q.beyond
expect the next

Annual Report 2020

Highlights in 2020: q.beyond on growth course

+13%

revenue growth
on previous year

€ 161 million

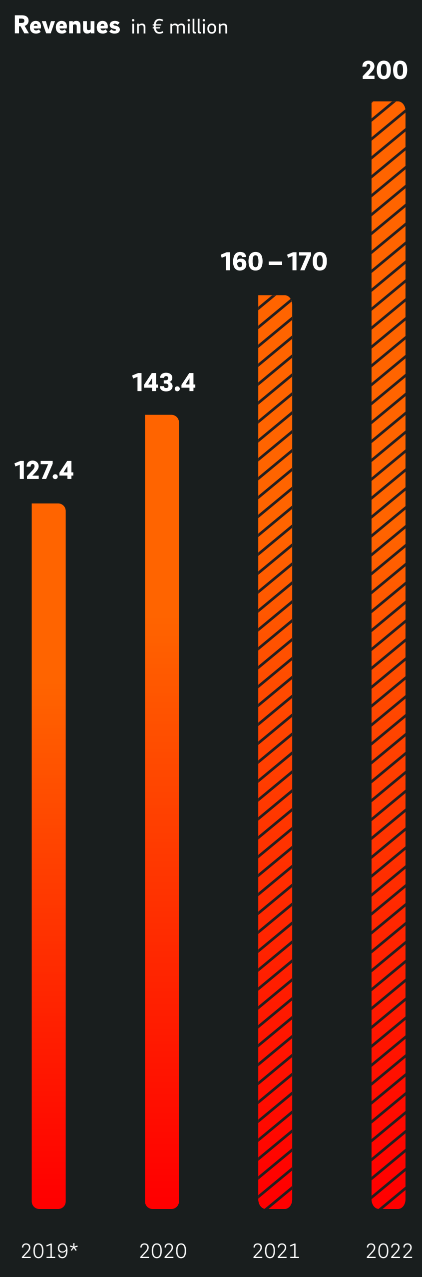
new orders set
further record

€ 44.9 million

liquidity – q.beyond
is free of debt

+60%

rise in q.beyond's
share price



* Excluding Plusnet revenues.

Our strategy is working. We set ambitious targets in our “2020plus” growth strategy. This was put to the test – and proved itself – during the coronavirus pandemic in 2020. Revenues showed double-digit growth while new orders surged to new record highs. Our vision is convincing customers: we are reimagining SME digitalisation – with innovative end-to-end solutions to revolutionise any business model!

2020: success in all key areas of our strategy

Sector focus

66%

of 2020 revenues generated in focus sectors of retail, manufacturing and energy

IoT

Investments in future and M&A

INCLOUD

q.beyond acquired a 100% stake in this software engineering specialist in 2020 and thus boosted its development expertise

