Annual Report 2019

DIGITAL SECURITY

cyan AG, Munich DE

Key Figures

Earnings Figures		2019	2018	Change
Total earnings[a]	in EUR thousand	32,507	20,663	+57 %
EBITDA	in EUR thousand	11,670	3,030	+285 %
EBITDA-Margin[b]	in %	44 %	34 %	n/a
EBIT	in EUR thousand	5,529	-931	n/a
EBIT-Margin[b]	in %	21 %	-11 %	n/a
Net income/loss	in EUR thousand	4,530	-558	n/a
Earnings per share	in EUR	0.49	-0.07	n/a

Segment Figures		2019	2018	Change
Revenue BSS/OSS	in EUR thousand	18,406	4,982	+269 %
Revenue Cybersecurity	in EUR thousand	8,348	3,864	+116 %
EBITDA BSS/OSS	in EUR thousand	11,512	5,882	+96 %
EBITDA Cybersecurity	in EUR thousand	3,650	-82	n/a

Cash Flow Figures		2019	2018	Change
Operating cash flow	in EUR thousand	-5,834	-4,128	-41 %
Investment cash flow	in EUR thousand	460	-17,492	n/a
Financing cash flow	in EUR thousand	11,797	19,956	+41 %

Balance Sheet Figures		31/Dec/2019	31/Dec/2018	Change
Assets total	in EUR thousand	99,255	83,323	+19 %
Equity	in EUR thousand	82,157	50,366	+63 %
Net debt[c]	in EUR thousand	-5,056	11,497	n/a

Key Operating Figures		31/Dec/2019	31/Dec/2018	Change
Number of staff[d]		135	142	-5 %
Leads in advanced stage[e]		58	13	+346 %
Addressable market[f]	in million	50	8	+525 %

[a] Consisting of sales revenue EUR 26,754 thousand plus other earnings EUR 2,138 thousand and changes in changes in finished and unfinished goods and work in progress EUR 3,615 thousand
[b] Calculated as EBITDA or EBIT divided by revenues
[c] Consisting of cash less leasing liabilities and current financial liabilities
[d] The number of employees was 126 on 1/Jan/2019 (due to the closure of the subsidiary in Brno) and 154 on 1/Apr/2020
[e] Corresponds to leads of the internal sales cycle phases: Proof of Concept, Request for Proposal/Quote, Close to Signing
[f] Existing contractual relationship for which the technical integration has already been started/implemented

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Letter from the Management Board

Letter from the Management Board

Dear Shareholders,

We look back on an eventful 2019, in which good foundations were laid for the future development of our company.

After cyan had won an international tender process at the end of 2018 prevailing over the established cybersecurity competition and concluding a group contract with Orange, a new era began for our company in many respects at the beginning of this year. First of all, a project team of more than 30 employees had to be put together as quickly as possible to successfully install cyan's technology in the Orange network in France during the course of the year. Our newly established project office in Paris was in close contact with the central product management and marketing of Orange to prepare the introduction of our solution in other countries. The Orange integration was also an important reference case for the integration of the employees of i-new, acquired in July 2018. For the first time, a project team consisting of experts from both companies was formed.

The major contract with Orange and the resulting clear validation of our technology also changed the external perception of our company. On the one hand, numerous other telecommunications companies became aware of us and invited us to participate in their tenders. On the other hand, investor interest also increased noticeably. The Management Board of cyan, seized the opportunity and decided to accelerate the growth of cyan once again. This required investments in additional employees – especially in sales and marketing, but also in IT research and development. It was necessary to further professionalize the company as a whole in order to be prepared for strong customer demand. In July, the funds for this strategy were successfully raised on the capital market – new shares worth EUR 24.9 million were issued.

As announced, the money was used immediately to create the conditions for future growth. We succeeded in enticing some top (sales) people away from the direct competition and to fill them with enthusiasm for cyan.

In the first half of the year we had to focus on the integration and restructuring of i-new. After a new management structure had been established, it was particularly important to stabilize the high employee turnover and the unstable operating performance of i-new's BSS/OSS platforms in Latin America. Almost the entire management team in Colombia had to be replaced and the local operations teams were significantly strengthened. These decisive measures had a direct impact on significantly higher customer satisfaction from Q3 2019. Finally, in August, the activities of cyan and i-new in Austria were physically merged at a new location at Vienna Central Station. As a visible completion of the integration, both companies will in future only operate under the "cyan" brand.

In the past fiscal year, we were able to conclude several important contracts. Following the signing of the cooperation agreement with Aon, the world's largest insurance broker, in Q4 2018, the focus was on developing a market strategy. Once this strategy had been defined, a redesigned, Aon-branded mobile smartphone app was developed. The market launch of this integrated cybersecurity solution from cyan, as part of the Aon app, is planned for the first half of 2020 in Austria and Switzerland. Aon is then planning to roll out the solution worldwide subsequently.

The successful cooperation with Magenta (formerly T-Mobile Austria) has been extended until the end of 2022. The acquisition of UPC and the integration of fixed-network customers has increased cyan's potential customer base at Magenta by around 50 %. We are currently working on the technical integration so that our products and product combinations (mobile and fixed-network protection in one package) can also be offered to fixed-network customers from the second half of 2020.

At the beginning of July 2019, a strategic cooperation was signed with Wirecard, a leading global provider of payment services and risk management solutions. The first order of two million licenses was placed in Q4 and this initial order has already been delivered. Wirecard supplies banks and FinTech providers in particular with applications in which cyan's cybersecurity products will be integrated.

Furthermore, a major license agreement with ACN/Flash Mobile was agreed in Q4. A total of 60 million end-customer monthly licenses were sold and transferred, which will be usable on several cyan platforms in Latin America over the next few years.

The total number of our analysis methods was increased from 23 to 25 in 2019. One of the two new methods is an algorithm specially developed for threats in the area of cryptocurrencies. In addition, at the end of August 2019, a patent for the detection of malicious actions on websites or in smartphone apps by means of sandboxing was formally issued by the European Patent Office and subsequently registered in the most important countries.

Furthermore, in Q4 2019 we started to create a cloud-based Proof-of-Concept (PoC) environment, which will enable faster testing for our cybersecurity customers. The cloud-PoC environment maps a comparable customer installation and enables the functions and capabilities of cyan products to be tested quickly and cost-effectively within customer networks. This standardised environment also enables the parallel processing of PoC installations with minimal involvement of the technical teams, which shortens lead times in sales. Completion of the development and initiation of this platform is expected in early Q2 2020.

The implementation of an information security management system and associ-ated measures were extended to the entire cyan Group in the first half of 2019, in order to document the high importance of our data security within cyan. The final audit and final certification in accordance with ISO 27001 are planned for the first half of 2020.

The COVID-19 pandemic is naturally also affecting our company. The Mobile World Congress in Barcelona, the world's most important mobile communications trade show, which should have taken place in February 2020, was cancelled due to COVID -19, which has hit us particularly hard. Unfortunately numerous client meetings and especially the first official presentation of our solution with Orange had to be cancelled.

On the one hand, we expect the crisis to create opportunities for cyan, as the (temporary) conversion of large parts of the economy to the home office scenario will tend to increase the need for protection against Internet threats.

On the other hand, we can unfortunately already see initial delays in the decision-making process of potential clients. However, not least due to the capital measures taken in 2019, we are well prepared for this challenging phase. In particular, the high level of ongoing software development, the commitment of our R&D teams and the unabated enthusiasm in the area of sales and marketing, have given us great confidence at present.

We would like to thank you, our shareholders, for your confidence in us and we look forward to a promising future with you.

Munich, April 2020

Peter Arnoth
CEO

Markus Cserna
CTO

Michael Sieghart
CFO

Report of the Supervisory Board

Report of the Supervisory Board

In the financial year of 2019, the Supervisory Board of CYAN AG (hereinafter also referred to as the "company") carried out the tasks incumbent upon it in accordance with the law and the Articles of Association. During the financial year, it regularly and extensively dealt with the situation and development of the company. The Supervisory Board regularly consulted with the Management Board of the company and carefully monitored its activities. The Management Board informed the Supervisory Board regularly, promptly and comprehensively in both written and verbal form about all aspects of planning, business development, the situation of the company, including the risk situation and risk management, as well as about current issues and compliance that were of significance to the company.

The Supervisory Board approved the Management Board's proposed resolutions after thorough examination in each case.

No member of the Supervisory Board participated in half or fewer Supervisory Board meetings.

A total of ten Supervisory Board meetings were held on 17 January 2019, 28 January 2019, 3 April 2019, 7-8 May 2019, 9-10 July 2019, 13 August 2019, 17 September 2019, 3 December 2019. Eight of these meetings were held in the form of conference calls.

The development of sales, earnings and customers as well as the financial position of the company were subject of regular discussions at the Supervisory Board meetings.

There were no conflicts of interest on the part of Supervisory Board members in connection with their activities as members of the Supervisory Board.

Main Topics of Discussion for the Supervisory Board

In the conference call on 17 January 2019, the amendment to the Articles of Association was resolved following the capital increase by way of contribution in kind.

In the conference call on 28 January 2019, the Supervisory Board approved the renting of a new office in Vienna and the sale of the property in Mattersburg was also approved.

In its conference call on 3 April 2019, the Supervisory Board was informed about the pending mergers of subsidiaries to simplify the group. In addition, the Supervisory Board was informed about the pro forma figures for the financial year of 2018.

The subject of the meetings in Munich on 7-8 May 2019 was the discussion of the annual financial statements of the company as of 31 December 2018 and the auditor's report. The annual financial statements were then adopted on the conference call on 8 May 2019. The agenda for the Annual General Meeting was also discussed at the meeting on 7 May 2019 and the proposed resolutions were approved.

In the Supervisory Board's conference call on 9-10 July 2019, the Board approved the resolution of the Management Board of 9 July and then of 10 July 2019, by which the Management Board resolved to increase the cash capital by up to 888,594 new shares using the authorized capital and set the purchase price at EUR 28 per new share. In addition, the Supervisory Board amended the wording of the Articles of Association with effect from the date of entry of the implementation of the capital increase in the Commercial Register.

Furthermore, in a conference call on 9 July 2019, the granting of the power to act and sign on behalf of the company for executive employees within the cyan Group was approved.

In a conference call on 13 August 2019, the appointment of senior management at the level of the subsidiary Cyan Security Group GmbH was approved.

In a conference call on 17 September 2019, the preliminary half-year results were presented and discussed. Also, the Supervisory Board was informed about the development of the annual forecast.

In its meeting in Munich on 3 December 2019, the Supervisory Board was informed about the general business development in 2019, as well as existing customer relationships and the signing of new customer contracts. The budget planning for 2020 was also presented and discussed.

Composition of the Management Board and the Supervisory Board

There were no personnel changes in the company's Management Board or Supervisory Board during the reporting period.

Committees

As the Supervisory Board consists of only three members, no committees were formed in the 2019 financial year.

Annual Financial Statements

HLB Dr. Stückmann und Partner mbB, Munich, an accountancy firm, was selected as auditors at the Annual General Meeting on 3 July 2019 and appointed by the Supervisory Board. The selected firm audited the annual financial statements and the management report as well as the consolidated financial statements and the company's consolidated management report for the 2019 financial year and issued an unqualified audit opinion. The auditor issued a declaration of independence to the Supervisory Board.

The auditor explained the auditing principles in its audit report. No objections were raised by the auditors.

Both the annual financial statements and the management report, as well as the auditor's report, were made available to all members of the Supervisory Board in good time. The financial statement documents were discussed in detail at the balance sheet meeting of the Supervisory Board on 29 April 2020. The Supervisory Board examined the annual financial statements and the management report in detail.

No objections were raised after completion of this review. The Supervisory Board agreed with the results of the audit and approved the annual financial statements prepared by the Management Board for the 2019 financial year. The annual financial statements have thus been adopted. The Supervisory Board agreed with the management report and the assessment of the further development of the company.

A Note of Thanks

The Supervisory Board would like to express its thanks and appreciation to the Management Board and all employees for their work during the 2019 reporting year for their high level of commitment and performance.

Frankfurt, April 2020

On behalf of the Supervisory Board

Stefan Schütze
Chairman of the Supervisory Board

cyan on the Capital Market

cyan on the Capital Market

cyan share development 1 Jan 2019 - 31 Dez 2019

[a] Xetra closing price indexed to 100
[b] DAX Scale All Share Performance-Index

The shares of cyan AG reached the highest Xetra closing price in 2019 on 6 February 2019 at EUR 36.55. The lowest closing price was recorded on 11 December 2019 at EUR 16.06. In 2019 the cyan share lost 18 % of its value. The Scale All Share Performance Index, which covers the development of all companies listed in the Scale Segment of the Frankfurt Stock Exchange, rose by 5 % in the same period. The market capitalization of cyan AG as of 31 December 2019 amounted to EUR 202 million based on the bearer shares outstanding at that time.

Annual General Meeting

At the first ordinary shareholders' meeting since the successful initial public offering in March 2018, the Management Board and Supervisory Board of cyan AG received a great deal of approval from the shareholders for their strategy and orientation of the company. 69 % of all issued shares were represented at the AGM. All items for resolution on the agenda were adopted by great majority. [1]

In addition to discharging the Management Board and Supervisory Board, the Annual General Meeting approved the adjustment of the remuneration of the members of the Supervisory Board, the election of the auditor and the conclusion of a non-cash and cash contribution agreement. This will serve to simplify and streamline the organization within the cyan Group – especially after the successful acquisition of i-new in July 2018. Furthermore, Dr Lucas Prunbauer, previously a member of the Supervisory Board appointed by the Munich District Court, has now been confirmed as a member of the Supervisory Board of cyan AG by resolution of the Annual General Meeting. Newly created at the Annual General Meeting was an authorized capital in the amount of 50 % of nominal capital. Additionally, the Management Board was authorized to issue convertible bonds and/or bonds with warrants. Conditional capital was created accordingly.

[1] Each individual item was adopted with at least 86 % of the quorum that was present.

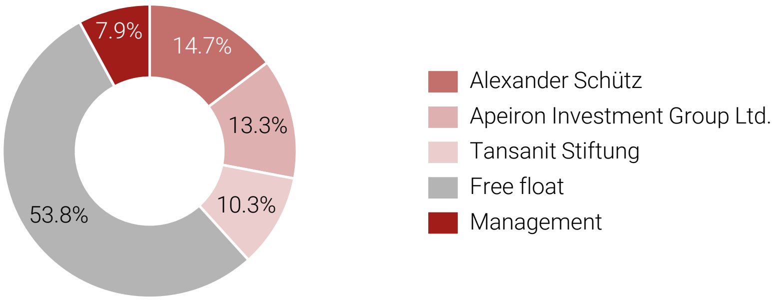
Capital increase

On 10 July 2019, i.e. after the balance date, a total of 888,594 new shares were issued within the framework of a capital increase within authorized capital against cash and were placed in the course of an accelerated book-building process with institutional investors. The placement price was EUR 28.00 per share. Through the placement of the new shares, the company raised EUR 24.9 million. After the capital increase, the nominal capital of the company is EUR 9,774,538.00, divided into 9,774.538 shares.

Shareholder structure

The shareholder structure is as follows: Alexander Schütz 14.7 %, Apeiron Investment Group Ltd. 13.3 %, Tansanit Foundation 10.3 % and the Management Board 7.9 %. The free float amounts to 53.8 %.[1]

Shareholder structure



Key share data

WKN (SIN)	A2E4SV
ISIN	DE000A2E4SV8
Stock symbol	CYR
Trading segment	Open Market (Scale)
Sector	Software
Exchange	XETRA und Frankfurt
Type of shares	Bearer shares
First trading day	28/Mar/2018
First issue price in EUR	23.00
Number of share on 31/Dec/2019	9,774,538
Market capitalization 31/Dec/2019 (in EUR million)	202.30
Share price on 31/Dec/2019[a,b]	25.70
percentage change since 1/Jan/2019	-18.05 %
High during the period 2019[a]	36.55
Low during the period 2019[a]	16.06

[a] Xetra closing price
[b] Last trading day of the financial year

[1] The calculation is based on the total number of shares after the capital increase

Research reports

As of April 15, 2020, the editorial deadline for this report, a total of seven research analysts cover the cyan share. Five institutes gave a buy recommendation for cyan shares, one recommended selling and one gave no recommendation. The median of the issued price targets amounts to EUR 30.00.

Analysts	Date	Target Price (EUR)	Recommen-dation
Hauck & Aufhäuser	7/Apr/2020	34,00	Buy
Berenberg	2/Apr/2020	30,00	Buy
Kepler Cheuvreux	2/Apr/2020	30,00	Buy
Commerzbank	1/Apr/2020	10,00	Reduce
Bankhaus Lampe	8/Jan/2020	29,00	Buy
Mainfirst Bank	13/Dec/2019	30,00	Outperform
Edison Research	14/Nov/2019	n.a.	n.a.

Financial calendar 2020

Event	Date	Location
Quarterly results Q1 2020	until June 2020	-
2nd Annual General Meeting	2 July 2020	Munich, DE / virtual
Interim report H1 2020	until October 2020	-
Quarterly results Q3 2020	until December 2020	-

Current dates, upcoming events and news for 2020 are published on the website (ir.cy-ansecurity.com).

Group Management Report

Group Management Report

Principles of the Group

Business model

CYAN AG (XETR: CYR; hereinafter “cyan”) is a provider of intelligent IT security solutions and telecom services with more than 15 years of experience in the IT industry. The main business areas of the company are cybersecurity solutions for end customers of mobile and fixed network internet providers (MNO, ISP), financial service providers, virtual mobile network operators (MVNO) and BSS/OSS services as Mobile Virtual Network Enablers (MVNE). The security solutions of cyan are integrated into the infrastructure of the business partner and then offered under the partner’s name (“white-labelled”) to the partner’s end customers (“B2B2C”). In the BSS/OSS business, services required for operation of MVNOs such as connection to the network operator, invoicing, provisioning and similar are offered.

