events of material importance to the company, operations and financial situation, business development, strategic development and corporate planning, as well as the risk situation and risk management of the company in the scope of supervisory board meetings. Deviations in the course of business from the plans were also the subject of reporting and discussions in the Supervisory Board. We had the opportunity to discuss the reports and draft resolutions of the Executive Board in detail as part of our meetings. This particularly applies to measures requiring the approval of the Supervisory Board and transactions material to profitability and liquidity. Insofar as the approval of the Supervisory Board was required by law, the Articles of Association or the rules of procedure for individual measures, detail discussions took place, and a resolution was passed accordingly.

The Supervisory Board was also informed by the Executive Board about current business developments and events that were of key importance for the assessment of the situation, its development and for the management of EASY SOFTWARE in written and verbal form on a regular and on-going basis outside of the scheduled supervisory board meetings. Furthermore, the Chairman of the Supervisory Board held regular discussions with the Executive Board to discuss the strategy, planning, current business development and situation including the risk situation, risk management and compliance, as well as key topics and decisions.

MEETINGS OF THE SUPERVISORY BOARD AND MAIN AREAS OF WORK

In the financial year 2018, the Supervisory Board met for a total of eight face-to-face meetings and ten video or telephone sessions, in which all members of the Supervisory Board participated. Zhe members of the Supervisory Board also engaged in regular dialogue with the Chairman of the Supervisory Board.

	Presence meetings	Video/ phone sessions	Total
1st quarter	1	2	3
2nd quarter	2	0	2
3rd quarter	3	4	7
4th quarter	3	1	4
Total	9	7	16

Committee meetings did not take place since the Supervisory Board did not form any committees due to its size. Our meeting schedule provides for the Supervisory Board to meet temporarily without the Executive Board and deal with agenda items that either concern the Executive Board itself or require an internal discussion of the Supervisory Board.

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

A key focus of the Supervisory Board activities was in the assessment of the current business situation in the 2018 financial year. Among other things, the monthly reports of the Executive Board on finances and significant projects were discussed, in particular the introduction of SAP ByD. The Supervisory Board dealt intensively with the sales development of the divisions, significant sales potentials, the growth of the cloud business and the liquidity situation of the Group.

The Supervisory Board also discussed developments in the EASY Platform Architecture roadmap and the location and development of its subsidiaries, including the company's internationalization concept. Furthermore, the Supervisory Board initiated improvements to the reporting and dealt with the ongoing restructuring and reorganization measures of the Executive Board, the communication concept and the company's digital agenda.

Measures requiring approval including acquisitions were another key focal point. For instance, the Supervisory Board advised on the integration of Systec GmbH and approved the merger of Systec GmbH with EASY SOFTWARE Deutschland GmbH. The Supervisory Board also followed the acquisition of Apinauten GmbH, which it approved, intensively. In addition, the Supervisory Board discussed financing measures, and particularly approved the commencement of loan financing and the implementation of a capital increase in a detailed manner. Other measures subject to approval included changes in the management and the granting of a authorizations in subsidiaries,

the conclusion of a lease in Paderborn to replace the location of Systec GmbH in Bielefeld and the extension of the loan from EASY INC to EASY SOFTWARE AG from the years 2015 and 2016. The Supervisory Board also discussed and approved the rules of procedure for the Executive Board, the adjustment of the limits for measures requiring approval and the measures proposed by the Executive Board regarding the voluntary staff program.

The Supervisory Board further dealt with the accounting of the company and its subsidiaries. Insofar, the financial results for 2018, including non-period charges from sales commissions from previous years, non-recoverable customer receivables without value adjustments, and revenues in partner business were subject to advice and auditing by the Board. The Supervisory Board initiated a detailed evaluation thereof by the Executive Board and the auditors, as well as conducting its own audit procedures for the 2017 annual financial statements and the half-year financial statements for 2018. The Supervisory Board also assessed the Report on Risk and Opportunity Management and the Compliance Report and decided on individual measures to improve compliance. The Supervisory Board approved the annual and consolidated financial statements for 2017 in accordance with HGB and IFRS and agreed the focal points for the audit of the annual and consolidated financial statements for 2018 with the auditors. The Supervisory Board also discussed preparations for the 2018 Annual General Meeting and resolved, among other things, on individual agenda items and its proposed resolutions to the Annual General Meeting. The report of the Supervisory Board for the 2017 financial year and the joint Declaration of Conformity 2018 by the Executive Board and the Supervisory Board as per the German Corporate Governance Code were also discussed, and resolutions were passed accordingly.