Edgizer

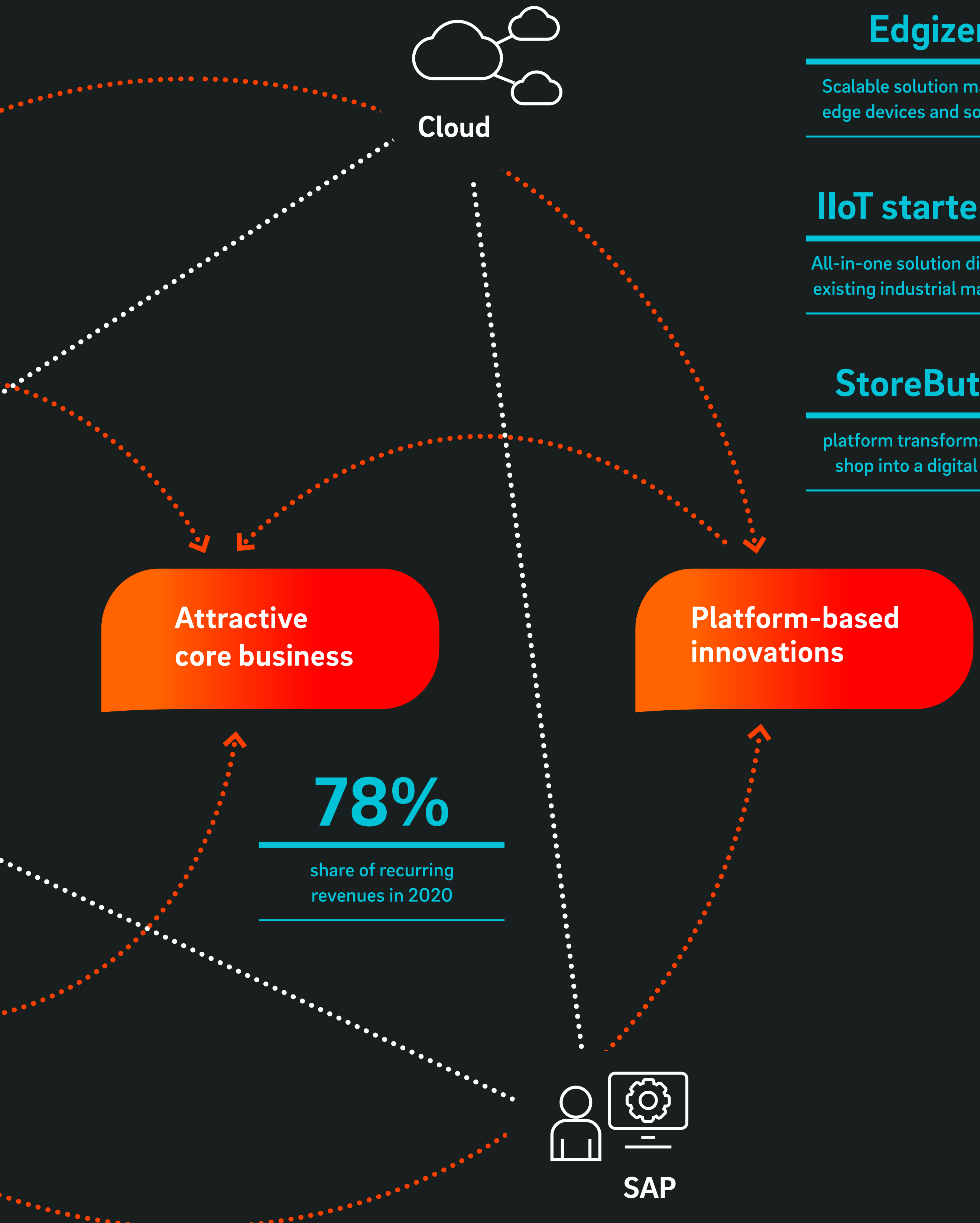
Scalable solution manages edge devices and software