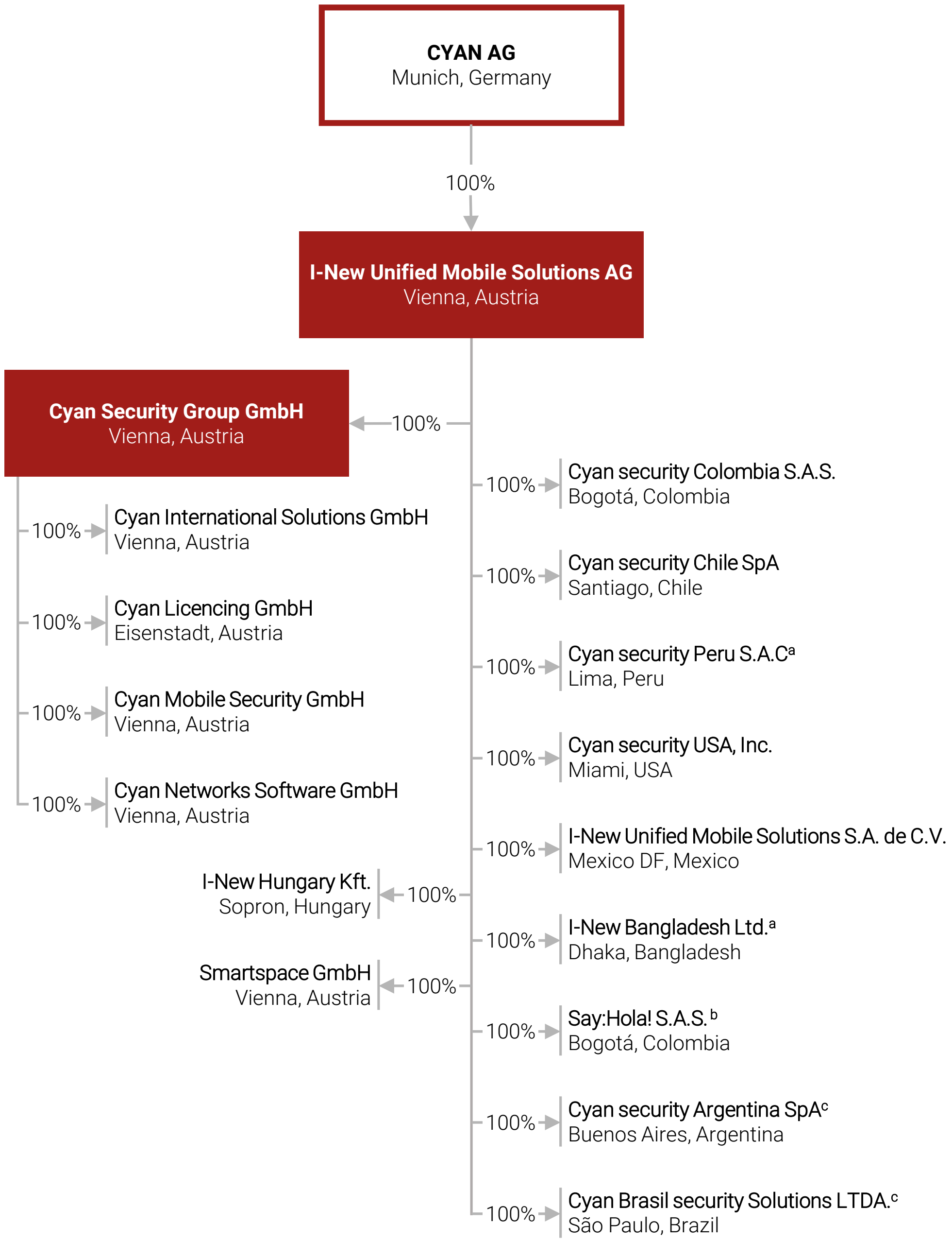
Today, the group of companies has a large number of international customers, through which cyan products are sold to millions of end customers. cyan is able to offer services along the entire value chain, from the platform operation through to data optimization and cybersecurity. In addition, cyan operates its own research and development center with the aim of identifying trends in the industry at an early stage and developing optimal product solutions. In December 2018, cyan was able to win a global group contract with Orange in an international tender process. In addition to major customers such as Wirecard and Aon, cyan was able to agree on cooperation with MVNOs such as Flash Mobile.

Group structure

cyan AG, based in Munich, Germany, acts as a holding company within the group. The majority of operational services are provided by the subsidiary I-New Unified Mobile Solutions AG (or “i-new”) and its subsidiary Cyan Security Group GmbH (“cyan GmbH”).

At the Annual General Meeting in July 2019, the implementation of the new group structure of cyan AG, Munich (Germany) was approved. The implementation was carried out by transferring all the shares of cyan AG in cyan Security Group GmbH, Vienna (Austria), to I-New Unified Mobile Solutions AG by means of a contribution-in-kind and a contribution agreement. This resolution was implemented on 5 September 2019.

Group structure as at 31 December 2019



[a] One share held by cyan AG
[b] In liquidation
[c] In the process of formation

The strategic management of the group is carried out at the headquarters of the group holding company in Munich. The operational headquarters of the two main companies, cyan GmbH and i-new, is located in Vienna. The key group management indicators for both the past financial year and the previous year were revenue, EBITDA and EBITDA margin. In addition, the number of potential customers and incoming orders are constantly monitored for operational management purposes in order to be able to estimate future sales and earnings potential. Furthermore, close attention is paid to the net liquidity of the individual subsidiaries.

The same management ratios are used for both segments listed in the segment report. These are also applied in respect to internal reporting. The group key figures required for management purposes have remained unchanged compared to the previous year.

Segments of the Group

Our group has two segments that are used to manage the company: cybersecurity and BSS/OSS, which are based on the nature of the products offered. The Management Board has opted for the present segmentation as it best reflects the company's opportunity and risk structure. The segments are clearly distinguished from one another by the diversity of customer groups and the technical solutions and products used.

Cybersecurity

This segment includes all services provided by cyan that are based on the use of technology developed by cyan for the protection against threats from the Internet. cyan provides its services in this segment with products such as OnNet Security, Clean Pipe or Endpoint Protection. For further details on the products refer to the description of the individual products and services on the following pages. The cybersecurity segment consists exclusively of the sub-group of cyan GmbH. The growth prospects in this segment can be regarded as very promising. The geographical focus is currently on Europe and Latin America in particular, but other regions (such as North America or Asia) are to be successively supplied with cybersecurity from cyan.

BSS/OSS

This segment has resulted from the original business of i-new. Here, MVNOs are offered the entire product range for the operation of a virtual mobile phone company. cyan's spectrum includes, among other things, connection to the MNO's network, billing, credit management, provisioning, etc.

The geographical focus in this segment is primarily on Latin America. Here, the strong market position is to be further expanded through the acquisition of new customers and at the same time, the range of services is to be constantly expanded.

Economic Situation and Business Development

Economic environment

The short to medium-term outlook has deteriorated significantly in recent months and is characterized by a high degree of uncertainty. The COVID-19 pandemic implies a significant negative shock, which will have a significant impact on the global economic environment.[1]

The predicted global economic growth at 2.5 % in 2020 by the World Bank[2] at the beginning of the year will be almost impossible to maintain, just as the forecast for 2021, where a slightly higher growth rate was forecasted. In the USA, the economy grew by +2.3 % in 2019 following a rate of +2.9 % in the previous year. The decline in economic growth in the Eurozone is even more pronounced. Economic growth fell from +1.9 % in 2018 to +1.1 % in 2019.

[1] ECB (2020), Economic report, issue 2 / 2020 – Economic and monetary development.
[2] World Bank (2020), Global Economic Prospects: Slow growth, policy challenges.

As of mid-March 2020, the European Central Bank[1] is forecasting weak growth of 0.8 % in the Eurozone; growth of 1.3 % is currently expected for 2021. China's economic growth has reached a new low of +6.1 % since 2009, mainly due to the trade dispute between the USA and China and weaker external demand. However, these forecasts are subject to considerable uncertainty due to the COVID-19 pandemic.

The economic conditions in 2019 were favorable in the Latin American market, which is important for cyan. In Colombia, for example, where cyan employs a considerable proportion of its Latin American staff and generates substantial sales for the group, economic growth[2] of 3.3 % was recorded in 2019 (following 2.6 % in the previous year). For the entire Latin American region (including the Caribbean states and excluding Venezuela), the IMF[3] reports economic growth of 0.8 % for 2019. However, it is very difficult to predict the impact of the ongoing COVID-19 crisis on the individual regions.

Segment specific development

Cybersecurity

In autumn 2019, an independent market study on the cybersecurity market was conducted by a renowned strategy consulting company. The study deals with the different forms and application areas of mobile cybersecurity and narrows them down.

The following potential customer groups were defined:

- End consumers: private users
- Small and medium-sized enterprises: organizations with less than 250 employees that usually opt for a "simple" solution to their cybersecurity needs (also for cost reasons)
- Large companies: organizations with more than 250 employees, most of which have already installed a professional solution that is managed by their internal IT departments

Devices, which can be protected by cybersecurity, are divided into:

- Smartphones: mobile devices with an operating system (usually iOS or Android) on which applications can be downloaded
- PCs: personal computers, laptops, workstations and servers
- Internet of Things (IoT): devices connected to the Internet such as health or fitness trackers (e.g. FitBit, Apple Watch), sensors and devices in the smart home environment (e.g. refrigerators, Google Nest, home routers)

The protection of mobile data can be applied in three different ways:

- OnNet Security: technology that is installed directly into the network infrastructure of the MNO/MVNO/ISP and requires no interaction with the end user other than a one-time subscription to the service. This solution is ideally suited to be resold by MNOs/MVNOs/ISPs to their end customers or

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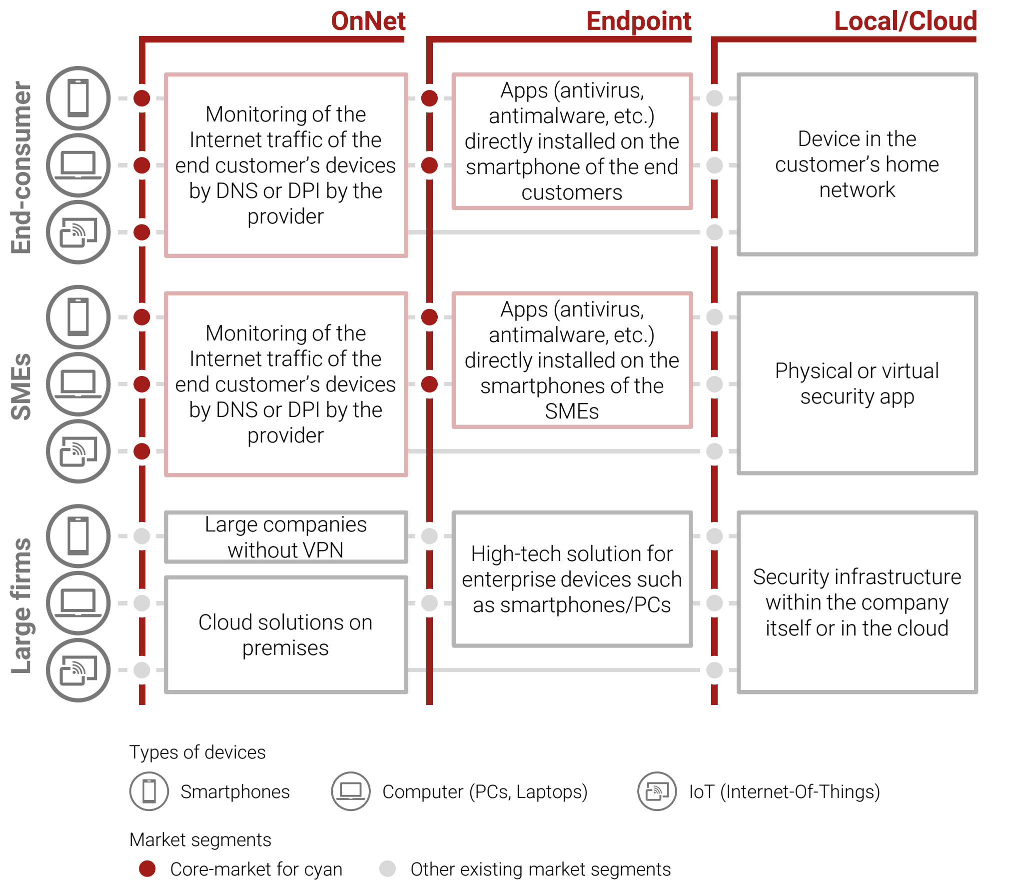
[1] EZB (2020), ECB staff macroeconomic projections for the euro area.
[2] Worldbank (2020), Global Economic Prospects: Slow growth, policy challenges.
[3] Werner A. (2020) in IMFBlog, Outlook for Latin America and the Caribbean: New Challenges to Growth. http://www.contexto.org/pdfs/2020/imf-outlook-for-latin-america-and-the-caribbean.pdf.

SMEs as an additional service. OnNet Security can be technically realized in two methods:
  - Domain Name System (DNS)-Filtering: technology that blocks access to (or warns the consumer of) certain websites or IP addresses that contain ex ante identified malicious content
  - Deep Packet Inspection (DPI): a method that screens the complete live data flow of the end user. DPI is a type of packet filtering that identifies, classifies, reroutes and blocks specific packets or payloads
- Endpoint Security: technology that is installed directly on the end user's device via an app. The end customer must download the app and allow regular updates. The end customer's mobile data traffic is protected at the level of the mobile phone (hence "endpoint"), in particular also outside the MNO's network (for example in a public or private wireless network).
- On-site installation/cloud: a cybersecurity solution is installed in the network, which is usually operated and maintained by the internal IT department of a company. This requires dedicated hardware and software at the company headquarters or in a data center or virtually in the cloud.

cyan focuses on the areas of OnNet and Endpoint for the end customer and SMEs, which ultimately defines cyan's core market.

Cybersecurity market segmentation



Furthermore, the independent market study also quantifies the respective market potential and its growth in the coming years.

- The area with by far the highest growth will be OnNet solutions for end-users' devices of end consumers and SMEs, which is expected to grow from approximately EUR 0.6 billion to EUR 4.5 billion in 2023 – an annual growth rate of 50 %.
- The second-fastest growing segment will be the endpoint for smartphones. This subsegment for consumers and SMEs will grow from EUR 1.0 billion to EUR 1.8 billion in 2023 – an annual growth rate of 13 %.

According to the independent study, the market relevant to cyan (OnNet and Endpoint for smartphones for end consumers and SMEs) will grow from EUR 1.6 billion to EUR 6.3 billion. In the view of the Management Board, however, the growth prospects do not end here. Instead, it is expected that there will be synergistic effects between the segments. Customers with higher security requirements, who have purchased an OnNet package, will subsequently also opt for an endpoint product.

Accordingly, the prospects, which will manifest themselves in a combined CAGR between 2018 and 2023 of 32 %, are very attractive to the industry. The independent study is extremely positive for cyan, as it demarcates and defines a relatively new market that is at the same time highly attractive (both in size and growth).

Competitive situation for cybersecurity

As the cybersecurity segment for mobile devices, especially the network integrated approach, is relatively young, the competition in this new market is only just beginning to take shape. The companies Allot and Akamai have emerged in recent months as direct competitors of cyan.

The advantages of cyan technology in contrast to the competition are:

- cyan's integrated security concept
- The ability to supply the Internet of Things (IoT) market with OnNet products
- A consistent white-labelled B2B2C approach
- cyan's DNS-Filtering technology (vs. DPI technology that cannot keep up with the growing data throughput triggered by 5G)[1]
- Own research with proprietary cybersecurity database

BSS/OSS segment

The global BSS/OSS market comprises almost 1,500 MVNOs[2] and had a market volume of USD 66 billion in 2018 – by 2022 this market volume is expected to grow to USD 88 billion.[3] This corresponds to a compound annual growth rate (CAGR) of approximately 7.5 %.

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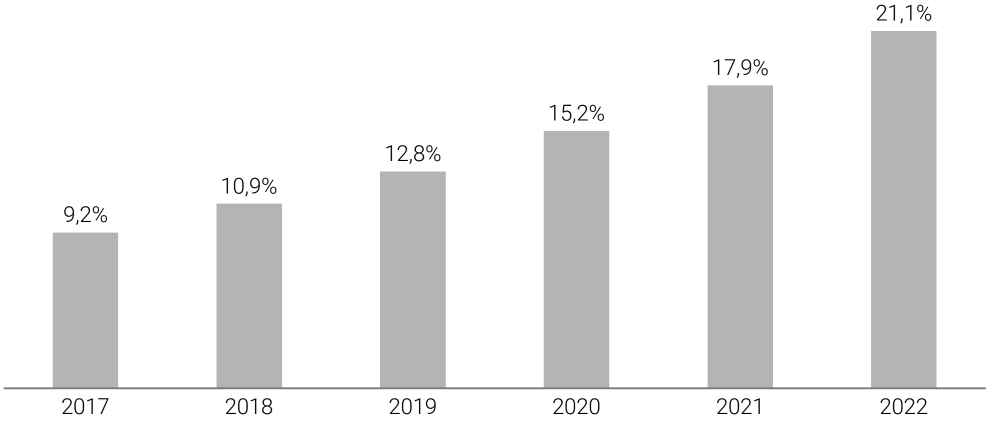
[1] DPI: Deep Package Inspection: scans all network traffic, which is associated with ever-increasing investment in CPU infrastructure

[2] GSMA MVNO Database [accessed on 1 April 2020].

[3] CISION PR Newswire (2017), MVNOs in Latin America: M2M Growth and Enhanced Customer Care for Niche Segments to Drive MVNO Share.

Share of MVNOs subscriptions in the total market in Latin America[1]



In particular, the Latin American market relevant to cyan is developing very dynamically. While almost 11 % of Latin American end customers still had an MVNO as host in 2018, this figure is expected to rise to more than 21 % by 2022.

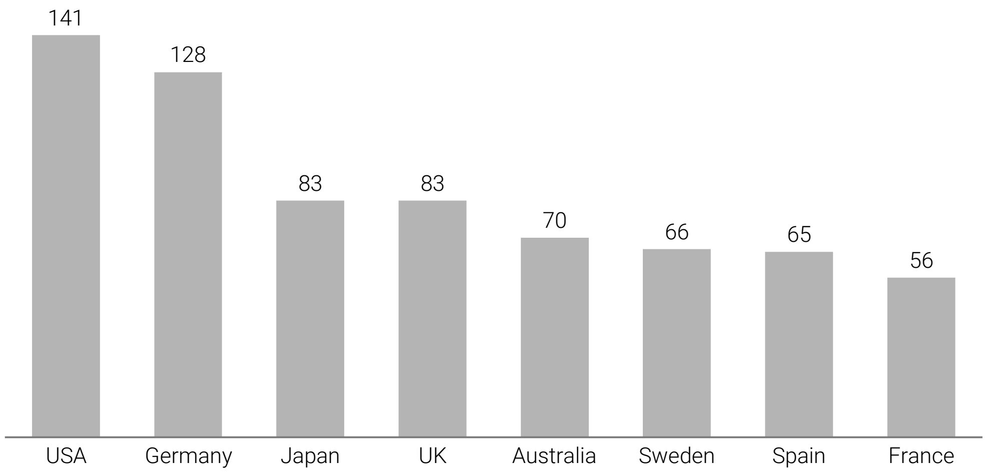
Colombia is the largest market here with more than 5 million MVNO customers[2] of which a considerable part is under contract with cyan customers Virgin and Flash Mobile. Mexico, also a core market of cyan, is the Latin American MVNO market with the strongest anticipated growth (CAGR from 2017 to 2022 of 38 %[3]).

In contrast to MNOs, MVNOs are much more flexible in their market development. The latter can react relatively quickly to changes in customer needs, for example, by bundling tailor-made products in order to quickly acquire more customers.

The degree of market liberalization and the corresponding regulatory framework plays an important role for MVNOs. The more liberal a telecommunications market is, the sooner MVNOs can gain a foothold and operate successfully. Accordingly, it is not surprising that most MVNOs are located in the United States of America, Germany, Japan or Great Britain.