The referral of Executive Board matters to the Supervisory Board concerned deliberations and resolutions on changes to the EASY SOFTWARE AG Executive Board. These included the conclusion of a severance

agreement with Mr. Thorsten Eska, the extension of the appointment of Willy Cremers to 31 August 2018, and the appointment and conclusion of a service contract with Mr. Dieter Weißhaar as the new Chief Executive Officer following preparation and execution of a structured selection process. The Supervisory Board also covered the target agreements for the Executive Board. In respect of former members of the Executive Board, the Supervisory Board dealt with the conclusion of a consultancy agreement with former Executive Board spokesman Willy Cremers and the progress of the ongoing claims for organ damages as well as any settlement options.

INVESTORS TALKS

In the year under review, the Supervisory Board, represented by its Chairman, held talks with investors. The focal topics were the competence profile for the Executive and Supervisory Board teams, the possible expansion of the Supervisory Board, and agenda items for the Annual General Meeting.

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

Conflicts of interest of the members of the Executive and Supervisory Board, which must be brought to the attention of the Supervisory Board without delay and reported to the Annual General Meeting, did not arise during the year under review. Consultancy or other service relationships between members of the Supervisory Board and the company did not exist in the year under review. The joint statement by the Executive and Supervisory Boards as per the German Corporate Governance Code of April 2019 is available on the homepage of the company, www.easy.de.

COMPOSITION OF THE EXECUTIVE AND SUPERVISORY BOARDS

In the year under review, the Supervisory Board continued to comprise Oliver Krautscheid (Chairman), Stefan ten Doornkaat (Deputy Chairman) and Thomas Mayrbacher. Mr. Willy Cremers retired from the Executive Board on 31 August 2018, and Mr. Thorsten Eska on 24 September 2019. Mr. Dieter Weißhaar was appointed to

the Executive Board of the Company on June 1, 2018, and appointed Chairman of the Executive Board on September 1, 2018.

CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS, FINAL AUDIT

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover Branch (hereinafter referred to as "Ebner Stolz") has audited the financial statements and consolidated financial statements of EASY SOFTWARE AG for the 2018 financial year. Ebner Stolz was appointed as auditor and group auditor at the Annual General Meeting on August 21, 2018. Ebner Stolz had previously confirmed to the Chairman of the Supervisory Board that there were no circumstances that could impair or create doubts as to their independence as auditors. The auditor audited the annual financial statements of EASY SOFTWARE AG prepared on the basis of the HGB, the consolidated financial statements prepared in accordance with the international accounting standard IFRS as prescribed by § 315e (1) HGB, and the combined group management report and management report of EASY SOFTWARE AG, and issued with unqualified audit opinions. In the light of the findings of the audit, the auditor has thus confirmed that the annual and consolidated financial statements furnish a true and fair view of the net assets, financial position and results of operations of EASY SOFTWARE AG and EASY SOFTWARE AG Group under consideration of the applicable accounting standards. Furthermore, the auditors confirmed that the combined group management report and the management report are in line with the annual or consolidated financial statements in all material respects, that they furnish a true picture of the situation of EASY SOFTWARE AG and EASY SOFTWARE Group, and that the opportunities and risks of the Group represent the future development adequately.

At the balance sheet meeting of the Supervisory Board on April 29, 2019, the Executive Board explained the accounting and consolidated financial statements as well as their proposal for the appropriation of balance

sheet profit. The Executive Board also responded to questions from members of the Supervisory Board. The auditor present at the balance sheet meeting of the Supervisory Board reported on the audit and its results in detail, and explained the audit reports. In doing so, the auditor also informed that the audit revealed no material weaknesses in the internal control and risk management system in relation to the accounting process. The auditor was subject to detailed questioning regarding the results of the audit and the nature and extent of the audit activity by the Supervisory Board. The Supervisory Board satisfied itself that the audit was conducted properly by the auditors. In particular, he arrived at the conclusion that the audit reports - as well as the audit itself - meet the legal requirements. The Supervisory Board then gave its approval to the result of the audit.