IIoT starter kit

All-in-one solution digitalises existing industrial machinery

StoreButler

platform transforms every shop into a digital store

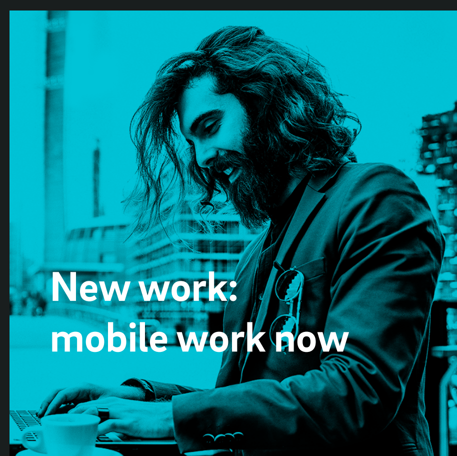


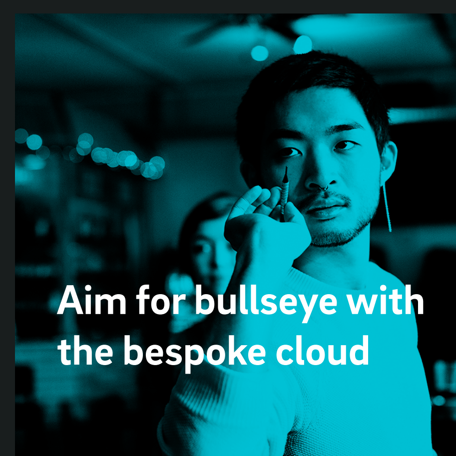
78%

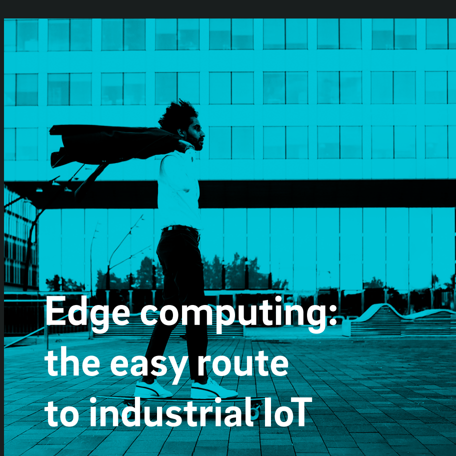
share of recurring revenues in 2020

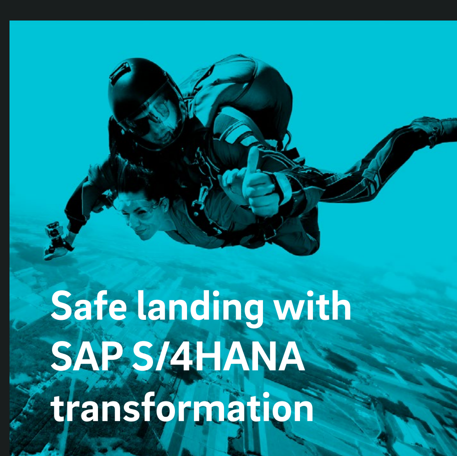
For more, visit www.qbeyond.de/strategy

2020plus: growth opportunities with integrated solutions

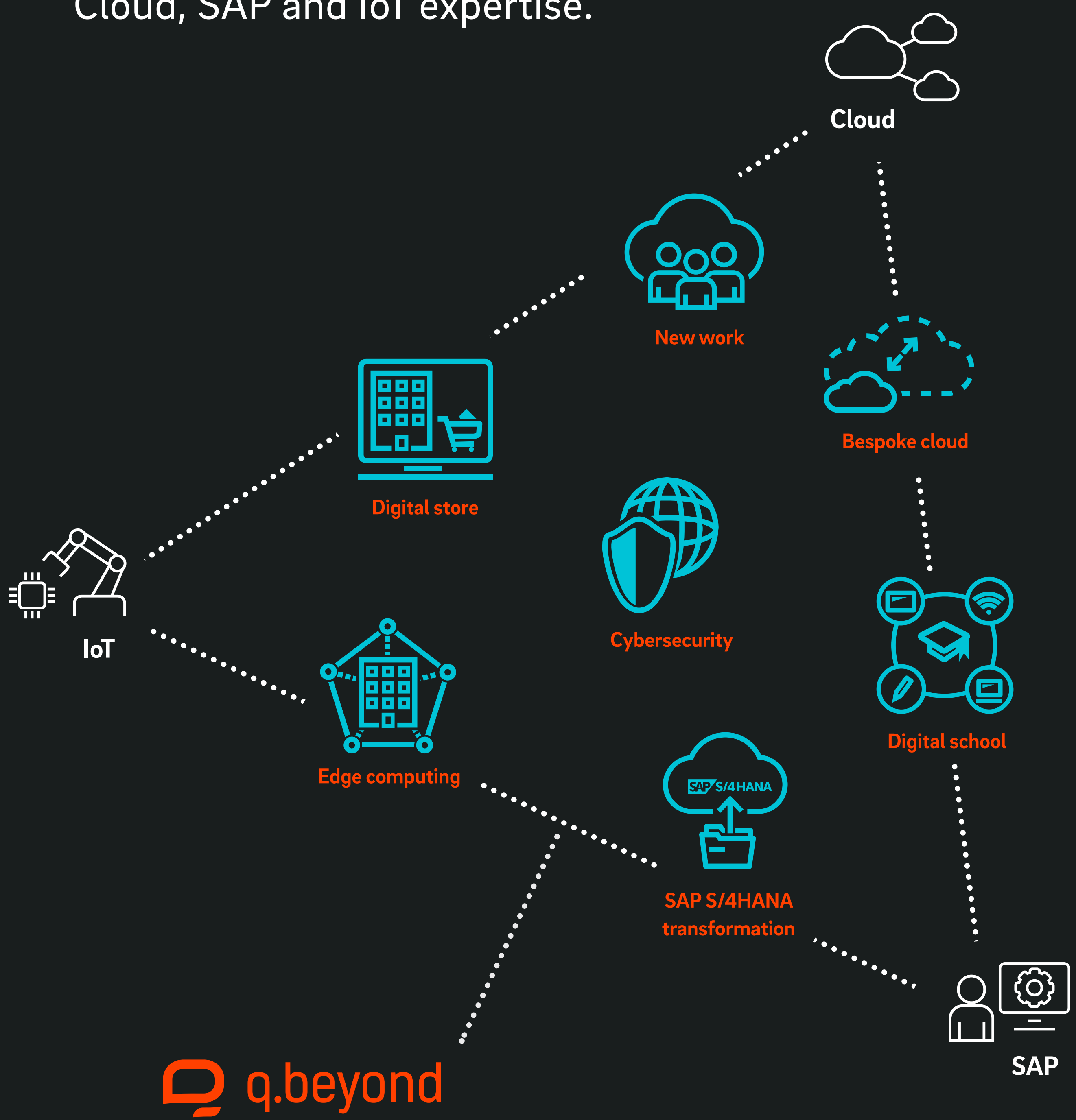








We accompany our customers securely and reliably throughout their digital journey – they benefit from our extensive Cloud, SAP and IoT expertise.



“2020 and the pandemic proved beyond doubt: our core business of Cloud, SAP and IoT solutions is crisis-proof.”

Jürgen Hermann
CEO of q.beyond AG

Dear Shareholders,

2020 and the pandemic proved beyond doubt: our core business is crisis-proof. With our Cloud, SAP and IoT solutions, we increased our revenues last year by 13% to € 143.4 million. That meant that we met not only our revenue target, but all other targets communicated ahead of the first lockdown as well.

We owe this positive performance to the whole q.beyond team. Last year, my colleagues accomplished exceptional things in exceptional circumstances. They kept all company operations up and running from their home offices, provided existing customers with the professional support to which they are accustomed and acquired new customers via virtual channels. That deserves respect and I would like to offer them my sincerest thanks.

Scalable core business

I would also like to thank our customers, who remained loyal to us in a period of profound restrictions. We have worked together for many years in most cases and the trust that has grown between us is a key component of our business relationships. It also forms the basis for the high share of recurring revenues, which made up 78% of total revenues last year. Our core business is scalable and is as attractive as ever in our growing markets. As our revenues continue to rise, our existing workforce and infrastructure will guarantee above-average earnings growth.