[1] Statista (2017), Number of mobile virtual network operator (MVNO) subscriptions in Latin America from 2017 to 2022 (forecast).
[2] Fernando P. (2019) in Mobile Time, América Latina https://www.mobiletime.com.br/noticias/27/03/2019/america-latina-tem-quase-10-milhoes-de-assinantes-de-mvnos/.
[3] CISION PR Newswire (2017), MVNOs in Latin America: M2M Growth and Enhanced Customer Care for Niche Segments to Drive MVNO Share.

MVNOs per country - top 8 countries worldwide[1]



It is to be expected that with progressive liberalization in the Latin American markets as well, further considerable growth potential will be realized in the MVNO segment.

The competitive situation in the BSS/OSS segment

The competition in this segment is much more pronounced, as this market has existed for decades in contrast to mobile cybersecurity solutions. The BSS/OSS market is dominated by large players such as Amdocs, Ericsson, Nokia or Huawei. These BSS/OSS solutions are designed to meet the extensive needs of Tier 1 telecommunication companies and are correspondingly expensive and complex – both in project implementation and during operation. Such solutions are therefore not suitable for the requirements of a dynamic and cost sensitive MVNO.

In contrast, cyan has established itself on the market from the very beginning with a completely digital and thus very quickly implemented and cost-effective solution. The relevant competitors of cyan in the field of digital MVNO/MVNE solutions are among others Matrixx, Sonorys or xius.

Products and solutions

cyan has developed four products over the last few years, which are offered to customers individually and also as combined solutions – these are OnNet Security, Clean Pipe DNS, Endpoint Protection and MVNO Services (BSS/OSS).

OnNet Security

OnNet Security is cyan's fully network-integrated cybersecurity solution, which is used for example at Magenta (T-Mobile Austria), T-Mobile Poland and soon also in the networks of Orange. The filter is directly integrated into the network infrastructure of the corresponding MNO, so that the latter can generate revenues with its end customer through additional packages (such as Magenta with "Internet Protection" in Austria) and at the same time strengthen its own brand with cyan's white-labelled approach. cyan either receives an annual license fee per active end customer for the provision of the cybersecurity solution or is shared a certain percentage of the revenue.

[1] GSMA MVNO Database [accessed 1 April 2020]

Clean Pipe DNS

With Clean Pipe DNS, non-relevant data packets are filtered out of the data stream, resulting in significant cost savings for MVNOs. In particular, cyan technology blocks so-called background trackers and advertisements that load in the background, thereby improving the customer's surfing experience and reducing the amount of data consumed. MNOs are also faced with a lower number of network load peaks due to the data reduction of the Clean Pipe product, which allows the network operator to postpone investments in the network.

Endpoint protection

cyan's Endpoint Protection forms an additional security layer, which is directly on the end customer's device. The end user protects his or her smartphone via an app that has additional features such as identity and website checking, a virus scanner or firmware checks in addition to the cybersecurity filter. These solutions are connected to the cyan filter system, which is implemented within the customer's infrastructure.

MVNO Services (BSS/OSS)

This product results from the business of i-new. It offers MVNOs the entire product range required for the operation of an MVNO. cyan's spectrum includes the connection to the MNO's network, billing, credit management, provisioning, etc.

Organizational structure and personnel development

For cyan, highly qualified employees are one of the most important factors for the long-term success of the company. From the recruiting process to the further development of employees, measures were implemented in the past fiscal year to support the right employees in the best possible way and to integrate them into the company for the long term. The aim of the Management Board is to promote diversity of employees in terms of gender, origin, age or disability at all levels.

After the first half of 2019 was particularly marked by the integration of i-new, the focus after the capital increase successfully completed in July 2019 was primarily on the consistent expansion of the organization. Particularly in the areas of sales and business development, but also in the area of technology, targeted reinforcement was sought and found. Due to the increased transparency and awareness of the company in the industry, cyan succeeded in recruiting some of its competitors' top people, especially in sales.

As of 31 December 2019, cyan employed 135 FTEs (equivalent to 140 people). This represents an increase of 14 FTEs compared to 30 June 2019 and a decrease of 7 FTE compared to the previous year. While the subsidiary in Brno (Czech Republic) was closed at the beginning of the year, reducing the workforce by a total of 16 FTEs, cyan has taken on 9 FTEs net in 2019. A substantial replacement of employees took place especially in Latin America. Since the closure of the Brno site, Global Operations has been taking place exclusively in Sopron (Hungary). In addition, the restructuring measures at i-new have resulted in further staff restructuring and reduction. After the reporting date, additional staff were recruited in core areas (especially sales and development). In the beginning of April, cyan employed a total of 149 FTEs.

A significant proportion of the employees, about 70 %, are employed in operations, development, and research and development. At the same time, roughly 30 % of the workforce was employed outside the European Union. The proportion of women is about a quarter of all employees globally and is to be increased in the coming months and years.

In FTE as of 31/Dec/2019	Total	EU	Rest of world
Personnel	**135**	**100**	**35**
thereof in operations, development, research and development	*91*	*65*	*26*

Research and development

The total number of our analysis methods was increased from 23 to 25 in 2019. One of the two new methods is an algorithm specially developed for threats in the area of cryptocurrencies. In addition, at the end of August 2019, a patent for the detection of malicious actions on websites or in smartphone apps by means of sandboxing was formally issued by the European Patent Office and subsequently registered in the most important countries.

The focus of our efforts in the area of research and development continues to be on the optimization and continuous expansion of the 25 analysis methods currently in use. To this end, cooperation with research institutions has also been intensified. Areas of research with universities, technical colleges or research institutions generally cover the topic of Internet security with specialization in areas such as work on DNS anomaly detection. These, in turn, help the ongoing development of the filter database.

	2019	2018
R&D expenses	2,482	1,755
Capitalized development costs	315	651

Capital increase in 2019 and dividend policy

On 10 July 2019, cyan AG issued 888,594 new shares from a capital increase from authorized capital against cash contributions. The issue price was EUR 28.00 per share, which resulted in gross proceeds of EUR 24.9 million for the company. Since the capital increase, the company's share capital now amounts to EUR 9,774,538 and is divided into 9,774,538 shares.

The company is currently in a growth phase. We also intend to invest positive cash flows in further growth instead of dividends in the foreseeable future.

Earnings, financial and asset situation

Development of earnings

Total earnings for the 2019 financial year amounted to EUR 32.5 million, compared with EUR 20.7 million in the same period for the previous year, and is made up of revenues of EUR 26.8 million as well as EUR 2.1 million from other operating income and EUR 3.6 million from capitalized own work.

This corresponds to growth of 57 %. In addition to organic growth of the existing business, the increase is also due to the conclusion of license agreements with ACN and Wirecard in the final quarter of 2019 (total realized revenue EUR 13.6 million) which contributed significantly to the revenue in 2019.

Sales comprise EUR 18.4 million from the BSS/OSS segment and EUR 8.3 million from the cybersecurity segment.

Due to the acquisition of i-new at the end of July 2018, financial figures for 2018 include only five fully consolidated months.

EBITDA

In addition to personnel expenses of EUR 10.4 million and the cost of goods sold of EUR 3.9 million, other operating expenses amounted to EUR 5.5 million. EBITDA thus resulted EUR 11.7 million, compared with EUR 3.0 million in the previous year. This corresponds to an EBITDA margin of 44 %. The result in the 2019 financial year was impacted by the targeted establishment of structures (such as the opening of a project office in Paris), the accelerated personnel and investment program and the now completed restructuring of i-new, for which one-off expenses in the amount of approximately EUR 1 million had to be incurred.

The EBITDA consists of EUR 11.5 million from the BSS/OSS segment and EUR 3.7 million from the cybersecurity segment. After deducting holding expenses of EUR 3.5 million, the Group's reported EBITDA amounts to EUR 11.7 million.

Financial results

The financial results for the period under review were EUR -0.1 million (2018: EUR -0.2 million), comprising financial income of EUR 0.1 million and financial expenses of EUR 0.2 million.

Net profit and earnings per share (EPS)

cyan’s net profit amounted to EUR 4.5 million in the past financial year 2019 after EUR -0.6 million in 2018, which corresponds to positive earnings per share of EUR 0.49 in 2019.

Cash flow

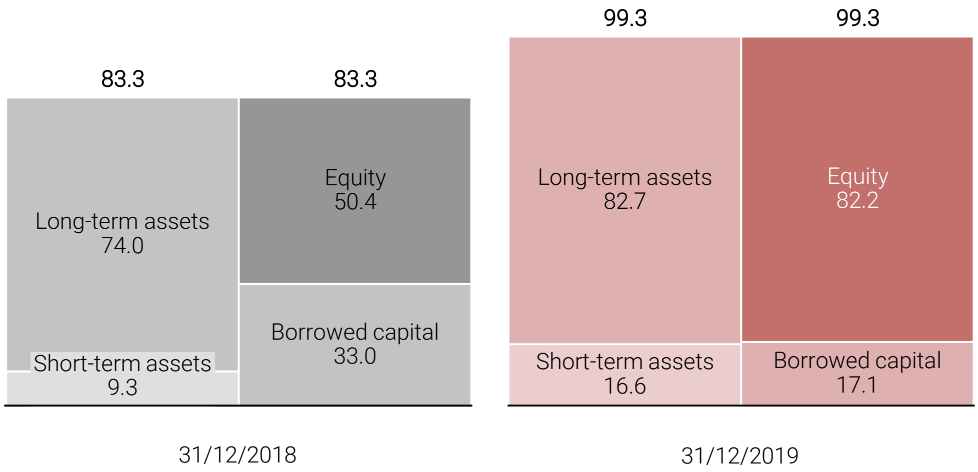
The operating cash flow is negative mainly for two main reasons. The up-front expenses of the contract with Orange are booked without affecting the result but are not yet reflected by any cash inflows. The reported sales revenues with Wirecard and ACN/Flash Mobile are subject to a payment plan which will be settled over the next few years (in each case until 2023).

Balance sheet structure

cyan has a balance sheet total of EUR 99.3 million as of 31 December 2019, compared to EUR 83.3 million at the end of last year. Equity rose by EUR 31.8 million year-on-year, not least due to the capital increase and the consolidated profit of EUR 4.5 million.

The balance sheet structure is as follows:

Balance sheet structure at 31 December 2019 and 31 December 2018 (EUR millions)



In the course of the fiscal year, financial liabilities to the amount of approximately EUR 11.7 million were repaid, so that cyan is in principle debt-free at the end of the year. The cash balance of EUR 8.5 million as of 31 December 2019, contrasts with financial liabilities, which for the most part, consist of leasing liabilities according to IFRS 16, to the amount of EUR 3.4 million. Net debt was therefore EUR -5.1 million, which effectively corresponds to net cash. Furthermore, there are deferred tax liabilities of EUR 7.2 million.

Since cyan's business model requires relatively low capex, no detailed analysis is made here.

The 2019 forecast for total revenues and other income of EUR 35 million and EBITDA of EUR 14 million was missed by achieving actual total revenues and other income of EUR 32.5 million and the actual EBITDA of EUR 11.7 million. On the one hand, some customer projects have been postponed and on the other hand, the restructuring of i-new was more cost-intensive than initially expected.

Significant contracts in 2019

2019 was an important year in which a large number of important contracts were signed.

Following the signing of the contract with Aon, the world's largest insurance broker, in Q4 2018, the focus was on developing a market strategy. Once this strategy had been defined, a redesigned, Aon-branded mobile smartphone app was developed. The market launch of this integrated cybersecurity solution from cyan, as part of the Aon app, is planned for the first half of 2020 in Austria and Switzerland. Aon is then planning to successively roll out the solution globally.

The successful cooperation with Magenta (formerly T-Mobile Austria) was extended until the end of 2022. Through the acquisition of UPC and the integration of fixed-network customers, cyan's potential customer base at Magenta has grown by around 50 %. We are currently working on the technical integration so that our products and product combinations (mobile and fixed-network protection in one package) can also be offered to fixed-network customers from the second half of 2020.

At the beginning of July 2019, a strategic cooperation agreement was agreed with Wirecard, a leading global provider of payment services and risk management solutions. The first order of two million licenses was placed in Q4 and has already been delivered. Wirecard supplies banks and FinTech providers in particular with applications into which cyan cybersecurity products are integrated.

Furthermore, a major license agreement with ACN/Flash Mobile was concluded in Q4. A total of 60 million end-customer monthly licenses were sold and transferred, which will be usable on several cyan platforms in Latin America over the next few years.

Report on Opportunities and Risks

Entrepreneurial activity serves to increase the value of the company by making targeted use of identified opportunities. Inseparably connected with this is the taking of risks. The opportunity and risk management system we use serves to optimize the relationship between risk and opportunity in the interests of sustained business success. In order to ensure this, we use suitable instruments and continually develop them further.

Derived from this, cyan classifies its risks as:

- "low", if the weighted risk potential of the individual risk is assessed at a value be-low 10 % of the planned EBITDA,
- "medium", if the weighted risk potential of the individual risk is assessed at be-tween 10 and 20 % of the planned EBITDA, and
- "high", or threatening to exist, if the weighted risk potential of the individual risk is assessed at a value of more than 20 % of the planned EBITDA.

On a summarized basis and at the time of reporting, the Management Board considers the risks to be low.

Risk and opportunity management

As a group operating internationally, cyan is exposed to various external and internal developments and events. The risk management of cyan concentrates on the early recognition of risks with the aim of identifying all risks and opportunities that could or could not endanger the existence of the company, in order to derive appropriate strategic measures in good time.

Within the framework of the risk management system implemented throughout the group, risk protocols are to be used to ensure comprehensive and largely uniform risk recording for central assessment and detailed monitoring of the risk situation by the Management Board in cooperation with the divisional management both at the level of the individual company and for the group. The group-wide risk management system stipulates the identification of relevant risks, their mitigation and the resulting opportunities so that they can be discussed within the company or the Management Board.

Market developments, in particular, are monitored as part of the risk management process in order to derive appropriate decisions for the strategic management of the company in good time. The Management Board regularly discusses newly arising risks and acts accordingly. Risk evaluation is subject to controls from time to time to monitor the long-term quality of this process.

Risks in detail

Operational risks

cyan faced several challenges in 2019. On the one hand, the existing risk of rapid growth due to a high number of incoming orders, for example, for the Orange roll-out combined with further roll-outs, had to be cushioned organizationally. To this end, the establishment of an integrated organization was pursued, which provided for the complete integration of i-new within the group. In particular, the merger of the offices of cyan (Vienna) and i-new (Mattersburg) at a new company location in Vienna was a major step towards short communication channels with improved knowledge exchange under optimal working conditions. On the other hand, the growth of the group must also be reflected in organizational terms and a targeted increase in personnel, particularly in development, had to be implemented at an early stage. The Management Board of cyan is aware of this risk and has already hired additional employees in recent months, especially in the middle management level. Thus, unexpectedly rapid growth can be cushioned by additional personnel.

In addition, various management tools, including a CRM system (Pipedrive) and new controlling software (Adaptive Insights), have been implemented. The CRM tool supports the relevant teams in processing the customer pipeline and maintaining existing customer contacts. With the implementation of controlling software, a further step towards comprehensive and digital real-time ERP was taken. With the help of these solutions, transparency, control and cooperation were improved throughout the entire organization. Further systems are being considered and discussed.

The group's cybersecurity products are generally considered to be fail-safe. In the case of MVNE products, there is a higher risk of failure or end customer risk due to the delivery of platform solutions for the operation of MVNOs. In the event of a failure of the platform/software, this can even lead to a standstill of the MVNO's operations, which in turn can lead to claims for damages if cyan is at fault. For this reason, the focus in recent months has been on restructuring and further optimization of the operations team, which is reflected in a significantly reduced number of incidents.

A further operating risk is the dependence on supplier relationships. Regarding this, from both a risk and cost perspective, a number of important tasks were regained in the past financial year.

The Management Board assesses the overall operating risks as low.

Competition risk

The increased awareness of cybersecurity, the expansion of mobile data use and the rising number of end devices are leading to above-average market growth. This makes new market entries relatively attractive for start-ups and established providers despite the high barriers to entry. cyan continues to see itself in a "window of opportunity". The current technological competitive edge should lead to even more customers. At the moment, no direct competitor has solutions on the market that combine On-Net and Endpoint Security in the form of an in-house solution. The Management Board expects to be able to maintain this competitive edge in the market through targeted investment in the research and development of our products and thus reduce the competitive risk. The Management Board considers the competitive risk to be low.

Risks in connection with COVID-19

In particular, it is still difficult to assess the macroeconomic or sectoral impact of COVID-19. It is suspected that the global economy is facing a recession, but it is unclear when it will recover from this. With regard to cyan's core business, the group is dependent, in this context, on the developments of its most important customer groups (i.e. MNO/ISPs and MVNOs). On the one hand, cybersecurity protection in the context of the "home office" is becoming more important and we expect higher demand here. Since the outbreak of COVID-19 in Europe and the simultaneous shutdown (mainly resulting in the home office scenario), mobile data volumes, in particular, have risen sharply – by around 30%). At the same time, a wave of phishing emails has led to increased demand for cybersecurity products, with the latest customer data showing that the demand for our products is growing strongly in the wake of the COVID-19 crisis.

On the other hand, the general economic situation in a crisis also leaves its mark on the consumer behavior of telecom customers, especially in the BSS/OSS segment. Potential negative effects therefore include a decline in sales by our customers, which they generate with their end customers. Moreover, the Management Board already sees initial delays in the completion of installations and new customer contracts.

The Management Board currently considers the effects of this risk to be medium.

Technological risks

Among other things, cyan develops network-integrated, highly complex cybersecurity solutions for the detection of potential threats such as phishing, malware or identity theft for users of smartphones and tablets. In the fight against cybercrime and threats on the Internet, cyan is exposed to a continuous race. cyan may not be able to respond in a timely manner to technological advances or changing requirements for cybersecurity products and services or the overall cybersecurity market.

Products may become outdated or obsolete due to changes in existing standards or the emergence of new standards. A significant change in the MVNO/E market environment could have a negative impact on cyan in the BSS/OSS segment.

In order to avoid falling behind technologically and to maintain its market position, further developments and adaptations of the products are constantly being made, as well as investments in research and development.

The Management Board considers the technological risk for both the cyber-security segment and the BSS/OSS segment to be low.

Reputation risks

cyan's customers, mostly large international corporations, entrust cyan with the security of the data traffic of their own end customers and the platform operation of the MVNO. Cybersecurity solutions are offered as "white-labelled", i.e. under the name of the B2B customers. Consequently, it is crucial to ensure the best possible protection for the mobile devices of end customers who trust in the security solution of their mobile operator. A failure of the software would fall back on cyan and would cause considerable damage to the reputation of their customers. In the BSS/OSS area, direct end customer business takes place on the platform supplied by cyan. The risk of outages and thus the reputation risk is therefore higher here than in the cybersecurity area.

Overall, the Management Board estimates the reputation risk to be low.

Financial risks

Financial risks include above all liquidity risk, interest rate risk, currency risk, customer default risk and bulk risk.

Liquidity risk

cyan AG uses rolling financial and liquidity planning to determine liquidity requirements. Care is taken to ensure that sufficient liquid funds are available at all times to settle due liabilities. The available liquid funds (cash position as of 31 December 2019 amounts to EUR 8.5 million) are maintained exclusively at banks with high grade credit ratings.