The examination of the financial statements and the discussion of the audit results did not lead to any objections to the annual and consolidated financial statements. The audit priorities of the Supervisory Board were: Target/actual deviations of the Group's key earnings and cost items over the course of the year, the appropriateness of the risk management for the core business areas, including internal controls and selected accounts payable (purchasing of consultants), and the development and composition of executive personnel costs.

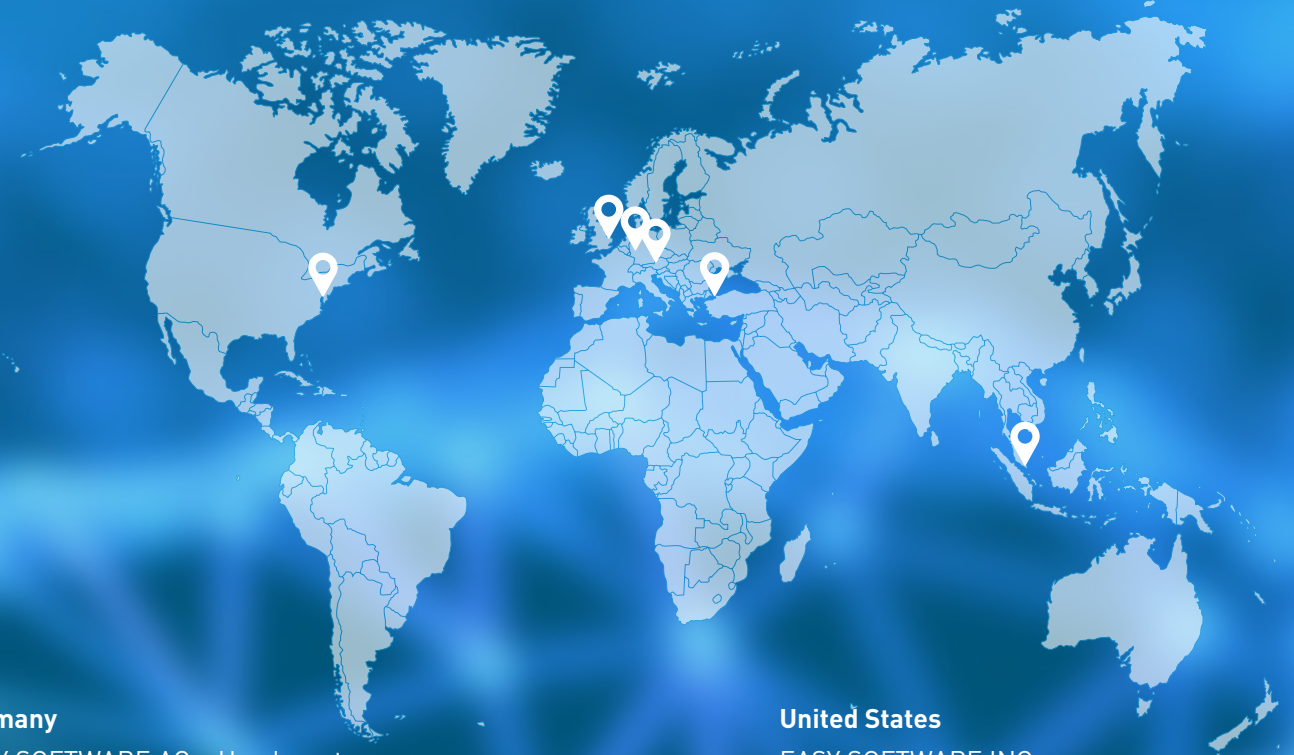
The Supervisory Board also approved the combined management and group management report and the statements on corporate development contained therein. The annual financial statements were thus approved by the Supervisory Board without any restrictions or additions; the consolidated financial statements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

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

Mülheim an der Ruhr, April 2019

Oliver Krautscheid
Chairman of the Supervisory Board





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