This core business is one of the five key pillars of our “2020plus” growth strategy. It goes along with platform-based innovations, investments in the future, our sector focus and an actively lived performance culture. A prime example of a platform-based innovation is the “StoreButler”, a unique solution for digitalising retail operations. Comprising cloud and IoT technology, this end-to-end solution makes it easy for customers to network their stores with edge devices. It covers all their needs, from digital price labels at the shelf through to checkout. In recognition of this innovation, the prestigious EHI Retail Institute selected us in March 2021 for this year’s “reta award” as the best technology supplier to retailers. We were awarded the prize together with Fressnapf, a customer of ours, in the “Enterprise Solutions” category.

Another example of a platform-based innovation is our “Edgizer”. It involves a cross-sector software solution for centrally operating edge devices. We are currently testing this with a first customer in manufacturing, one of our focus sectors. Further innovations are set to follow in the quarters ahead. They will all supplement and expand our core business in particular. They promise to generate substantial revenue contributions in the medium term and will promote the scalability of our business.

Successful takeover of Incloud

Our innovative strength is driven by continuous investments in the future. Last year, the focus was on expanding our development capacities in Germany and establishing a new outlet in Riga / Latvia. By taking over the software engineering specialist Incloud in its entirety, we gained more than 60 further experts in one go.

"Our aim is to further increase the value of our company in the years ahead. Our growth story has only just begun."

Incloud's front-end, software and development expertise ideally complements our own platform, cloud and sales competence. Progress towards integration has been superb. After just a few weeks, our new colleagues have made valuable contributions towards developing innovations, attracting new customers and extending contracts with existing customers.