Nevertheless, for example project delays (certain projects generate revenues/cash later than planned), defaults by existing customers or a massive economic slowdown (e.g. triggered by COVID-19) may mean that the company has to borrow money on the capital market or from financial institutions during the course of the year. This risk is classified as low.

Interest rate risk

Interest rate risk is not a relevant risk due to the fact that cyan has no outstanding financial liabilities on the balance sheet to date or that no contracts contain interest rate adjustment clauses.

Currency risks

cyan is exposed to certain currency risks due to its underlying international business. The company's finance department constantly monitors these risks, and in particular foreign exchange rates, in order to respond appropriately.

To the extent that expenses and investments are not made in euros, exchange rate fluctuations can affect the solvency of group companies and have a negative impact on the results or earnings of the group. This risk can be classified as medium.

Customer default risk

Irrespective of the current economic situation, there is a risk that a customer may be unable to pay. We assess the risk of bad debts on the debtor side, in particular a large loss of receivables, overall, as medium due to the diversified portfolio and the experience of the past years. Effective systems for monitoring creditworthiness and, if necessary, requesting collateral, ensure that new customers are handled in an orderly manner. This risk can be classified as low.

Cluster risk

In the past fiscal year, several contracts/orders of great importance for cyan have been signed (for example, with Wirecard or with ACN/Flash Mobile). The Management Board is endeavoring to reduce this potential cluster risk, in particular, by signing contracts with new major customers and to place sales revenues on a broad basis.

Based on the multi-year overall budget for cyan, which was prepared under the long-term assumption of a significant increase in earnings, especially from new customer business, the Management Board considers the overall financial risks to be low.

Opportunities in detail

Opportunities through new markets and diversification

Since the acquisition of i-new, cyan's geographical customer focus has expanded to Latin America in addition to Europe. The successful integration has not only gained new products and customers among MVNOs, but also generated new knowledge in development and access to new markets. Through this diversification, cyan can continue to expand in growth markets.

Opportunities due to restrictive legislation

The General Data Protection Regulation (GDPR) has now been the basis of general data protection law in the EU for two years. This has resulted in an additional sensitization. cyan's OnNet solutions are also installed directly within the infrastructure of the network operator; therefore, no routing via a foreign cloud is necessary (though possible). In this respect, cyan is therefore largely independent of legal changes in the area of data security and data protection.

Overall picture of opportunities and risks

cyan operates in an extremely exciting and rapidly growing industry, the cybersecurity industry, with a focus on the protection of mobile devices and the BSS/OSS segment for MVNOs. In addition to the fundamentally growing mobile data volume, cybercrime in particular will increasingly focus on mobile devices and MVNOs will increasingly dare to enter the market due to loosening regulations.

Our software installed at Magenta, as well as the ongoing roll-out at Orange, one of the largest mobile communications companies in the world, show that cyan has made very good decisions both in terms of products and sales channels. In particular, the validation with Orange and the roll-out on track still have immense potential, which must now be leveraged on.

We therefore classify the risks described as controllable, see exciting possibilities in the opportunities and do not consider the continued existence of cyan to be endangered.

Information Security Management System: ISO 27001

In 2019, major steps were taken towards certification in accordance with ISO Standard 27001. This international standard specifies the requirements for the establishment, implementation, maintenance and continuous improvement of a documented information security management system.

The aim of the certification is to establish internal security standards, with the focus on internal company processes, which are evaluated by independent auditors in a strict process. In terms of content, ISO 27001 covers not only internal technical IT security but also organizational, personnel and physical aspects, from employee awareness to fire protection.

The Management Board of cyan expects the certification in accordance with ISO 27001 to be completed in the first half of 2020.

Internal Control System (ICS)

cyan has established an internal control system that analyses, documents and, if necessary, extends the existing internal control processes relating to accounting. The group-wide uniform documentation of all controls for achieving the main control objectives is being continuously adapted and optimized and serves as the basis for audits of the performance of local ICSs. Key elements of the ICS are regular audits of the institutionalized dual control principle, the separation of functions and defined control steps for monitoring and auditing the effectiveness and efficiency of operating activities. Other important topics include the reliability of financial reporting as well as compliance with the legal regulations applicable to the company.

The basis of the processes for group accounting and reporting is an accounting manual, which is published and regularly updated by cyan. It defines the essential IFRS-based accounting and reporting requirements for the entire group. The group's guidelines, work instructions and process descriptions form another important basis of the ICS.

The scope and design of the accounting-related ICS of cyan are at the discretion and responsibility of the Management Board. The objective of the ICS, with regard to the accounting process is to ensure, through the implementation of controls, that sufficient security is provided to ensure that, despite the identified risks, (consolidated) financial statements are prepared in compliance with the regulations. The ICS contains the principles, procedures and measures to ensure the correctness of the accounting and is subject to continuous development. The ICS is designed in such a way that the annual financial statements are prepared in accordance with the relevant local provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG), and the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union.

The processes for consolidated accounting are managed accordingly by the responsible employees in the finance department. The organization of the accounting-related ICS has a uniform and centrally prescribed reporting structure that is in line with the group's principles based on local legal requirements. The subsidiaries report periodically in accordance with IFRS as part of the group reporting. Newly founded or acquired companies are integrated into this reporting process as quickly as possible.

In order to ensure uniform reporting, corporate guidelines such as accounting and consolidation manuals exist, compliance with which is regularly reviewed. Internal accounting controls of the subsidiaries are carried out locally at regular intervals. These include, in particular, IT-supported and random checks and plausibility checks as well as the separation of functions and the dual control principle.

At the end of the fiscal year, an internal review of the local financial statements is performed before they are released for the auditor and the consolidated financial statements. All measures are taken and the ongoing development and adjustment of the ICS contribute to ensuring the reliability of the accounting. Even adequate and functional systems that are set up cannot guarantee absolute certainty that risks will be identified and managed.

The Supervisory Board is informed by the Management Board in regular meetings about the economic development in the form of consolidated presentations, consisting of segment reporting, earnings development with budgetary and previous year figures, forecasts, consolidated financial statements, personnel and order development as well as selected key financial figures. The Supervisory Board is also informed about the effectiveness of the ICS in the form of a separate report.

Forecast report

We look back at a successful 2019, in which solid foundations were laid for the future development of cyan. The technical integration at Orange France was successfully implemented and the restructuring of i-new was completed. Several important new customer contracts were concluded and the capital increase in July 2019 has also set the financial conditions for further growth. The Management Board is therefore quite satisfied with the past financial year.

On an operational basis, cyan's forecast for the coming financial year looks very promising, not only for existing customers, but also for the contracts concluded with Orange, ACN, Aon and Wirecard. In addition, our newly established sales team has ensured a full customer pipeline. However, the COVID-19 pandemic is casting a long shadow on our efforts in this respect. The Management Board fears that there will be one or another delay in the conclusion of contracts and technical integration. Despite COVID-19, the Management Board is planning for both revenue and EBITDA in 2020 to at least reach the level of the past financial year. These assumptions are based in particular on the budget planning for 2020 made available to the Supervisory Board and the constant monitoring of the business plan.

The use of mobile Internet and the associated growth in mobile data consumption will continue to increase, irrespective of the relatively weak forecast for the global economy. Despite the global slowdown in world economic growth, the industry-specific conditions, especially for cybersecurity, are positive.

At the same time, the expansion of the organization is being systematically driven forward. In particular, the sales department, as well as the research and development divisions will continue to be developed.

The effects of COVID-19 on our future results cannot be seriously anticipated at this stage. The Management Board continues to expect very strong growth in the medium term, particularly in the cybersecurity sector. Here, cyan is positioned in the fast-growing OnNet segment and faces only a few competitors. Despite the possible effects of COVID-19, significant revenue growth with EBITDA margins above 50 % should therefore be possible in the medium term.

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated statement of comprehensive income

Statement of profit and loss

in EUR thousand	Note	2019	2018
Revenues	1	26,754	8,846
Other operating income	4	2,138	11,166
Changes in finished and unfinished goods and work in progress		3,615	651
Cost of goods sold	5	-3,874	-2,684
Personnel expenses	6	-10,387	-5,914
Value adjustment of trade receivables		-1,029	-1,326
Other expenses	7	-5,547	-7,709
EBITDA		**11,670**	**3,030**
Depreciation and amortization	8	-6,141	-3,961
Operating result (EBIT)		**5,529**	**-931**
Financial income	9	132	2
Financial expenses	9	-222	-215
Earnings before tas (EBT)		**5,438**	**-1,144**
Taxes on income and earnings	10	-909	586
Net profit/-loss for the year		**4,530**	**-558**

Other comprehensive income (OCI)

in EUR thousand	Note	2019	2018
Gains (losses) from exchange rate differences		68	74
Total result for the fiscal year		**4,598**	**-485**

Earnings per share

in EUR per share	Note	2019	2018
Undiluted result per share		0.49	-0.07
Diluted result per share		0.49	-0.07

Consolidated statement of financial position

Assets

in EUR thousand	Note	31/Dec/2019	31/Dec/2018	1/Jan/2018
Non-current assets				
Intangible assets		63,744	68,379	48,435
Patents, trademark rights, customer relationships and similar rights	*11*	*14,520*	*16,566*	*8,517*
Software	*11*	*17,499*	*20,382*	*9,139*
Development costs	*11*	*945*	*651*	*-*
Goodwill	*11*	*30,779*	*30,779*	*30,779*
Tangible assets		2,916	4,474	30
Land and buildings	*12*	*2,207*	*2,807*	*-*
Machines and other equipment	*12*	*60*	*867*	*30*
Business and office equipment	*12*	*649*	*800*	*0*
Participations		-	0	0
Other receivables	15	397	115	4
Financial assets (receivables)	*15*	*374*	*-*	*-*
Contract costs	2	3,038	160	-
Contract assets	2	11,771	-	-
Deferred tax assets	13	432	906	26
Total non-current assets		**82,670**	**74,034**	**48,495**
Current assets				
Trade receivables and other receivables	15	3,898	4,989	928
Contract assets	2	1,888	-	-
Inventories		13	14	-
Tax receivables	15	470	579	35
Other receivables and assets	15	1,640	1,764	1,199
Financial assets (receivables)	*15*	*164*	*-*	*-*
Cash and cash equivalents	16	8,512	1,942	3,503
Total current assets		**16,585**	**9,289**	**5,665**
Total assets		**99,255**	**83,323**	**54,160**

Equity and liabilities

in EUR thousand	Note	31/Dec/2019	31/Dec/2018	1/Jan/2018
Equity				
Share capital	17	9,775	8,765	67
Reserves		72,382	41,601	4,588
Capital reserves		*68,269*	*42,086*	*4,588*
Other reserves		*143*	*74*	-
Reserves according to IAS 19		*-1*	-	-
Profit / loss carried forward		*3,971*	*-558*	-
Non-controlling interest		-	-	*26,012*
Total equity		**82,157**	**50,366**	**30,667**
Non-current liabilities				
Non-current provisions	20	7	4	-
Leasing liabilities	18	2,812	1,392	-
Other non-current liabilities	19	300	-	-
Deferred tax liabilities	13	7,160	7,849	4,315
Total non-current liabilities		**10,278**	**9,245**	**4,315**
Current liabilities				
Trade payables and other liabilities	19	3,409	3,245	15,520
Current provisions	20	2,328	4,769	538
Financial liabilities	14	9	11,702	-
Leasing liabilities	18	635	345	-
Contribution made to implement a capital increase	18	-	2,753	2,999
Current tax liabilities		439	898	121
Total current liabilities		**6,820**	**23,712**	**19,178**
Total liabilities		**17,098**	**32,957**	**23,493**
Total equity and liabilities		**99,255**	**83,323**	**54,160**

Consolidated statement of cash flows

in EUR thousand	Note	2019	2018
Result before tax from continuing operations		5,438	-1,144
Result before tax from discontinued operations		-	-
Result before tax		**5,438**	**-1,144**
Adjustments to reconcile profit before tax to net cash flows			
Profit/loss from decreases in assets		1,258	-
Depreciation/amortization of intangible and tangible assets		6,141	3,961
Depreciation/amortization of financial assets		0	-
Increase/decrease in provisions		-2,438	3,516
Share-based remuneration		657	224
Financial income		-77	-2
Financial expenses		222	215
Other expenses/income with no influence on cash		-414	-9,838
		10,788	**-3,068**
Working capital adjustments			
Change in inventories		0	1
Change in contract assets/contract costs		-16,536	-160
Change in trade receivables other receivables		923	219
Change in trade payables and other liabilities		172	-333
Net cash flow from earnings before taxes		**-4,653**	**-3,340**
Income taxes paid		-1,180	-788
Cash flow from operating activities	**21**	**-5,834**	**-4,128**

in EUR thousand	Note	2019	2018
Purchases of plant and equipment and intangible assets		-326	-244
Purchases of plant and equipment and intangible assets from company acquisitions		-	-
Purchase of financial assets		20	-
Disposal of plant and equipment and intangible assets		1,005	-
Proceeds from sale of financial assets		-	-
Acquisition of a subsidiary less cash acquired		-	-16,599
Interest received		76	2
Development expenses		-315	-651
Cash flow from investing activities	**22**	**460**	**-17,492**
Proceeds from the issue of shares		23,781	42,844
Proceeds from loans and borrowings		-	16,419
Repayments of loans		-11,693	-12,905
Repayments of participation rights		414	-
Change in non-controlling interest		-	-26,012
Payment of financial liabilities		-515	-184
Interest paid		-191	-205
Cash flow from financing activities	**23**	**11,797**	**19,956**
Net cash flow		**6,422**	**-1,665**
Cash and cash equivalents at the beginning of the fiscal year		1,942	3,503
Cash and cash equivalents at the end of the period		8,512	1,942
Net foreign exchange difference/Effect of movements in exchange rates on cash held		*147*	*104*

Consolidated statement of changes in equity

in EUR thousand	Nominal capital	Capital reserve
1/Jan/2018	**67**	**4,588**
Net loss / profit for the year	-	-
Miscellaneous result after taxation	-	-
Total result for the fiscal year	**-**	**-**
Paid-in capital after deduction of transaction costs	8,698	37,274
Share-based remuneration	-	224
Change in minority interest	-	-
31/Dec/2018	**8,765**	**42,086**
Net loss / profit for the year	-	-
Miscellaneous result after taxation	-	-
Total result for the fiscal year	**-**	**-**
Share-based remuneration	-	657
Capital increase	1,010	25,526
31/Dec/2019	**9,775**	**68,269**

	Currency reserve	Reserve according to IAS 19	Profit / loss carried forward	Non-controlling interest	Total
	-	**-**	**-**	**26,012**	**30,667**
	-	-	-558	-	-558
	74	-	-	-	74
	74	**-**	**-558**	**-**	**-485**
	-	-	-	-	45,972
	-	-	-	-	224
	-	-	-	-26,012	-26,012
	74	**-**	**-558**	**-**	**50,366**
	-	-	4,530	-	4,530
	69	-1	-	-	68
	69	**-1**	**4,530**	**-**	**4,598**
	-	-	-	-	657
		-	-	-	26,535
	143	**-1**	**3,971**	**-**	**82,157**

Notes to the Consolidated Financial Statements

Notes to the consolidated financial statements

Information about the company

CYAN AG, headquartered in Munich (Fünf Höfe, Theatinerstraße 11, 80333 Munich, Germany), is a stock corporation, registered in the Commercial Register B of the Munich District Court under HRB 232764 and has been listed on the German stock exchange in the Open Market Scale Segment since March 2018. CYAN AG acts as a holding company within the Group. The operational services are provided by the Austrian subsidiary I-New Unified Mobile Solutions AG and its subsidiaries, in particular CYAN Security Group GmbH . CYAN Security Group GmbH and its subsidiaries provide cybersecurity solutions for mobile network operators (MNO), virtual mobile network operators (MVNO), banks, insurance companies and gambling companies. I-New Unified Mobile Solutions AG is active as a Mobile Virtual Network Enabler (MVNE).

Accounting principles

The significant accounting policies applied in the voluntary preparation of these consolidated financial statements are presented below. Unless otherwise stated these principles were applied to all years presented.

Due to the full consolidation with the i-new Group, which took place for the first time in the second half of 2018, the figures for the previous period can only be compared to a limited extent. Unless otherwise stated, all amounts are stated in euro. Due to the first-time application of IFRS 9 and IFRS 16, the prior-year figures had to be adjusted accordingly.

The consolidated financial statements consist of the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements.

The Executive Board of CYAN AG approved the consolidated financial statements on 24 April 2020 and released them for forwarding to the Supervisory Board.

Basis of preparation

The consolidated financial statements as of 31 December 2019 have been prepared voluntarily in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU on the balance sheet date, exercising the right of election pursuant to section 315e of the German Commercial Code (HGB). The designation IFRS also includes the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) that are still valid. The valuation was based on the assumption that the Group will continue as a going concern.

The statement of comprehensive income is presented using the total cost method. In the statement of comprehensive income and in the balance sheet, individual items are combined for better understanding or on the grounds of immateriality. In accordance with IAS 1, assets and liabilities are classified by maturity. Positions with a remaining term of up to one year are reported as current. Otherwise they are classified as non-current.

The accounting and valuation methods were applied uniformly to the consolidated financial statements, the previous year's figures, and the opening balance sheet.

The opening balance sheet has been included in the present consolidated balance sheet (three-column solution) in order to facilitate better comparability.

First-time application of IFRS

The consolidated financial statements as of 31 December 2019 represent the first consolidated annual financial statements of the Group in accordance with IFRS. These include the entire body of International Financial Reporting Standards (IFRS), which have been adopted by the EU and as interpreted by the International Financial Reporting Interpretations Committee (IFRIC). The transition to IFRS took place between 31 December 2017 and 1 January 2018.

The following simplifications have been applied through the first-time adoption of IFRS:

- IAS 23 "Borrowing Costs" has not been applied retroactively and applies from the effective date.

The following points have to be noted due to the first-time adoption of IFRS:

- As CYAN AG operates as a pure holding company, no material IFRS revaluations were necessary.
- The assets and liabilities of the acquired cyan Group were recognized at fair value on January 1, 2018 (date of initial consolidation).
- Within the scope of the PPA, in particular customer relationships and technologies were recognized as of 1 January 2018 in the total amount of EUR 17.6 million.
- Non-controlling interests were measured at fair value in the amount of EUR 26.0 million, resulting in goodwill of EUR 30.8 million.

Functional currency

The consolidated financial statements of CYAN AG are prepared in euro. Rounding differences may occur in the addition of rounded amounts due to the use of automatic calculation aids.

In the opinion of management, the consolidated financial statements include all adjustments required to provide a fair view of the assets, financial position and profit and loss.

The financial statements of subsidiaries whose functional currency is a currency other than the euro are translated in accordance with the principle of functional currency. Balance sheet items are translated at the exchange rate on the balance sheet date. Income and expense items are translated at the average exchange rate for the year. Resulting translation differences are recognised in other comprehensive income (OCI) and presented in the currency translation reserve in equity until the subsidiary is sold.

Currency translation differences arising from exchange rate fluctuations between the recording of the transaction and its cash effect or measurement at the balance sheet date are recognised in the income statement and reported in the operating result.

The following table shows the exchange rates of those foreign currencies in which CYAN AG and its subsidiaries conduct their business:

	Average rate 2019	2018	**Closing rate 31/Dec/2019**	31/Dec/2018	1/Jan/2018
Mexican Peso (MXN)	21.557	22.716	21.264	22.889	23.090
Bangladeshi Taka (BDT)	94.424	98.276	94.889	96.238	102.970
Hungarian Forint (HUF)	325.231	318.825	330.710	322.740	309.270
Peruvian Sol (PEN)	3.761	3.901	3.765	3.923	4.028
Chilean Peso (CLP)	792.242	756.931	832.350	795.890	749.620
US Dollar (USD)	1.120	1.181	1.111	1.138	1.220
Czech Crown (CZK)	-	25.643	-	25.835	25.452
Colombian Peso (COP)	3,693.019	3,503.110	3,666.792	3,720.964	3,542.945

Estimation and exercise of discretion

The preparation of the consolidated financial statements requires estimates and assumptions to be made that affect the reported amounts in the consolidated financial statements. The actual results may differ from these estimates. The estimates and the assumptions on which they are based are reviewed continuously. Changes in accounting estimates are recognised in the period in which the estimate is changed and in all subsequent periods affected. Valuations made by management in application of IFRS that have a significant impact on the consolidated financial statements and estimates with a significant risk of material adjustment in the following year are explained in the respective items.

Impairment of assets

The assessment of the recoverability of intangible assets, goodwill and property, plant and equipment is based on future-oriented assumptions. The assumptions used as a basis for the impairment tests of goodwill are explained in Note 11 Intangible assets. The determination of the useful life of assets involves estimates.

Receivables

Value adjustments of receivables are made on the basis of assumptions regarding the probability of default in accordance with the model of “expected credit losses”.

Other provisions

Other provisions are stated at the most probable amount based on reliable estimates if there are current obligations resulting from past events which will lead to an outflow of resources embodying economic benefits. Details on provisions can be found in the notes to the consolidated balance sheet, Note 20 Provisions.

Income taxes

Recognition and subsequent measurement of current and deferred taxes are subject to uncertainties due to complex tax regulations in the various national jurisdictions, which are also subject to ongoing changes. The management assumes that it has made a reasonable estimate of the tax uncertainties and future results.

However, due to the existing tax uncertainties, there is a risk that differences between the actual results and the assumptions made may lead to effects on the recognised tax liabilities and deferred taxes, but these are not considered material. The tax details are explained further in the following sections on income tax.

Revenue from contracts with customers

The assessment of contracts with customers on the basis of the criteria of IFRS 15 required estimates and the exercise of discretion, in particular with regard to the identification of separate lease liabilities within a contract and the allocation of the transaction price to these in accordance with their individual selling prices. More detailed explanations are provided in the accounting policies under "Revenue from contracts with customers".

Leasing

When calculating the rights of use and the associated leasing liabilities, significant estimates would be required as lessee, which are explained in more detail in the accounting and valuation methods under the item Leasing.

Acquisitions

In the case of purchase price allocations (PPA) in the context of company acquisitions, it was necessary to make assumptions about the existence and valuation of acquired assets. Furthermore, when determining the fair values, several assumptions were made, in particular with regard to future cash flows and the discount rate, which – like the assumptions made for the purchase price allocation – are also subject to uncertainties and depend heavily on the planning parameters.

Newly applicable and amended accounting rules

The following amendments or new versions of standards and interpretations are to be applied for the first time in fiscal year 2019.

Standard	Content	Effective date
IFRS 16	Leases	1/Jan/2019
IFRS 9, Amendment	Prepayment regulations with negative compensation	1/Jan/2019
IAS 28, Amendment	Non-current shares in associated companies and joint ventures	1/Jan/2019
IAS 19, Amendment	Employee benefits, plan amendments, curtailments, or settlements	1/Jan/2019
Improvements	IFRS 3, IFRS 11, IAS 12, IAS 23	1/Jan/2019
IFRIC 23	Uncertainty regarding the income tax treatment	1/Jan/2019

As of the balance sheet date, the following amendments or new versions of standards and interpretations are not yet mandatory for the 2019 financial year or applicable or not yet adopted by the EU:

Standard	Content	Effective date
Framework concept, Amendment	Revision of the financial reporting framework	1/Jan/2020
IFRS 3, Amendment	Definition of a business operation	1/Jan/2020
IAS 1 und IAS 8, Amendment	Definition of materiality	1/Jan/2020
IFRS 17	Insurance contracts	1/Jan/2021
IFRS 10 und IAS 28, Amendment	sale/transfer of assets between an investor and an associated company or joint venture	Moved by IASB

The standards listed above – if adopted by the EU – are not applied prematurely. From today's perspective, no material effects on the net assets, financial position, and results of operations of cyan are expected from the amendments and new versions of the standards and interpretations.

Scope and method of consolidation

The scope of consolidation is determined in accordance with the provisions of IFRS. In addition to the annual financial statements of CYAN AG, the consolidated financial statements also include the financial statements of companies controlled by CYAN AG (and its subsidiaries).

Subsidiaries are companies that are controlled by the Group. Control exists if cyan can exercise control over the company, is exposed to fluctuating returns from the investment, and can influence the returns in terms of amount due to its power of disposal. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group gains control of the subsidiary until the date on which the Group ceases to have control.

The scope of consolidation as of 31 December 2019 is as follows:

Company	Registered office	Share	Fully consolidated since
CYAN AG	Germany		
CYAN International Solutions GmbH	Austria	100%	1/Jan/2018
CYAN Licencing GmbH	Austria	100%	1/Jan/2018
CYAN Mobile Security GmbH	Austria	100%	1/Jan/2018
CYAN Mobile Security Poland Sp.z.o.o.	Austria	100%	1/Jan/2018 - 31/Dec/2018
CYAN Networks Software Gesellschaft mbH	Poland	100%	1/Jan/2018
CYAN research and development s.r.o.	Czech Republic	100%	1/Jan/2018 - 28/Jun/2019[a]
cyan security Chile S.p.A (formerly: I-New Chile S.p.A.)	Chile	100%	31/Jul/2018
cyan security Colombia S.A.S. (formerly: I-New Colombia S.A.S.)	Colombia	100%	31/Jul/2018
CYAN Security Group GmbH	Austria	100%	1/Jan/2018
Cyan security Peru S.A.C. (formerly: I-New Peru S.A.C.)	Peru	100%	31/Jul/2018
Cyan security USA, Inc. (formerly: I-New USA Inc.)	USA	100%	31/Jul/2018
I-New Bangladesh Ltd.	Bangladesh	100%	31/Jul/2018
I-New Hungary Kft.	Hungary	100%	31/Jul/2018
I-New Unified Mobile Solutions AG	Austria	100%	31/Jul/2018
I-New Unified Mobile Solutions, S.A. de C.V.	Mexico	100%	31/Jul/2018
Say:Hola! S.A.S.	Colombia	100%	31/Jul/2018
smartspace GmbH	Austria	100%	31/Jul/2018

[a] The liquidation of Cyan research and development s.r.o. was completed with the closing balance sheet of 28 June 2019, which is why it was deconsolidated in 2019.

The parent company of these consolidated financial statements is CYAN AG. The consolidated financial statements include all companies that are under the controlling influence ("Control") of the parent company through full consolidation.

The following table shows the changes in the consolidated Group:

	Full consolidation		At-equity	
	2019	2018	**2019**	2018
Balance at the beginning of the reporting period	**17**	8	**0**	0
Included for the first time	0	10	0	0
Deconsolidated	1	1	0	0
Balance at the end of the reporting period	**16**	17	**0**	0

Accounting and valuation methods

Income from contracts with customers

CYAN AG has applied IFRS 15 Revenue from contracts with customers. In accordance with IFRS 15, the time at which the control over the goods and services is transferred and the customer can derive benefits from them is decisive for revenue recognition. CYAN AG has applied the newly introduced 5-step model for determining the extent and timing of revenue recognition:

- Identification of the contract
- Identification of the performance obligations
- Determination of the transaction price
- Allocation of the transaction price to the service obligations
- Period-related or time-related realisation of income

cyan has identified the following benefit obligations in its customer contracts: Licensing, technical support and maintenance, and updates.

Granting of licenses

In the context of the sale of licenses by cyan, the customer acquires the right to use intellectual property and thus revenue is recognised when the license is sold. The decisive factor is the time at which the customer can use the license and benefit from it. On the one hand, these are licenses to use the cybersecurity software developed by cyan. On the other hand, licenses for the use of the BSS/OSS software solution developed by i-new.

Technical support and maintenance

During the term of the contract, further services are to be provided in the form of technical support and maintenance. In this case, it is assumed that an obligation to provide these services exists in accordance with IFRS 15.26 e) and that revenue is therefore recognised over the period of the contract.

Technical support for the BSS/OSS solution includes the provision of, and support and maintenance for, the technical platform used for the connection to the MNO. The services provided in the BSS/OSS segment are not hosting services, as the solution provided to the customer for use does not become the property of the customer but is used by other customers at the same time.

Updates

The BSS/OSS software solution is subject to irregular updates. However, the originally granted software solution remains fully usable without updates.

In the case of customer contracts in the cybersecurity segment, databases are updated on an ongoing basis in some cases. These are fully automated using self-learning algorithms. The originally granted version of the software, which is installed on the customer's systems, continues to function, and can be used sensibly even without updates in order to offer the end customers the corresponding cybersecurity. Although updates can improve the quality or update the software, they are not "critical" for the functionality of the software, since the updates only refer to a part of the functional scope and are not essential for the usability of the software or the licenses for the customer. For this reason, it is also assumed that the updates are subject to an obligation to provide them in accordance with IFRS 15.26 e) and thus that revenue is recognised over the period of time.

Revenues are determined at the transaction price. The transaction price is the expected performance for which there will most likely be no significant changes in the future, less rebates, discounts, and sales tax. If the service and payment are made within one year, no adjustment is required with regard to interest.

The transaction prices are to be regarded as fixed, particularly with regard to the point in time at which sales are realised (purchase quantity x unit price). In the case of contracts with longer payment terms, it is assumed that a significant financing component exists for those sales revenues that are allocated to services that are already provided at the beginning of the contract. Accordingly, the transaction price allocated to this service is discounted and interest income is subsequently recognised.

Repurchase agreements are only included on a "best effort" basis and therefore have no effect on the allocation of the transaction price or the realisation of sales.

If the service is rendered before the consideration is received, assets are capitalized.

If additional costs are incurred in concluding a contract and the corresponding sales revenues are realised over a period of one year, these costs must be capitalized and written off in the course of sales revenue recognition.

Income taxes

Income tax expense (or income) for the period is the tax payable on the taxable profit for the current period, based on the applicable income tax rate (adjusted for changes in deferred tax assets and liabilities arising from temporary differences and, where applicable, unused tax losses).

Deferred income taxes (income or expenses) result from temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. In accordance with IAS 12 (Income Taxes), deferred tax assets/liabilities reflect all temporary valuation and accounting differences between the tax balance sheet and the IFRS financial statements. In addition, deferred taxes are recognised on tax loss carry forwards.

At CYAN AG there is a trade tax loss carry forward of around EUR 8 million (2018: EUR 6 million) and a corporation tax loss carry forward of around EUR 8 million (2018: EUR 6 million). As the tax loss carry forwards probably cannot be used in the future, no deferred taxes were recognized.

With the consolidation and tax equalisation agreement of 18 December 2014, the CYAN Security Group GmbH as the group parent formed a tax group in accordance with § 9 oeKStG with CYAN Networks Software GmbH. In recent years, this fiscal group of companies has been extended by several group members. The core idea of the group taxation is the consolidation of the tax results of financially related entities at the group leader. All companies belonging to the group calculate the respective income. The resulting tax burden is offset with the group parent in the form of tax allocations (stand-alone method). The results of all companies are combined at the group parent and taxed accordingly.

In 2019, the existing group was dissolved, and a new group application was filed. The group parent is now I-New Unified Mobile Solutions AG. All other Austrian group companies are now members of the group.

Due to the new group formed in 2019, pre-group losses of EUR 24 million are available for the following years. These losses can for an unlimited period be offset up to 75 % against future profits.

The following income tax rates were applied for the fully consolidated companies:

Company	**2019**	**2018**
CYAN AG	30.0 %	30.0 %
CYAN International Solutions GmbH	25.0 %	25.0 %
CYAN Licencing GmbH	25.0 %	25.0 %
CYAN Mobile Security GmbH	25.0 %	25.0 %
CYAN Networks Software Gesellschaft mbH	25.0 %	25.0 %
CYAN research and development s.r.o.	25.0 %	25.0 %
CYAN Security Group GmbH	25.0 %	25.0 %
I-New Bangladesh Ltd.	-[a]	-[a]
I-New Chile S.p.A.	27.0 %	27.0 %
I-New Colombia S.A.S.	33.0 %	33.0 %
I-New Hungary Kft.	9.0 %	9.0 %
I-New Peru S.A.C.	29.5 %	29.5 %
I-New Unified Mobile Solutions AG	25.0 %	25.0 %
I-New Unified Mobile Solutions, S.A. de C.V.	30.0 %	30.0 %
I-New USA Inc.	26.5 %[b]	26.5 %[b]
Say:Hola! S.A.S.	33.0 %	33.0 %
smartspace GmbH	25.0 %	25.0 %

[a] Tax free
[b] 21 % + 5,5 %

Intangible assets and goodwill

Purchased intangible assets are valued in accordance with IAS 38 at cost of acquisition or production and any impairments in value less scheduled pro rata temporis depreciation. Impairment losses are recognised if there are circumstances that indicate a reduction in value.

Acquired licenses for software are capitalized on the basis of the costs of purchasing and commissioning the software. These costs are amortised on a straight-line basis over the estimated useful life of 3 to5 years.

Since the period in which brand rights are expected to generate cash flows cannot be estimated, they are not amortised. Amortisation is charged when impairment losses are incurred.

Research costs are expensed as incurred. Development expenses are capitalized if the relevant criteria of IAS 38 are met. Capitalized development expenses are carried at cost of production, less depreciation and impairment losses, with a depreciation period of three to ten years.

Intangible assets acquired as part of a business merger are recognised separately from goodwill and measured at fair value at the time of acquisition.

In subsequent periods, intangible assets acquired in a business merger are measured at cost less accumulated amortisation and any accumulated impairment losses, in the same way as individually acquired intangible assets.

In the course of company acquisitions, goodwill results from the fair value of the consideration transferred and the amount of all non-controlling interests in the acquired company less the balance of the acquired identifiable assets and liabilities measured at fair value.

If the difference is negative, the calculation of the consideration transferred, and the purchase price allocation must be reviewed again. If the new review reveals a negative difference, this is recognised in the income statement.

If the difference is positive, goodwill is recognised and allocated to cash-generating units.

In the context of the acquisition of the cyan Group, goodwill, technologies, and customer relationships were capitalized. The goodwill is not subject to scheduled amortisation. According to IAS 36, an impairment test is planned to be carried out once a year. If there is an indication of impairment, the impairment test is performed immediately.

The technologies are depreciated on a straight-line basis over their useful life (7 to 10 years).

Customer relationships are amortised on a straight-line basis over their useful life (9 to 12 years).

Tangible assets

Property, plant and equipment is carried at cost less accumulated depreciation. Acquisition costs comprise the purchase price, ancillary costs, and subsequent acquisition costs less any discounts received on the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Assets are depreciated using the straight-line method over their estimated useful lives. In determining the estimated useful life, economic and technical life expectancy was taken into account. The estimated useful life of property, plant and equipment is as follows: 3 to 5 years for IT equipment, 4 to 10 years for other equipment and 33.33 years for factory buildings. The recoverability of the carrying amounts and useful lives of the assets is reviewed at each balance sheet date and adjusted if necessary. When assets are sold, decommissioned, or scrapped, the difference between the net proceeds and the net carrying amount of the asset is recognised as a gain or loss in other operating income or expenses.

Investment grants are recorded using the gross method in a liability item under other liabilities without affecting income. Investment grants are recognised as other income in the consolidated income statement over the useful life of the assets for which they are granted.

Impairment (impairment test)

An impairment test in accordance with IAS 36 must be carried out at least annually for goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use. The recoverability of the carrying amounts of all other assets, with the exception of those that are measured at fair value through profit or loss or that are subject to special regulations on impairment testing from another standard, is only to be tested if there is an indication of impairment. The impairment test is carried out according to the value-in-use concept; the recoverable amount is determined on the basis of the value in use. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of net selling price (fair value less costs to sell) and value in use.

Fair values are to be determined primarily on the basis of market prices and may, in accordance with the measurement hierarchy in IFRS 13, be based, for example, on binding purchase offers, secondary pricing on active markets or comparable timely transactions within the industry. If it is not possible to use market-price-oriented methods, capital value-oriented methods in the form of the discounted cash flow (DCF) method are used. The capital-weighted discount rate (WACC) of approximately 8.1 % was used as the discount rate.

Any resulting impairment loss is recognised in the income statement. If the reason for an impairment loss in a subsequent period no longer exists, the impairment loss is reversed through profit or loss but not for goodwill.

Leasing

According to IFRS 1.7, an entity shall apply uniform accounting policies in its opening IFRS balance sheet and for all periods presented in its first IFRS financial statements. Those accounting policies shall comply with all IFRSs effective at the end of its first IFRS reporting period. Therefore, the new leasing standard, IFRS 16, which in principle was only mandatory as of 1 January 2019, will be applied as of 1 January 2018.

The decisive factor for recognition in the balance sheet is whether the leased item is an identifiable asset that the lessee can determine its use and whether the lessee is entitled to the economic benefits from the asset. For each lease, the lessee recognizes a liability for the future lease payments to be made. At the same time, a right of use in the amount of the present value of the future lease payments is capitalized and subsequently depreciated using the straight-line method. The new standard affects cyan particularly in connection with the leasing of office space, data lines and vehicles.

In accordance with IFRS 1.D9B (a), the lease liability is measured at the initial recognition date at the present value of the remaining lease payments, discounted using the marginal borrowing rate at the date of transition to IFRSs, taking into account the practical simplifications in accordance with IFRS 1.D9D. In accordance with IFRS 1.D9B (b) (ii), the rights of use were measured at the date of transition to IFRS at the amount corresponding to the respective lease liability, adjusted for any lease payments made or deferred in advance.

The marginal borrowing rate used for discounting was derived from the interest rate of Deutsche Bank's federal bonds, taking into account the credit spread, country risk and inflation differential. The weighted average incremental borrowing rate of cyan is 1.14 % (2018: 1.61 %).