We plan to acquire further technology companies that match our strategy in the current year. Our solid balance sheet, with an equity ratio of 72% and net liquidity of around € 45 million at the end of 2020, gives us the necessary financial scope. In our acquisitions we are pursuing three objectives: firstly, the businesses we acquire should underpin our strong position in our focus sectors. Secondly, the acquisitions should promote the targeted expansion of our product portfolio. One current topic here involves expanding our expertise in business relating to enterprise software. Thirdly, we aim to supplement our technology expertise and further enhance our position in forward-looking markets such as cloud services, data analytics, embedded software, IoT, and artificial intelligence. Viewed this way, our "Expect the next" motto equally refers to the strategic expansion of our core portfolio.

Two thirds of revenues in three sectors

Our focus on three sectors is the fourth key pillar of our growth strategy. In the past year, we generated two thirds of our revenues in the retail, manufacturing and energy sectors. The experience we have built up here makes it easier to attract new customers and enables us to expand into related industrial segments. Further options are possible: in retail-related logistics, for example, many medium-sized hauliers are only just beginning to digitalise their businesses.

The final ingredient in our growth strategy is an actively lived culture of performance that is characterised by a high degree of individual responsibility, a clear team spirit and fairness in our dealings with one another. We know that highly qualified and motivated staff are the foundation for our success. That is why this year we are introducing an employee share plan modelled on the executive share plan. With this, our executives have already acquired one million q.beyond shares on their own account via the stock exchange in autumn 2020. The plan only kicks in if the share price amounts to at least € 2.80 by the end of 2022.

q.beyond share price doubles

At the end of 2019, q.beyond shares were still listed at € 1.05. By the end of 2020, the share price already stood at € 1.68 and even reached € 2.12 at the end of February 2021. In short, our share price doubled in just 14 months. When we presented our growth strategy, we explained to our shareholders that they would participate in our future performance mainly by way of value growth. Consistent with this approach, the Management and Supervisory Boards will propose to the Annual General Meeting that no dividend should be distributed for the 2020 financial year. Our company would rather invest the amount in its further growth. As is apparent from their performance, q.beyond shares are now viewed by the capital market as a growth stock.

I am in no doubt that we share the same goal, namely that of further increasing the value of q.beyond in the years ahead. We have the tools we need to achieve this goal with our "2020plus" growth strategy and our highly motivated team. Today's q.beyond stands for innovative IT from one end of the digital value chain to the other. That means no isolated solutions, but rather services from a single source – adaptive, secure and scalable. And we base this on partnerships of equals forged between our own medium-sized company and others. After all, our customers expect specific solutions in what is becoming an ever-more complex environment.

Growth beyond 2022

Our solutions expertise is powering our growth. The increase in our revenues this year and next year will largely be driven by our crisis-proof core business. In May 2019, we set ourselves the following targets for 2022: revenues of € 200 million, an EBITDA margin of more than 10% and sustainably positive free cash flow. Despite the coronavirus crisis and the severe recession in 2020, we are on course to meet these ambitious targets.

As you would expect, we are already planning beyond next year. We are boosting and expanding our core business, particularly with our platform-based innovations and ongoing investments in the future. In so doing, we are creating a basis to generate consistently strong growth beyond 2022. I am convinced that q.beyond's growth story has only just begun. To our shareholders, I would say this: thank you for your loyalty and especially for the trust you have placed in us. Please be assured: we have entered a new era at q.beyond.

Cologne, 23 March 2021

Jürgen Hermann
CEO

q.beyond's digital services are making retail smart – enhancing customer experience and boosting retention

Shopping 4.0

Contents

The Management Team

q.beyond's management is in the hands of a five-member team comprising the CEO and four other top managers. They collectively offer all the skills needed to find the best digital solutions for our customers and then put them into practice. Their expertise ranges from innovation and software development to portfolio and product management, and from consulting, operations and supportive core functions through to sales and marketing. Together, the team ensures that the "2020plus" growth strategy is consistently implemented.