The lease liabilities have the following maturities

in EUR thousand	31/Dec/2019	31/Dec/2018	1/Jan/2018
Leasing liabilities	**3,447**	**1,737**	**-**
Thereof non-current	*2,812*	*1,392*	*-*
Thereof current	*635*	*345*	*-*

At the time of first-time adoption, cyan makes use of the practical relief provided by IFRS 1.D9D (b) for leases whose term ends within 12 months after the transition to IFRS. In addition, at the time of first-time adoption, the practical relief in IFRS 1.D9D (c) is also applied for leases whose underlying asset is of negligible value. For new leases, cyan has made use of the exemption in IFRS 16.5 for low-value assets and short-term leases.

In the course of initial application, the following approach is adopted for those leases that were previously recognised as operating leases: The rights of use at the time of transition are recognised in the amount of the lease liabilities and these are adjusted according to the amount of prepaid or deferred lease payments.

This has no effect on the Group's equity. The following table shows the adjustments at the level of the individual balance sheet items:

in EUR thousand	31/Dec/2019	Adjustment IFRS 16	1/Jan/2018
Property, plant and equipment	2,754	1,720	4,474
Leasing liabilities	-	1,737	1,737

IFRS 16 requires estimates to be made that affect the measurement of both rights of use and lease liabilities. These include the contract terms and the marginal interest rate applied to discount future payment obligations.

The following table shows the development of rights of use within the balance sheet item property, plant and equipment.

in EUR thousand	Buildings	Vehicles	Fibre Optic	Total
On 1 January 2018				
Acquisition costs	-	-	-	-
Accumulated depreciation	-	-	-	-
Book value	**-**	**-**	**-**	**-**
Financial year 31 December 2018				
Initial book value	-	-	-	-
Additions	1,480	155	272	1,907
Disposals	-	-	-	-
Depreciation	-149	-16	-23	-187
Book value	**1,331**	**140**	**249**	**1,720**
On 1 January 2019				
Acquisition costs	1,480	155	272	1,907
Accumulated depreciation	-149	-16	-23	-187
Book value	**1,331**	**140**	**249**	**1,720**
Financial year 31 December 2019				
Initial book value	1,331	140	249	1,720
Additions	1,940	18	15	1,973
Disposals	-717			-717
Depreciation	-373	-39	-57	-470
Currency difference	4		2	6
Book value	**2,185**	**118**	**209**	**2,512**
At 31 December 2019				
Acquisition costs	2,707	173	289	3,170
Accumulated depreciation	-522	-55	-80	-657
Book value	**2,185**	**118**	**209**	**2,512**

The following table shows the effect of the leasing agreements within the income statement.

in EUR thousand	31/Dec/2019	31/Dec/2018
Depreciation on buildings	388	151
Depreciation of other equipment, furniture and fixtures	98	38
Interest expenses	32	13
Income from the subleasing of rights of use in connection with buildings	-	-

Total lease payments in 2019 amounted to EUR 515 thousand (2018: EUR 184 thousand).

cyan leases various office buildings, vehicles and fibre optic cables. The lease agreements generally run for 10 years or indefinitely for buildings, 5 years for vehicles and 5 years for fibre optic cable.

One office was leased in 2018. In 2019, a larger office was leased due to lack of space and the office previously used was subleased from November 2019. The term of the sublease agreement corresponds to the term of the lease agreement. For this purpose, the right of use was derecognised, and a leasing receivable was recognised.

A number of cyan's real estate and equipment leases contain renewal and termination options. These lease terms are used to provide cyan with maximum operating flexibility with respect to the assets used by cyan. The majority of existing renewal and termination options can only be exercised by cyan and not by the lessee.

The application of IFRS 16 had a positive effect on cyan's EBITDA in 2018 in the amount of EUR 184 thousand, as no rental expenses are incurred in connection with IFRS 16. This was offset by depreciation and amortisation of EUR 189 thousand, which reduced EBIT. After interest expenses of EUR 13 thousand, there was an effect of EUR -18 thousand from IFRS 16 on the result for the period.

Any interest incurred is reported under financial results.

The options under IFRS 16.5 are used for short-term leases with a term of up to one year and leases where the underlying asset is of minor value, less than EUR 5,000. The related lease payments are expensed on a straight-line basis over the term of the lease.

Financial instruments

IFRS 9 contains three measurement categories, which represent measurements at amortised cost, measurements at fair value with changes in value in the income statement and measurements at fair value with changes in value in other comprehensive income.

In cyan, only the valuation at amortised cost is currently applied for the following reasons.

The fair values of the financial instruments do not essentially differ from the carrying amounts, since the interest receivables and liabilities either correspond almost exactly to the current market rates or the instruments are short-term.

In the case of trade receivables, other receivables, cash and cash equivalents, trade payables and other liabilities, it is assumed that the carrying amounts essentially correspond to the fair values to be attached due to the predominantly short-term nature of the items. The financial liabilities are subject to variable interest rates, which is why there is no difference to fair value here either.

in EUR thousand	IFRS 9[a]	Level	Book values 31/Dec/2019	Book values 31/Dec/2018	Book values 1/Jan/2018
Assets					
Shareholdings	AC	n/a	-	0	-
Other receivables	AC	n/a	397	115	4
Lease receivables non-current	AC	n/a	374	-	-
Contract costs non-current	AC	n/a	3,038	160	-
Contract assets non-current	AC	n/a	11,771	-	-
Trade receivables and other receivables	AC	n/a	3,897	4,989	928
Other receivables and assets	AC	n/a	1,640	1,764	1,199
Lease receivables current	AC	n/a	164	-	-
Contract assets current	AC	n/a	1,888	-	-
Cash and cash equivalents	AC	n/a	8,512	1,942	3,503
Liabilities					
Leasing liabilities non-current	AC	n/a	2,812	1,392	-
Other non-current liabilities	AC	n/a	300	-	-
Trade accounts payable & other liabilities	AC	n/a	3,409	3,245	15,520
Financial liabilities	AC	n/a	9	11,702	-
Leasing liabilities current	AC	n/a	635	345	-
Other financial liabilities from capital increases not yet implemented	AC	n/a	-	2,753	-2,999

[a] Classification according to IFRS 9 (AC = Accumulated Cost)

Impairments must be carried out for financial assets that are valued at amortised cost and for contract assets.

cyan makes use of the simplified procedure for trade receivables and contract assets, according to which, under certain conditions, the value adjustment for these financial assets must always be measured in the amount of the expected credit losses over the term of the asset using an allocation matrix (expected credit loss).

The estimated expected credit losses are based on empirical values of actual historical credit losses of the last 3 years. Specific valuation allowances are recognised for receivables with impaired creditworthiness ("Level 3").

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realizable value is the estimated selling price less the estimated costs of completion and selling expenses. Acquisition or production costs are determined using the moving average price method.

Provisions for severance payments

Provisions for defined benefit obligations are set up for legal rights of employees. Employees are entitled to a severance payment upon reaching retirement age and upon termination of employment by the employer. The amount of the entitlement depends on the number of years of service and the salary at the time of termination. The calculation is based on actuarial principles using the projected unit credit method. Defined contribution obligations exist for salaried employees in Austria whose employment relationship began after 31 December 2002. These severance payment obligations are settled by the ongoing payment of corresponding contributions to a staff provision fund into an account of the employees.

Cash and cash equivalents

Cash and cash equivalents are classified as cash at hand and bank balances and may include other short-term highly liquid investments with an original term of up to three months. They are carried at their nominal amount.

Financial liabilities

In accordance with IFRS 9, financial liabilities are initially recognised at fair value less transaction costs incurred. Subsequent measurement is at amortised cost; the difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the term of the financial liabilities using the effective interest method.

Trade payables are obligations to pay for goods or services purchased from suppliers in the ordinary course of business. Trade accounts payable are classified as current liabilities if payment is due within one year or earlier.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The carrying amount of other liabilities corresponds to their fair value, as they are predominantly current.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The cost of a provision is recognised in the statement of comprehensive income.

Company acquisitions/acquisitions of other business units

No company acquisitions took place in 2019.

In July 2018, 81.71 % of the shares in I-New Unified Mobile Solutions AG were acquired. A purchase price was only payable for the takeover of shareholder loans in the amount of EUR 4,083 thousand; the shares were transferred for EUR 3.00. In December 2018, the shares were increased to 100 % through the acquisition of additional shares from minority shareholders. Through the acquisition of the shares, the turnover of cyan could be significantly increased and the product range could be significantly expanded.

As part of the acquisition, a valuation was carried out in which the fair values of the acquired assets and liabilities were determined as follows. The following table shows the allocation of the purchase price to the net assets acquired:

in EUR thousand	2018
Consideration transferred	
Agreed purchase price	4,083
Total purchase price payment	**4,083**
Fair values of the acquired assets and liabilities	
Intangible assets	21,975
Other non-current assets	4,244
Current assets	9,184
Total assets	**35,403**
Total liabilities	**-26,516**
non-controlling interest	-2,372
Negative difference (badwill)	**10,598**

The negative difference was recognised through profit and loss in 2018.

In the period from 1 January to 31 July 2018, the acquired company generated revenues of EUR 3,696 thousand and net income of EUR 164 thousand, whereby no expected credit losses were recognised as of 31 July 2018 in accordance with IFRS 9.

Had the acquisition taken place on 1 January 2018, consolidated pro forma revenues of EUR 12,542 thousand and net profit of EUR 384 thousand would have been reported for the fiscal year from 1 January to 31 December 2018.

The costs associated with the business merger are included in the income statement under other operating expenses in the annual financial statements and in the cash flow statement under cash flows from operating activities.

When CYAN AG acquired I-New Unified Mobile Solutions AG, an earn-out clause was agreed upon with the former shareholders, which provides for a performance-related additional purchase price payment in the years 2019 to 2021 if certain EBITDA thresholds are reached in the following years. Due to a one-time license deal, the EBITDA threshold was exceeded in the current fiscal year.

In order to determine the additional purchase price payment, a consolidated balance sheet and income statement was prepared for the original i-new Group (elimination of the contribution of the cyan Group) including explanatory notes. The original i-new Group achieved an EBITDA of EUR 11,525 thousand in 2019 and therefore a liability in the amount of EUR 817 thousand was booked through profit or loss (other expenses) for the purchase price repayment to the former shareholders. The current planning figures of the i-new Group for the coming financial years 2020 and 2021 each provide for an EBITDA which is higher than the EBITDA threshold specified in the share purchase agreement.

The fair value of the contingent purchase price obligations for the i-new Companies is generally determined on the basis of the discounted cash flow method (Level 3). The valuation model considers the present value of the expected payment based on the predicted EBITDA for the next two years, discounted with a risk-adjusted interest rate. Thus, the fair value of the earn-out components for the years 2020 and 2021 determined based on the planning is zero.

In 2018 the shares in the cyan Group were acquired. Due to a debtor warrant agreement, the former shareholders repaid the purchase price in the amount of EUR 414 thousand, which is reported under other income.

Notes to the Consolidated Statement of Comprehensive Income

[1] Revenue

Revenue results exclusively from contracts with customers within the meaning of IFRS 15 and includes all income resulting from the Group's ordinary activities. New customers were acquired in the financial year, which is why revenues increased significantly.

The following table shows the Group's revenues broken down by the country of origin of the business partner.

	BSS/OSS		Cybersecurity		Total	
in EUR thousand	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Americas	15,627	3,869	-	-	15,627	3,869
EMEA[a]	1,234	790	8,348	3,864	9,583	4,655
APAC[b]	1,545	322	-	-	1,545	322
Total revenues	**18,406**	**4,982**	**8,348**	**3,864**	**26,754**	**8,846**

[a] Europe, Middle East and Africa
[b] Asia and Pacific

[2] Assets and liabilities from contracts with customers

The following table shows the status of contract costs (costs to initiate a contract and costs to fulfil a contract), receivables, contract assets and liabilities from contracts with customers in accordance with IFRS 15:

in EUR thousand	**31/Dec/2019**	**31/Dec/2018**	**1/Jan/2018**
Costs of initiating a contract	69	160	-
Thereof non-current	*69*	*160*	-
Thereof current	-	-	-
contract performance costs	2,969	-	-
Thereof non-current	*2,969*	-	-
Thereof current		-	-
accounts receivable trade	3,897	4,989	928
Thereof non-current	-	-	-
Thereof current	*3,897*	*4,989*	*928*
Contract assets	13,659	-	-
Thereof non-current	*11,771*	-	-
Thereof current	*1,888*	-	-
Contract liabilities	-	-	-
Thereof non-current	-	-	-
Thereof current	-	-	-

The costs of initiating a contract include special bonuses for the conclusion of customer contracts. These are capitalized and amortised over the term of the contract. They are shown in the balance sheet as non-current assets, as the term of the contract is longer than 1 year. These are offset against the expected revenues. As the contractual service is expected to be provided in 2020, these costs represent short-term contract costs. Contract assets have increased as new contracts were signed in 2019. The contract assets are partly current and partly non-current according to IAS 1.

[3] Operating Segments

Operating segments are reported in a manner consistent with the internal reporting to the Management Board, which acts as the chief operating decision maker (management approach). The Management Board is accordingly responsible for the allocation of the company's resources to the two segments.

cyan has two segments that are used to manage the company: Cybersecurity and BSS/OSS, which are based on the type of products offered. The Management Board has opted for the present segmentation as it best reflects the company's opportunity and risk structure. Due to the diversity of customer groups and the technical solutions and products used, the segments are clearly differentiated from one another.

Cybersecurity

This segment includes all services provided by cyan that rely on the use of the filter technology used in the B2B2C business. cyan provides its services in this segment with products such as OnNet Security, Clean Pipe or Endpoint Protection. The Cybersecurity segment consists exclusively of the sub-group of Cyan Security Group GmbH. The growth prospects in this segment can be regarded as very promising. An independent study conducted by an international strategy consulting firm anticipates annual growth of 50 % up to 2023, particularly in the On-Net area.

The geographical focus is currently on Europe in particular, but other regions (such as North America, Asia, and Africa) are to be successively supplied with cybersecurity from cyan.

BSS/OSS

This segment results from the original business of i-new. Here, MVNOs are offered the entire product range for operating a virtual mobile communications company. cyan's spectrum includes connection to the MNO's network, billing, credit management, provisioning, etc.

The geographical focus in this segment is primarily on South America. Here, the strong market position is to be further expanded through the acquisition of new customers and at the same time, the range of services is to be constantly expanded.

Segment key figures

According to IFRS 8, segment reporting must be aligned with internal management and reporting (management approach). As mentioned above, the definition of business segments and the corresponding report contents are therefore based on the reporting structure within the cyan Group to the Management Board as the main decision maker.

The business unit "Cybersecurity" (consisting of Cyan Security Group GmbH and its subsidiaries) on the one hand and "BSS/OSS" (consisting of I-New Unified Mobile Solutions AG and its subsidiaries) on the other hand are therefore defined as operating segments subject to reporting. Both are business units that conduct business activities that lead to revenues and expenses and whose results are monitored by the Management Board of cyan AG for the purpose of measuring success and allocating resources, and for which separate financial information is available. Although both divisions operate in the technology and software areas, they offer different products and services and are therefore monitored separately by the Board of Directors of cyan AG.

Both business segments exceed the quantitative threshold values. There are no other business segments beyond this. The column "Transition" contains the activities of cyan AG that were not assigned to either of the two segments and consolidations carried out at Group level.

in EUR thousand	BSS/OSS 2019	BSS/OSS 2018	Cybersecurity 2019	Cybersecurity 2018	Transition 2019	Transition 2018	Total 2019	Total 2018
Segment sales	18,406	4,982	8,348	3,864	-	-	26,754	8,846
Of which with external customers	*18,406*	*4,982*	*8,348*	*3,864*	-	-	*26,754*	*8,846*
Thereof with other segments	-	-	-	-	-	-	-	-
EBITDA	**11,512**	**5,882**	**3,650**	**-82**	**-3,493**	**-2,770**	**11,670**	**3,030**
Employees (Headcount)	91	42	36	28	0	0	127	70

In the Cybersecurity segment, revenues from two customers amounted to EUR 7,875 thousand (2018: EUR 3,060 thousand). In the BSS/OSS segment, revenues from two customers amount to EUR 11,906 thousand (2018: EUR 1,965 thousand).

Geographic segment information

The following table shows the Group's long-term tangible assets and intangible assets, broken down by country of origin.

in EUR thousand	BSS/OSS 2019	BSS/OSS 2018	Cybersecurity 2019	Cybersecurity 2018	Transition 2019	Transition 2018	Total 2019	Total 2018
Americas	544	1,453	-	-	-	-	544	1,453
EMEA[a]	18,664	23,296	47,431	48,079	-	-	66,095	71,375
APAC[b]	1	3	-	-	18	22	20	25
Long-term tangible assets and intangible assets	**18,664**	**23,296**	**47,431**	**48,079**	**-**	**-**	**66,095**	**71,375**

[a] Europe, Middle East and Africa
[b] Asia and Pacific

[4] Other income and changes in finished and unfinished goods and work in progress

Other income and changes in finished and unfinished goods and work in progress consist of the following items:

in EUR thousand	2019	2018
Income from subsidies/research premium	499	343
Price gains	267	167
Changes in finished and unfinished goods and work in progress	3,615	651
Other	1,372	10,656
Total	**5,753**	**11,817**

The research premium is an Austrian research and development grant amounting to 12 % of research and development expenditure, which is paid in cash by the Austrian tax authorities. The item "Other" mainly includes the reversal of valuation allowances on receivables and a grant. In addition, a purchase price repayment is included, which was made due to a compensation from future profits agreement in the context of an acquisition of shares in the cyan Group. The Changes in finished and unfinished goods and work in progress shown relate to contract costs for the fulfilment of customer contracts in accordance with IFRS 15 and to capitalized development costs in accordance with IAS 38.

[5] Cost of goods sold and purchased services

The income statement and the statement of comprehensive income include expenses for materials and purchased services as follows:

in EUR thousand	2019	2018
Cost of materials	-457	-547
Cost of purchased services	-3,417	-2,137
Total	**-3,874**	**-2,684**

The purchased services mainly relate to external services, such as various services in Germany, the EU, third countries and IT consulting. The increase in the cost of purchased services is due to the increase in sales.

[6] Personnel expenses

Personnel expenses include the following items:

in EUR thousand	2019	2018
Salaries	-8,938	-4,788
Expenses for social security contributions and payroll taxes	-1,554	-823
Other personnel expenses	105	-303
Total	**-10,387**	**-5,914**

The increase in personnel expenses compared with the previous year is due to the increase in the number of employees and the fact that the employees of the i-new Group, which was acquired in the second half of 2018, are now included for the full year. The positive balance of other personnel expenses in 2019 results from changes in bonus payments and changes in holiday provisions. The average number of employees is 127 (31 December 2018: 70; 1 January .2018: 28). These are broken down by geographical characteristics as follows:

Average number of employees	2019	2018
European Union (excluding Austria)	30	25
Austria	67	32
South America	26	12
Asia	4	1
Rest of the world	0	0
Total	**127**	**70**

[7] Other expenses

Other expenses include the following items (nature of expenses):

in EUR thousand	2019	2018
Fees	-250	-545
Rental expenses	-387	-135
Consulting fees	-2,881	-1,258
Insurance	-187	-141
Travel expenses	-655	-468
Advertising expenses	-376	-264
Research and development	-132	-164
Other expenses	-679	-4,734
Total	**-5,547**	**-7,709**
Valuation allowances for trade receivables	-1,029	-1,326
Total	**-6,576**	**-9,035**

Consulting expenses include expenses for technical consulting, legal and tax advice, and other consulting services. Other expenses include administrative costs, monetary transaction charges and contributions. The other expenses in 2018 mainly relate to claims expenses. As these did not occur, the provisions formed for this purpose were reversed in 2019, reducing other expenses accordingly.

[8] Depreciation and Amortization

The statement of comprehensive income includes depreciation and amortisation expenses as follows:

in EUR thousand	2019	2018
Amortisation of intangible assets	-5,149	-3,080
Depreciation on property, plant and equipment	-992	-882
Total	**-6,141**	**-3,961**

Further information on depreciation and amortisation can also be found in Notes 11 and 12, as well as in the accounting policies under intangible assets, property, plant and equipment and leasing.

[9] Financial income and expenses

in EUR thousand	2019	2018
Interest income		
Loans	0	0
Other	131	2
Total financial income	**132**	**2**
Interest and similar expenses		
Finance Leasing	-32	-23
Interest on loans	-172	-191
Other	-18	-1
Total financial expenses	**-222**	**-215**
Total	**-91**	**-213**

Interest income is derived from cash and cash equivalents. Interest expenses are attributable to external financing (e.g. bank and other loans) and are recognised as an expense when the claim arises.

[10] Income taxes

Current tax assets and liabilities are offset when the entity has a legally enforceable right to set off current tax assets and liabilities and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

in EUR thousand	2019	2018
Expenses for current income taxes	-1,091	-325
Tax credits/back payments for previous years	-18	28
Change in deferred income taxes	200	883
Total	**-909**	**586**

Tax reconciliation statement

The Group tax rate is defined as the ratio of recognised income tax expense to earnings before income taxes. In 2019 and 2018 the Group tax rate is not meaningful due to the loss situations of the companies.

The tax expense is calculated using the tax rates applicable in the respective jurisdictions. In accordance with IAS 12, the tax rate that is most appropriate for the information interests of the users of the financial statements is to be applied. In most cases, this will be the tax rate of the country in which the company has its registered office. Since cyan AG, headquartered in Germany, acts solely as a holding company and the majority of its operating subsidiaries are located in Austria, the Austrian corporate tax rate of 25 % (2018: 25 %) was applied when preparing the tax reconciliation.

The reconciliation of the calculated income tax to the recognised income tax expense is as follows:

in EUR thousand	2019	2018
Income before income taxes	5,438	-1,144
Income tax expense based on the Austrian corporate income tax rate (25%)	-1,360	286
Differences due to different tax rates	170	226
Tax-free income	116	2,717
Non-deductible expenses	-669	-59
Taxes from previous periods	-18	28
Losses of the current year - for which no deferred tax asset was recognised	-769	-2,851
Recognition of tax effects of previously unrecognised loss carryforwards	1,099	33
Recognition of previously unrecognized (derecognition of previously recognized) deductible temporary differences	-	-
Changes in estimates from previous years	612	-
Other differences	-91	205
Effective Group tax expense	**-909**	**586**

Notes to the consolidated balance sheet

[11] Intangible assets

The following table shows the development of intangible assets:

in EUR thousand	Patents, customer relations & similar rights	Software	Development costs	Goodwill	Total
As of 1 January 2018					
Acquisition costs	8,517	9,139	-	30,779	48,435
Accumulated depreciation	-	-	-	-	-
Book value	**8,517**	**9,139**	**-**	**30,779**	**48,435**
Financial year 31 December 2018					**-**
Initial book value	8,517	9,139	-	30,779	48,435
Additions - purchases	5	289	-	-	294
Additions - from company acquisitions	9,156	12,946	-	-	22,102
Additions - internal development	-	-	651	-	651
Disposals	-	-227	-	-	-227
Depreciation	-1,111	-1,765	-	-	-2,876
Currency difference		0			
Book value	**16,567**	**20,382**	**651**	**30,779**	**68,379**
As of 1 January 2019					**0**
Acquisition costs	17,678	22,147	651	30,779	71,256
Accumulated depreciation	-1,111	-1,765	-	-	-2,876
Book value	**16,567**	**20,382**	**651**	**30,779**	**68,379**
Financial year 31 December 2019					**-**
Initial book value	16,566	20,382	651	30,779	68,379
Additions - purchases	11	96	-	-	107
Additions - internal development	-	-	315	-	315
Umbuchungen		4			4
Disposals	-	-1	-	-	-1
Depreciation	-2,057	-2,983	-21	-	-5,061
thereof impairment	*-431*	-	-	-	*-431*
Book value	**14,520**	**17,499**	**945**	**30,779**	**63,744**
As of 31 December .2019					**-**
Acquisition costs	17,689	22,247	966	30,779	71,681
Accumulated depreciation	-3,168	-4,748	-21	-	-7,937
Book value	**14,520**	**17,499**	**945**	**30,779**	**63,744**

The depreciation in the income statement also includes depreciation of contract costs in the amount of EUR 91 thousand. Development costs were capitalized in the amount of EUR 945 thousand (2018: EUR 651 thousand) and consist primarily of personnel expenses. For customer relationships, the loss of one customer in August 2019 resulted in an impairment loss of EUR 431 thousand.

The consolidated balance sheet of cyan AG shows goodwill in the amount of EUR 30,779 thousand. This results from the acquisition of cyan Security Group GmbH by cyan AG in the course of the IPO in 2018. The goodwill was therefore allocated in its entirety to the "Cyber-security" Cash Generating Unit (CGU), which consists of the cyan companies, as they existed before the acquisition of the sub-group of I-New Unified Mobile Solutions AG in July 2018, and also forms an operating segment in accordance with IFRS 8. An impairment test was therefore carried out for the CGU Cybersecurity.

For this purpose, the recoverable amount of the CGU must be compared with its carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In accordance with the measurement hierarchy in IFRS 13, fair values are to be determined primarily on the basis of market prices and may, for example, be based on binding purchase offers, secondary pricing on active markets or comparable timely transactions within the industry. If it is not possible to use market-price-oriented methods, capital value-oriented methods (discounted cash flow method) are used, as in the present case.

The recoverable amount of the CGU was determined as its value in use using a discounted cash flow calculation. The cash flows are derived from the business plan including the cash flow plan, which is approved by the Management Board and updated on a regular basis. Future expansion investments and restructuring expenses are only included in the calculation of the value in use if there is already an official obligation to do so, as the value in use must always correspond to the value of the asset or group of assets in its current condition. The discount rate used is an after-tax interest rate that reflects current market assessments, the time value of money and the specific risks of the asset or CGU. The corresponding pre-tax interest rate is determined iteratively. The weighted average cost of capital (WACC) is used to determine recoverable amounts using net present value-oriented methods. The WACC, the planned sales and the growth rate for the perpetual annuity are the most important planning assumptions to whose change the recoverable amount reacts most sensitively.

The return on equity is determined using the capital asset pricing model (CAPM) from the base interest rate, market risk premium and beta factor. The return on debt corresponds to the risk premium for corporate loans to comparable companies. Appropriate risk premia are taken into account to reflect the country risk. On this basis, the WACC was determined to be approximately 8.1 %. Due to the volatile financial market environment, the development of the cost of capital (and in particular the country risk premiums) is monitored continuously. Financial surpluses expected after the detailed planning period of six years are taken into account by means of a terminal value calculation, assuming a perpetual growth rate of 3 %. The annual growth rate of the business plan on which the impairment test is based shows sales and EBITDA development of approximately 50 % in the planning period for the CGU to be tested. This value can also be verified by an independent market study of an internationally renowned consulting company for the OnNet segment.

The impairment test did not reveal any requirement for impairment.

The Group has performed an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of the CGU Cybersecurity. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of the CGU is based would not cause the total carrying amount to exceed the total recoverable amount.

[12] Tangible assets

The development of property, plant and equipment is as follows:

in EUR thousand	Building equipment	Machinery and similar equipment	Other equipment/office equipment	Total
On 1 January 2018				
Acquisition costs	-	-	104	104
Accumulated depreciation	-	-	-74	-74
Book value	**-**	**-**	**30**	**30**
Financial year 31 December 2018				
Initial book value	-	-	30	30
Additions - purchases	-	56	230	286
Additions - IFRS 16	1,480	-	427	1,907
Additions - from company acquisitions	2,145	916	263	3,324
Disposals	-	-	-15	-15
Depreciation	-820	-126	-139	-1,085
Currency difference	2	21	5	
Book value	**2,807**	**867**	**800**	**4,447**
Currency translation Acquisition costs	5	-101	-8	-103
Currency translation accumulated depreciation	-4	64	5	66
On 1 January 2019				
Acquisition costs	3,625	972	1,009	5,606
Accumulated depreciation	-818	-105	-209	-1,132
Book value	**2,808**	**831**	**797**	**4,436**
Financial year 31 December 2019				
Initial book value	2,808	831	797	4,436
Additions	1,949	20	285	2,253
Disposals	-2,128	-520	-141	-2,789
Depreciation	-407	-288	-294	-988
Currency difference	-16	16	2	3
Book value	**2,207**	**60**	**649**	**2,916**
At 31 December 2019				
Acquisition costs	3,452	371	1,144	4,967
Accumulated depreciation	-1,245	-311	-495	-2,052
Book value	**2,207**	**60**	**649**	**2,916**

This table does also include the rights of use arising from IFRS 16.

The disposals include a platform of the Chilean subsidiary in the amount of EUR 520 thousand, which was disposed of in 2019 due to the lack of further use. The office building in Mattersburg was sold for EUR 1,000 thousand in 2019. As the book value at the time of sale was EUR 1,525 thousand, the sale resulted in a loss of EUR 525 thousand.

[13] Deferred taxes

The tax effects of temporary differences, tax loss carry-forwards and tax credits, which result in the recognition of deferred tax assets and liabilities, are as follows. Deferred tax assets and deferred tax liabilities are netted for each country if certain conditions are met.

in EUR thousand	31/Dec/2019	31/Dec/2018	1/Jan/2018
Deferred tax assets			
Non-current assets	0	57	26
Current assets	303	394	-
Non-current provisions and liabilities	101	1	-
Current provisions and liabilities	22	176	-
Losses carried forward	45	279	-
Deferred tax liabilities			
Non-current assets	20	1	-
Current assets	-	-	-
Non-current provisions and liabilities	-	-	-
Current provisions and liabilities	20	-	-
Netted deferred tax assets	**432**	**906**	**26**

in EUR thousand	31/Dec/2019	31/Dec/2018	1/Jan/2018
Deferred tax assets			
Non-current assets	14	49	91
Current assets	3,545	57	-
Non-current provisions and liabilities	568	19	-
Current provisions and liabilities	279	4	-
Losses carried forward	5,916	5,196	-
Deferred tax liabilities			
Non-current assets	10,896	8,149	4,407
Current assets	1,478	-	-
Non-current provisions and liabilities	5,051	5,025	-
Current provisions and liabilities	56	-	-
Net deferred tax liabilities	**7,160**	**7,849**	**4,315**

The development of deferred taxes and the breakdown of changes into components affecting and not affecting net income are shown in the following table:

in EUR thousand	Deferred tax assets	Deferred tax liabilities	Currency difference
Status as at 1 January 2018	**26**	**-4,315**	
Changes recognized in profit or loss	328	486	-58
Changes not recognized in profit or loss	552	-4,020	
Balance at 31 December 2018	**906**	**-7,849**	
Status as at 1 January 2019	**906**	**-7,849**	
Changes recognized in profit or loss	-474	690	-16
Changes not recognized in profit or loss	-	-	
Balance at 31 December 2019	**432**	**-7,160**	

[14] Financial instruments

The fair values of the financial instruments do not differ materially from the carrying amounts, as the interest receivables and liabilities are either almost identical to the current market rates or the instruments are current.

In the case of trade receivables, other receivables, cash and cash equivalents, trade payables and other liabilities, it is assumed that the carrying amounts essentially correspond to the fair values to be attached due to the predominantly short-term nature of the items. The financial liabilities are subject to variable interest rates, which is why there is no difference to fair value here either.

[15] Receivables

Receivables are broken down by maturities as follows:

in EUR thousand	31/Dec/2019	31/Dec/2018	1/Jan/2018
Other receivables	397	115	4
Lease receivables	374	-	-
Total non-current receivables	**771**	**115**	**4**
Trade receivables	3,897	4,989	928
Receivables from taxes on income	470	579	35
Accruals and deferred income	902	764	464
Other receivables	903	1,000	735
Total current receivables	**6,172**	**7,333**	**2,162**
Total	**6,942**	**7,448**	**2,166**

The non-current other receivables mainly consist of deposits. None of them was overdue or impaired.

Specific allowances of EUR 291 thousand (2018: EUR 0 thousand) and allowances in accordance with IFRS 9 of EUR 1,315 thousand (2018: EUR 966 thousand) were deducted from trade receivables.

Other receivables mainly comprise leasing receivables, deferred income, tax refunds and research premiums.

[16] Cash and cash equivalents

The following table contains information on cash and cash equivalents:

in EUR thousand	31/Dec/2019	31/Dec/2018	1/Jan/2018
Cash at hand	1	1	0
Deposits with credit institutions	8,510	1,941	3,503
Total cash and cash equivalents	**8,512**	**1,942**	**3,503**

[17] Equity

The share capital as of 31 December 2019 amounts to EUR 9,774,538 (31 December 2018: EUR 8,764,923; 1 January 2018: EUR 3,065,900) and is fully paid up. The development of share capital and capital reserves is shown in the statement of changes in equity.

As of the balance sheet date, 9,774,538 shares are outstanding (31 December 2018 8,764,923 shares; 1 January 2018 3,065,900 shares), the nominal value is EUR 1,00 per share (31 December 2018: EUR 1,00; 1 January 2018: EUR 1,00). Details about the share are explained in the chapter “cyan on the Capital Market”.

In 2018, capital increases due to increases in the share capital as well as due to the authorized capital resolved on 19 January 2018, resulted in a total capital increase of EUR 5,699,023.

Following a capital increase of EUR 121,021 in March 2019, the authorized capital of EUR 3,300,000 approved by the Annual General Meeting on 19 January 2018 amounted to EUR 2,628,979 in the 2019 financial year after partial utilisation of EUR 2,628,979 and was cancelled by resolution of the Annual General Meeting on 3 July 2019. At the same time, the Annual General Meeting resolved to create authorized capital in the amount of EUR 4,442,972. Furthermore, a capital increase in the amount of EUR 888,954 was carried out on 11 July 2019. In the course of the Annual General Meeting on 3 July 2019, the creation of conditional capital in the amount of EUR 4,442,972 was also resolved.

The following tables explain the weighting of the shares for calculating the earning per share.

Calculation Weighting of shares 2019:

Transcation date	**Shares outstanding**	**Treasury shares**	**Total shares**	**Weighting (days)**	**Weight. avg. of shares outstanding**
31/Dec/2018	8,764,923	0	8,764,923	365	8,764,923
01/Mar/2019	121,021	0	121,021	305	101,127
11/Jul/2019	888,594	0	888,594	173	421,169
31/Dec/2019	**9,774,538**	**0**	**9,774,538**		**9,287,219**

Calculation Weighting of shares 2018:

Transcation date	**Shares outstanding**	**Treasury shares**	**Total shares**	**Weighting (days)**	**Weight. avg. of shares outstanding**
31/Dec/2017	3,065,900	0	3,065,900	365	3,065,900
09/Feb/2018	3,679,080	0	3,679,080	325	3,275,893
19/Feb/2018	269,943	0	269,943	315	232,965
27/Mar/2018	1,200,000	0	1,200,000	279	917,260
24/Apr/2018	180,000	0	180,000	251	123,781
17/Apr/2018	370,000	0	370,000	258	261,534
31/Dec/2018	**8,764,923**	**0**	**8,764,923**		**7,877,333**

The capital reserves mainly result from payments by shareholders and are attributable to CYAN AG. The differences between the capital reserves in the individual financial statements of CYAN AG and the capital reserves in the consolidated financial statements result from the different treatment of transaction costs in the context of capital measures in accordance with IAS 32 and stock options in accordance with IFRS 2, as well as the offsetting of losses against the capital reserves in the individual financial statements of CYAN AG.

The other reserves include IAS 19 reserves and currency translation reserves. The reserve according to IAS 19 results from changes in actuarial assumptions regarding a severance payment provision; the resulting effects were recognised in other comprehensive income. The other reserves relate to currency translation differences, which relate to exchange rate differences from the translation of the financial statements of foreign subsidiaries.

[18] Financial liabilities

Non-current financial liabilities are mainly leasing liabilities; they have been discounted over the respective contract term using the respective calculated marginal borrowing rate.

[19] Trade accounts payable and other liabilities

Other liabilities are broken down by maturities as follows:

in EUR thousand	31/Dec/2019	31/Dec/2018	1/Jan/2018
Advance payments made	7	6	-
Accounts payable for goods and services	1,643	1,720	506
Total trade accounts payable	**1,651**	**1,726**	**506**
Liabilities to employees	180	350	26
Social security contributions	172	166	23
Accruals and deferred income	330	742	659
Loans	-	59	761
Investment grant	-	-	-
Other	1,077	202	13,544
Total other current liabilities	**1,759**	**1,519**	**15,014**
Total trade accounts payable and other current liabilities	**3,409**	**3,245**	**15,520**
Total non-current liabilities	**300**	**-**	**-**
Total trade accounts payable and other liabilities	**3,709**	**3,245**	**15,520**

The trade payables were all due within one year. Trade payables are unsecured and are generally settled within 30 days of their recognition.

The social security contributions relate to social security contributions for employees. Most of the deferred income relates to the accrual of licenses.

[20] Provisions

The provisions include the following items:

in EUR thousand	Personnel expenses	Consulting expenses	Other	Total
Carrying amount at 1 January 2018	**354**	**180**	**5**	**538**
Use/resolution	312	180	4	496
Allocations to provisions	1,641	156	2,930	4,727
Carrying amount at 31 December 2018	**1,683**	**156**	**2,930**	**4,769**
Use/resolution	1,347	150	2,883	4,380
Allocations to provisions	1,359	446	135	1,939
Carrying amount at 31 December 2019	**1,694**	**452**	**182**	**2,328**

Other provisions mainly include expected expenses for various claims and claims by employees and are only short-term in nature. Non-current provisions relate only to the following severance payment provision:

in EUR thousand	2019	2018
Present value of the severance payment obligation as of 1 January	**4**	**-**
Service cost for the period	1	9
Interest expense	-	-
Severance payments	-	-4
Revaluations from experience adjustments	-2	-
Revaluations from changes in demographic assumptions	-	-
Revaluation from changes in financial assumptions	3	-
Present value of severance payment obligations as of 31 December	**7**	**5**

The provision for severance payments was calculated on an actuarial basis, making assumptions regarding discount rates, future salary increases and mortality. No further information on actuarial assumptions is provided because the provision is immaterial. Future deviations from the assumptions made may lead to changes in the value of the provision. Since the effect of such changes would be extremely small due to the size of the provision, a sensitivity analysis was not performed.