Jürgen Hermann
Chief Executive Officer

q.beyond's CEO has a clear goal – to sustainably increase the company's value. To achieve this, the economics graduate has worked in recent years to turn our company into what it is now: a Cloud, SAP and IoT provider. Measures such as the sale of the telecommunications business, the strategic realignment and the rebranding as q.beyond provide the foundation for the company's successful growth. Alongside strategy, Jürgen Hermann also focuses on Investor Relations, M&A, Marketing and Communications. As a founding member, he played a key role in organising our company's IPO in 2000. He became CFO in 2009 and in 2013 succeeded the company's co-founder Dr. Bernd Schlobohm as CEO.

"The management's key strength is its breadth of expertise. As a team, we are shaping q.beyond's future."

Christoph Reif
Chief Financial Officer

The tangible success of our growth strategy is reflected in our quarterly and annual financial statements. These are compiled under the guidance of our CFO, Christoph Reif. A graduate in business administration, he has headed the Finance department since 2013. In 2019, he also took on responsibility for Compliance, Procurement, HR and Legal. He previously held senior positions at 1&1, where he was responsible for central procurement decisions.

Waldemar Gerlach
Portfolio and Product Management / Strategic Partner Management

Waldemar Gerlach embodies our motto of "Expect the next". His main focuses are on consistently developing our overall portfolio and products and on forging cooperations with strategic partners. This business IT specialist is familiar with the perspectives of both customers and partners. He owes that not least to his previous career in IT, in which he worked for the Bayer Group and in the management at Atos and CSC.

Thorsten Raquet
Consulting, Innovation and IoT

Whenever new solution architectures and technological innovations are called for at q.beyond, Thorsten Raquet is the person to ask. He initiates new projects and monitors their implementation. He is also responsible for the SAP and Microsoft consulting business. A graduate in business administration, he began his career at SAP and then headed global sales systems at BSN medical.

Thies Rixen
Sales and Operations

Close to customers and in the thick of things: Thies Rixen successfully balances his role as Head of Sales and his responsibility for ensuring the smooth operation of our Cloud, SAP and IoT business. This business administration graduate benefits here from his extensive management and IT expertise gained in senior positions at companies such as DXC and Deutsche Telekom, as well as in his role as CIO and Managing Director of the Ingenico Group.

The Supervisory Board

The six-member Supervisory Board comprises four shareholder and two employee representatives. At the Annual General Meeting held in Cologne on 12 July 2018, shareholders re-elected their existing representatives. Their terms in office now run until the conclusion of the Annual General Meeting for the 2022 financial year. The employees had selected their two representatives in advance of the meeting.

Dr. Bernd Schlobohm
Chairman

Dr. Schlobohm, who holds a doctorate in engineering, founded q.beyond in 1997, had the company publicly listed in April 2000, and then managed it as CEO until May 2013. Together with q.beyond's co-founder, Gerd Eickers, he is the largest shareholder. At the end of 2020, these two shareholders held a combined stake of 25% in q.beyond.

Dr. Frank Zurlino
Deputy Chairman

Dr. Zurlino, holder of a doctorate in business engineering, was elected to the Supervisory Board in May 2013. Formerly head of strategy consulting and development at IBM Deutschland, he is now Managing Partner at the international management consultancy Horn & Company.

Gerd Eickers

q.beyond's second founder, Gerd Eickers, moved to the Supervisory Board in June 2004 after three years on the Management Board. In subsequent years, this graduate in economics played a major role in shaping the political framework for the German technology market, particularly in his capacity as President of the Association of Telecommunications and Value-Added Service Providers (VATM).

Ina Schlie

A graduate in economics and former long-standing head of the group tax department at SAP, Ina Schlie has been a member of q.beyond's Supervisory Board since autumn 2012 and chairs its Audit Committee. As a financial expert, she is a member of two other Supervisory Boards and one Advisory Board and is also a visiting lecturer at LMU Munich.

Martina Altheim

Martina Altheim, at the time Head of Central Process and Quality Management, joined the Supervisory Board as the second employee representative in July 2019. Since January 2020, the graduate in biology who is based at q.beyond's location in Cologne, has been responsible for the company's Corporate Social Responsibility.

Matthias Galler

In June 2018, q.beyond's workforce elected the Hamburg-based Works Council Chairman as a new member of the Supervisory Board. The IT specialist has worked at our company as a senior IT consultant since 2002 already.

Report of the Supervisory Board

Dr. Bernd Schlobohm
Supervisory Board Chairman

Dear Shareholders,

The coronavirus pandemic confronted both our company and society as a whole with unprecedented challenges in 2020. This Annual Report shows how well q.beyond mastered these. We took every conceivable step to offer the best possible protection to our employees, partners, customers, suppliers and other stakeholders and to avoid personal contacts. For this reason, we held our Annual General Meeting for the first time on a virtual basis. All Supervisory Board meetings also took the form of video conferences.

We were impressed by the unerring dedication shown by all employees and the Management Board in this exceptional historic situation. We would like to take this opportunity to thank the entire q.beyond team for its outstanding work in the past financial year. The Supervisory Board would also like to thank all company shareholders for their commitment and loyalty.

In what follows, we inform you about the activities of the Supervisory Board in the 2020 financial year.

Activities of the Supervisory Board

The Supervisory Board performed all the duties incumbent on it by law and the Articles of Association again in 2020. It continually monitored and advised the Management Board in its management of q.beyond AG and the Group. It was directly involved in all decisions and measures of material significance, particularly those impacting on the company's financial position, financial performance and cash flows. After careful consideration, it voted on all measures for which its consent is required by law, the Articles of Association and the Rules of Procedure of the Management Board.

The Supervisory Board held regular meetings, at times also without the Management Board. At such meetings, the Supervisory Board addressed agenda items relating either to the Management Board or to internal Supervisory Board matters. At their joint meetings, the Supervisory and Management Boards discussed key aspects of the company's business policy and strategy, as well as its performance and planning. Moreover, the chairs of the two boards were in regular contact to discuss current company-related topics arising between Supervisory Board meetings.

The Management Board informed the Supervisory Board with regular, timely and detailed reports, both written and oral, about the company's business performance, drawing in particular on monthly and quarterly financial statements and rolling budget/actual comparisons. In particular, these reports also included information about variances between the company's actual business performance and its internal planning and publicly communicated financial targets. The corresponding Management Board reports also contained all relevant information about the company's strategic development and planning, risk situation, risk management and compliance. All enquiries and requests for additional information by the Supervisory Board were promptly and thoroughly answered by the Management Board.

Topics addressed by the Supervisory Board

The main focuses of Supervisory Board meetings and resolutions in the 2020 financial year were:

1. "2020plus" growth strategy
The Supervisory Board regularly addressed the progress made with implementing the company's growth strategy, mainly referring in this respect to the monthly reports. Furthermore, it regularly inspected the sales pipeline and obtained information about the progress made with internally developed innovations.

2. Rebranding
One milestone in the implementation of the "2020plus" growth strategy was the rebranding of QSC as q.beyond. The Supervisory Board dealt with the necessary measures at an early stage of proceedings and, at its meeting on 25 March 2020, approved the draft resolution to the Annual General Meeting in respect of the company's new name.

3. Acquisitions
One major aspect of the growth strategy involves acquisitions. Here, the Management Board kept the Supervisory Board regularly informed about potential takeover candidates and options for action. This way, the Supervisory Board was involved at an early stage in the decision to acquire 100% of the shares in the Darmstadt-based company Incloud Engineering GmbH. The board approved this acquisition by circulating and approving the respective documents on 20 July 2020.

4. Spinoff of "IP Exchange"
The Supervisory Board closely accompanied the thought given by the Management Board to spinning off the colocation business to a separate company and thus extending the range of options available for this business field.

5. New Management Board remuneration system
One important topic in the Supervisory Board's activities in the past year involved implementing the requirements of the German Act on the Transposition of the Second Shareholder Rights Directive (ARUG II), particularly with regard to Management Board remuneration. Drawing on the assistance of an independent remuneration advisor, the board considered potential models which, alongside financial targets, also integrated non-financial targets more closely into the remuneration system. The Supervisory Board approved the basic principles of the new remuneration system at its meeting on 25 November 2020. The remuneration system will now be submitted for approval by the Annual General Meeting on 12 May 2021.