Notes to the consolidated cash flow statement

The cash flow statement was prepared using the indirect method. It shows the changes in cash and cash equivalents resulting from the inflow and outflow of funds during the reporting period and distinguishes between cash flows from operating, investing, and financing activities. The funds shown in the cash flow statement are cash and cash equivalents.

[21] Operating cash flow

The cash flow from operating activities shows the cash flows from the provision and acceptance of services during the reporting period and includes changes in current assets.

[22] Cash flow from investment activities

Cash flow from investing activities mainly comprises cash outflows for the purchase of property, plant and equipment and intangible assets as well as acquisitions (in 2018: 26 % cyan GmbH and i-new), and cash inflows mainly from the sale of the property in Mattersburg.

[23] Cash flow from financing activities

The cash flow from financing activities is composed of the capital increase, loan repayment, taking out a loan and the payment of interest. It also includes cash outflows for leases. The change in non-controlling interests in 2018 concerns the acquisition of the remaining 49 % of cyan GmbH.

Financial instruments and risk management

General information

The main financial instruments used by cyan include security deposits, trade receivables, lease liabilities, financial liabilities, and trade payables.

The Group does not use derivative financial instruments.

Risks that the Group must take into account are as follows:

- Liquidity risk
- Credit/credit risk
- Currency risk
- Interest rate risk

Liquidity risk

Liquidity risk is the risk of not being able to meet payment obligations because the company does not have sufficient cash and cash equivalents. Prudent liquidity risk management means having sufficient cash and cash equivalents and a reasonable amount of committed credit lines available to meet due obligations and close out market positions.

At the end of the reporting period, the Group held immediately available bank balances of EUR 8,512 thousand (31 December 2018: EUR 1,942 thousand; 1 January 2018: EUR 3,503 thousand), which are expected to generate cash inflows at any time to manage liquidity risk.

cyan's liquidity is largely dependent on payments from its customers. Since cyan's customers have largely met their payment obligations in the past and there are no indications that this will change in the future, cyan does not see its liquidity as being at risk. cyan expects liquidity to improve as it acquires new customers, which is why the risk of not meeting its payment obligations can be regarded as extremely low.

A maturity analysis of all liabilities existing on the balance sheet date is shown below and also shows the liquidity risk of cyan:

in EUR thousand	**Bis 1 Jahr**	**2-5 Jahre**	**5 Jahre**
31/Dec/2019			
Bank liabilities	9	-	-
Accounts payable trade	7	-	-
Leasing liabilities	635	1,990	916
Other financial liabilities	-	-	-
31/Dec/2018			
Bank liabilities	11,702	-	-
Accounts payable trade	1,726	-	-
Leasing liabilities	345	1,392	-
Other financial liabilities	2,753	-	-
1/Jan/2018			
Bank liabilities	-	-	-
Accounts payable trade	506	-	-
Leasing liabilities	-	-	-
Other financial liabilities	-	-	-

The bank liabilities of CYAN AG were repaid early in 2019.

Credit/credit risk

The credit risk refers to asset losses resulting from the non-fulfilment of contractual obligations by business partners.

The credit risk of investment transactions is managed by the Management Board.

Cash and cash equivalents are mainly held with banks with good credit ratings. The holdings are invested in bank accounts on a short-term basis. The credit risk is therefore low.

The contract assets and contract costs totalling EUR 16.7 million result from three customers (Wirecard, ACN/Flash Mobile and Orange) and accordingly there is an unsecured cluster risk. The Management Board considers the default risk in respect of these customers to be low.

Receivables are classified as financial assets with impaired creditworthiness if there are concrete indications of impairment (in particular significant financial difficulties of the debtor, default or delayed payment, increased risk of insolvency). A write-down (derecognition) is performed if no further receipt is expected. If the reasons for the impairment no longer apply, the impairment loss is reversed up to the amortised cost.

The maximum theoretical risk of default corresponds to the receivables recognised in the balance sheet.

As the defaults varied greatly from country to country, the Group did not consider them on a group basis. The following tables contains information on the default risk and the recorded expected credit losses for financial instruments, broken down by geographical region:

Chile

in EUR thousand	Loss rate	Gross book value	Value adjustment
2018			
Not overdue	13.19%	63	9
1 -30 days overdue	15.72%	-	-
31 -60 days overdue	33.89%	-	-
61 -90 days overdue	34.67%	-	-
More than 90 days overdue	34.67%	12	4
2019			
Not overdue	15.21%	81	13
1 -30 days overdue	18.14%	85	16
31 -60 days overdue	39.10%	47	19
61 -90 days overdue	40.00%	-	-
More than 90 days overdue	40.00%	-	-

Peru

in EUR thousand	Loss rate	Gross book value	Value adjustment
2018			
Not overdue	17.14%	-	-
1 -30 days overdue	20.65%	27	6
31 -60 days overdue	22.19%	-	-
61 -90 days overdue	22.19%	-	-
More than 90 days overdue	22.19%	575	128
2019			
Not overdue	17.14%	-	-
1 -30 days overdue	20.65%	18	4
31 -60 days overdue	22.19%	18	4
61 -90 days overdue	22.19%	-	-
More than 90 days overdue	22.19%	442	98

Colombia

in EUR thousand	Loss rate	Gross book value	Value adjustment
2018			
Not overdue	1.12%	842	10
1 -30 days overdue	1.36%	196	3
31 -60 days overdue	9.57%	1	0
61 -90 days overdue	39.70%	39	17
More than 90 days overdue	39.99%	263	111
2019			
Not overdue	1.67%	616	10
1 -30 days overdue	1.95%	3	0
31 -60 days overdue	12.81%	74	9
61 -90 days overdue	46.61%	-	-
More than 90 days overdue	48.52%	470	227

Mexico

in EUR thousand	Loss rate	Gross book value	Value adjustment
2018			
Not overdue	20.71 %	176	37
1 -30 days overdue	23.69 %	96	23
31 -60 days overdue	29.78 %	9	3
61 -90 days overdue	37.80 %	2	1
More than 90 days overdue	51.25 %	771	398
2019			
Not overdue	24.60 %	85	21
1 -30 days overdue	27.79 %	36	10
31 -60 days overdue	36.38 %	27	10
61 -90 days overdue	47.29 %	35	16
More than 90 days overdue	67.66 %	1,115	744

Austria

in EUR thousand	Loss rate	Gross book value	Value adjustment
2018			
Not overdue	2.77 %	925	26
1 -30 days overdue	4.23 %	1,557	66
31 -60 days overdue	7.43 %	535	40
61 -90 days overdue	8.88 %	204	18
More than 90 days overdue	12.89 %	624	80
2019			
Not overdue	1.66 %	1,639	27
1 -30 days overdue	2.85 %	682	19
31 -60 days overdue	5.15 %	42	2
61 -90 days overdue	7.60 %	60	5
More than 90 days overdue	11.51 %	430	49

The loss rates include future-oriented aspects (such as macroeconomic changes) with a percentage mark-up.

As of 1 January 2018, the Group consisted of companies where no historical bad debt losses were recorded in the years 2015 to 2017, which is why no value adjustment according to IFRS 9 was made.

Segments

The following table shows the reconciliation of the value adjustment divided among the segments:

in EUR thousand	BSS/OSS 2019	BSS/OSS 2018	Cybersecurity 2019	Cybersecurity 2018
Value adjustment IFRS 9	325	980	-	-
Currency difference	-22	-	-	-
Other specific allowances	291	346	-	-
Write-offs of accounts receivable	433	-	2	-
Total	**1,027**	**1,326**	**2**	**-**

The value adjustments according to IFRS 9 had the following impact on the balance sheet 2019:

in EUR thousand	BSS/OSS	Cybersecurity
Value adjustment 1/Jan/2018	**-**	**-**
Allocation	966	-
Dissolution	-	-
Value adjustment 31/Dec/2018	**966**	**-**
Allocation	466	-
Dissolution	-160	-
Currency difference	42	-
Value adjustment 31/Dec/2019	**1,315**	**-**

The contract assets developed as follows in 2019:

in EUR thousand	BSS/OSS	Cybersecurity
Contract asset value 31/Dec/2018	**-**	**-**
Allocation	-	13,659
Dissolution	-	-
Contract asset value 31/Dec/2019	**-**	**13,659**

Currency risk

The currency risk is defined as the potential loss due to fluctuating exchange rates. cyan is exposed to certain currency risks due to the underlying international business. The company's finance department constantly monitors these risks, and especially foreign exchange rates, in order to be able to react appropriately. Should a significant currency risk arise in the short term, this could have a negative impact on the Group's net assets, financial position, and results of operations.

As of the balance sheet date, contract assets amounting to USD 9.8 million (31 December 2018: EUR 0) are subject to foreign exchange risk. Changes in exchange rates lead to effects that are recognised in profit or loss. A 5 % change in the USD leads to a EUR 0.4 million effect on earnings.

To the extent that expenses and investments are not made in euro, exchange rate fluctuations can affect the solvency of Group companies and have a negative impact on the results and earnings of the Group. In summary, this risk can be classified as very low due to only minor expenses in currencies other than the euro and is therefore not quantified.

Interest rate risk

Interest rate risk refers to the risk that interest expense or interest income will change adversely. In 2019, the loan (non-current financial liabilities) from previous years was repaid, which is why there is no interest rate risk in this respect as of the balance sheet date of 31 December 2019. With the exception of a loan of EUR 10 thousand, all financial liabilities have fixed interest rates. Due to the low amount of the loan, the risk of interest rate changes is classified as low and no sensitivity analysis is performed.

Capital Management

Information on the earnings, financial and asset situation (capital management) of cyan is contained in the Group management report.

Other explanatory notes

Related companies and persons

As all subsidiaries are fully consolidated and transactions are therefore eliminated, there are no transactions with related parties.

Share-based payments

In August 2017, the former managing directors of CYAN Security Group GmbH, Peter Arnoth and Markus Cserna, were granted stock options for their future management board activities in CYAN AG, which started in January 2018, by the shareholder of CYAN AG, Alexander Schütz.

The Management Board members were granted the right to acquire 337,249 shares of CYAN AG for a purchase price of EUR 2.4 million each. One third of the options would have been exercisable after 31 December 2020, another third after 31 December 2021 and the last third after 31 December 2022 and were tied to the existence of an upright employment relationship. In an exercise agreement dated 4 June 2019, it was mutually agreed that the options could be exercised in full before 19 July 2019. As these are share-based forms of remuneration in accordance with IFRS 2 with compensation through equity instruments, a corresponding increase in equity is shown and the fair value of the option rights determined at the time of granting in the total amount of EUR 882 thousand based on the exercise provisions is recognised under personnel expenses over the respective vesting periods.

The fair value of the stock options granted was determined at the granting date using the Black-Scholes formula. The expected volatility was derived from options of corresponding peer companies or calculated from the historical volatilities of the peer companies' share prices and amounted to 29.30 % for the 1st tranche, 29.24 % for the 2nd tranche and 29.21 % for the 3rd tranche. The expected terms of the three tranches used in the model were determined on the basis of management's best possible estimate and were based on the assumptions that the exercise conditions would be met in full by the members of the Management Board and that all stock options would be drawn in full at the exercise price of EUR 7.24 per share as soon as they became exercisable. The expected dividend yield was taken into account at 0 % and the risk-free interest rate used was the 6-month EURIBOR based on the swap curve at the granting date (1st tranche: 0.047 %, 2nd tranche: 0.075 %, 3rd tranche: 0.205 %).

The personnel expenses from the commitments with compensation through equity instruments amounted to EUR 224 thousand for 2018 and EUR 657 thousand for 2019 due to the early exercise of the options and the resulting early recognition of the amounts still to be vested. No further commitments were granted.

The Management Board member Michael Sieghart was also granted options in 2018. Since he was not an employee of the Group at the time of granting and had not previously performed any services for the Group, no share-based compensation was recognised.

Information on the remuneration of the Management Board and Supervisory Board

Remuneration of the Management Board

The Management Board of CYAN AG consists of three members as of 31 December 2019:

- Peter Arnoth
- Markus Cserna
- Michael Sieghart

The remuneration of the members of the Executive Board of CYAN AG is made up as follows.

in EUR thousand	2019			2018		
	Current fixed emoluments	Current remuneration variable	Total	Current fixed emoluments	Current remuneration variable	Total
Peter Arnoth	73	286	359	55	286	340
Markus Cserna	67	286	353	50	286	336
Michael Sieghart	157	135	292	154	200	354
Total	**297**	**707**	**1,004**	**259**	**771**	**1,030**

The remuneration of the Management Board consists of fixed salaries and one-off bonuses. The bonus payments amount to 2.45 % of Group EBITDA for Peter Arnoth and Markus Cserna and 2.45 % of Group EBT for Michael Sieghart.

There were no advances or loans to executive bodies.

The members of the Management Board also receive remuneration from subsidiaries that is not included in the above-mentioned figures. The remuneration of the members of the Executive Board of CYAN AG, which originates from subsidiaries, is made up as follows.

in EUR thousand	2019			2018		
	Current fixed emoluments	Current remuneration variable	Total	Current fixed emoluments	Current remuneration variable	Total
Peter Arnoth	291	-	291	264	-	264
Markus Cserna	269	-	269	244	-	244
Michael Sieghart	179	-	179	33	-	33
Total	**739**	**-**	**739**	**541**	**-**	**541**

Non-cash compensation amounts to a total of EUR 27 thousand (2018: EUR 10 thousand). The share-based payments recorded under personnel expenses (see previous section for further details) are not included in the above tables.

Remuneration of the Supervisory Board

The Supervisory Board of CYAN AG consisted of

- Stefan Schütze
- Volker Rofalski
- Lucas Prunbauer

The board members of CYAN AG received the following remunerations:

in EUR thousand	Period of the order	2019	2018
Stefan Schütze	1/Jan/2018-31/Dec/2022	40	20
Volker Rofalski	1/Jan/2018-31/Dec/2022	30	15
Lucas Prunbauer	30/Nov/2018-31/Dec/2022	30	-
Cristobal Mendez de Vigo y zu Loewenstein	1/Jan/2018-30/Nov/2022	-	-

Information on employees

The average number of employees during the 2019 financial year amounted to 127 (2018: 70; 1 January 2018: 28)

The composition of personnel expenses can be found in note 6. personnel expenses.

Contingent liabilities

Contingent liabilities include guarantees for rental deposits and credit cards and equalled EUR 859 thousand as of the balance sheet date (31 December 2018: EUR 0).

Audit fee

The expenses for the auditor of the consolidated financial statements attributable to the fiscal year are broken down as follows:

	2019	2018
Expenses for audit services	140	36
Thereof from previous years	38	6
Expenses for other certification services	-	-24

Expenses for other services include expenses relating to the preparation of a comfort letter.

Significant events after the balance sheet date

Between the balance sheet date on 31 December 2019 and the release to the supervisory board on 24 April 2020 the COVID-19 pandemic occurred, which has economic consequences worldwide and therefore represents a significant event after the balance sheet date. A detailed analysis of the effects of the corona pandemic on cyan is contained in the Group Management Report.

Peter Arnoth
CEO

Markus Cserna
CTO

Michael Sieghart
CFO

Assurance by the Legal Representatives

Assurance by the Legal Representatives

We assure that, to the best of our knowledge, the consolidated financial statement convey a true and fair picture of the actual assets, financial and earning positions of the group, in accordance with the applicable accounting principles and that the representations in the management report for the group on the business performance, including on the results and the position of the group are such that an image is provided that is a true and fair reflection of the actual conditions and that the essential risks and opportunities in terms of expected development of the group are described in it.

Munich, April 2020

Management Board of cyan AG

Peter Arnoth
CEO

Markus Cserna
CTO

Michael Sieghart
CFO

Independent Auditor's Report

Independent Auditor’s Report

This is a convenience translation of the German original. Solely the original text in the German language is authoritative.

To the CYAN AG, Munich,

[Audit] Opinions

We have audited the consolidated financial statements of CYAN AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of CYAN AG for the financial year from 1 January to 31 December 2019.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the [Audit] Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our [audit] opinions on the consolidated financial statements and on the group management report.

Other Information

The management board is responsible for the other information. The other information comprise the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor’s report.

Our [audit] opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an [audit] opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The management board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the management board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the management board is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the management board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our [audit] opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to pro-vide a basis for our [audit] opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an [audit] opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the management board and the reasonableness of estimates made by the management board and related disclosures.
- Conclude on the appropriateness of the management board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective [audit] opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s

report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express [audit] opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our [audit] opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the management board members in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate [audit] opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bielefeld, 28 April 2020

Dr. Stückmann und Partner mbB
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Teipel) (Schröder)

Wirtschaftsprüfer Wirtschaftsprüfer

[German Public Auditor]

Further Information

Further Information

Abbreviations

BSS	Business Support System
CGU	Cash Generating Units
Covid-19	Corona Virus Disease 2019
cyan	CYAN AG
cyan GmbH	Cyan Security Group GmbH
DCF	Discounted Cash-Flow
DE	Germany
HGB	German Commercial Code
DNS	Domain Name System
DPI	Deep Packet Inspection
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EPS	Earnings per Share
EU	European Union
EUR	Euro
FTE	Full-time equivalent
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IKS (ICS)	Internal Control System
i-new	I-New Unified Mobile Solutions AG
IoT	Internet of Things

ISO	International Standards Organization
ISP	Internet Service Provider
KMU (SME)	Small and medium-sized enterprises
mio./m.	Million
MNO	Mobile Network Operator
MVNE	Mobile Virtual Network Enabler
MVNO	Mobile Virtual Network Operator
n/a	not applicable or not available
OCI	Other Comprehensive Income
OSS	Operations Suport System
öKStG	Austrian Corporation Income Tax Code
öUGB	Austrian Commercial Code
PPA	Purchase Price Allocation
PoC	Proof-of-Concept
R&D	Research and Development
SIC	Standing Interpretations Committee
TEUR	Thousand Euro
USD	United States Dollar
WACC	Weighted Average Cost of Capital

Disclaimer

Statements on future events and developments

This report contains statements on future events and developments, based on current assessments of the management. Such statements are based on current expectations and certain assumptions and estimates made by management. They are subject to risks, uncertainties and other factors that may cause the actual circumstances, including cyan's assets, financial and earnings positions, to differ materially or to be more negative than those expressly or implicitly assumed or described in these statements.

The business activities of cyan are subject to a number of risks and uncertainties that may cause statement, estimate or prediction in relation to future events and developments to be inaccurate. Statements on future events and developments must not be perceived as guaranties or assurances that such future events or developments will actually materialise.

Note on rounding

The figures in this report have been rounded in accordance with prevailing commercial principles. Consequently, rounding differences may occur. Therefore, the sum of the individual values shown may differ from the precisely shown total.

Gender-neutral formulation

In the interest of legibility, gender-differentiating formulations have been dispensed with throughout. The relevant terms apply to all sexes within the framework of equal rights. The shortened manner of speech has only editorial reasons and does not represent any evaluations on the part of cyan.

English translation

The report is also available translated in English. In case of deviations, the German version prevails. The report is available for downloading in both languages in the Investor Relations section of the websites (ir.cyansecurity.com).

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