6. New incentive system for executives
The Supervisory Board welcomes the Management Board's initiatives to step up q.beyond's capital market orientation by way of incentive systems and thus to enable employees to participate in their success

in implementing the "2020plus" growth strategy. In the first step, a share-matching plan was introduced for executives in October 2020. The Supervisory Board examined and approved this plan at its meeting on 20 August 2020.

Composition of the Supervisory Board

The Supervisory Board is composed in accordance with the requirements of the German Stock Corporation Act (AktG) and the German One-Third Participation Act (Drittelbeteiligungsgesetz) and continues to comprise four shareholder representatives and two employee representatives. The shareholder representatives on the Supervisory Board are still its Chair, Dr. Bernd Schlobohm, and its Deputy Chair, Dr.-Ing. Frank Zurlino, as well as Gerd Eickers and Ina Schlie. The employee representatives are still Martina Altheim and Matthias Galler.

Supervisory Board meetings and committees

As well as four scheduled meetings, the Supervisory Board also held one unscheduled meeting in the 2020 financial year. Due to the Covid-19 pandemic, all meetings were held as video conferences. All members participated in all these meetings. Where necessary, the Supervisory Board also adopted resolutions on individual topics by circulating and approving the respective documents.

To assist it in its work, the Supervisory Board has formed four committees. These are the Human Resources Committee, the Audit Committee, the Nomination Committee and the Strategy Committee. Committee chairs regularly report to the full Supervisory Board on the work of their committees. All committee members attended all meetings of their respective committees in 2020.

The **Human Resources Committee** met twice in the year under report. The committee prepared the Supervisory Board's decisions concerning the target achievement of Management Board members in the 2019 financial year and the amendment made to target agreements with the Management Board in March 2020 to account for the adjustment in the multi-year targets already communicated in 2019. Apart from this, it dealt in particular with preparing the resolutions needed for the new Management Board remuneration system The committee still comprises the following members: Dr. Bernd Schlobohm (Chair), Martina Altheim and Gerd Eickers.

The composition of the **Audit Committee** is also unchanged; its members are Ina Schlie as its Chair and independent financial expert, as well as Dr. Bernd Schlobohm and Dr.-Ing. Frank Zurlino. The Audit Committee monitors the financial reporting process and may submit recommendations to safeguard its integrity. It also monitors the effectiveness of the internal control, risk management and internal audit systems, as well as compliance, and prepares all decisions required by the full Supervisory Board in this respect. The Audit Committee deals with the audit of the financial statements and is responsible for selecting and issuing the audit assignment to the auditor, as well as for monitoring the auditor's independence and audit quality. It decides whether the company may commission the auditor to provide non-audit services and, where appropriate, monitors the auditor's provision of such services.

The Audit Committee held five meetings in the past financial year. It reviewed the documents relating to the annual and consolidated financial statements, including the dependent company report, for the 2019 financial year, held in-depth discussions about these documents and the accompanying audit reports in the presence of the auditor and adopted recommendations for the full Supervisory Board resolution concerning the annual and consolidated financial statements and their audit. Prior to their publication, the half-year financial report as of 30 June 2020 and the interim statements as of 31 March and 30 September 2020 were discussed with the Audit Committee. The committee also dealt with planning the audit and key audit focuses for the 2020 financial year and negotiated and concluded the auditor's fee agreement. Moreover, it addressed the reorganisation of the internal risk management process, the implications of the Q-loud GmbH merger and the changes arising for q.beyond as a result of the ARUG II legislation, as well as regularly taking receipt of reports from the Head of Internal Audit and Compliance on his area of activity.

Furthermore, the Audit Committee decided to issue a public call for tenders for the audit mandate for the 2021 financial year and organised a corresponding process in the period from September 2020 to February 2021. As a result of this process, the committee submitted a substantiated recommendation with two proposals to the full Supervisory Board for its own resolution to be addressed to the Annual General Meeting in respect of the auditor. The candidates are Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, based in Hamburg and with offices in Cologne, and Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, based in Nuremberg. Consistent with legal requirements, the Audit Committee accompanied its proposals with a substantiated preference, in this case for Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft. At its meeting on 24 March 2021, the Supervisory Board accepted this recommendation and decided to submit an election proposal to this effect to the 2021 Annual General Meeting.

The task of the **Nomination Committee** is to propose suitable candidates to the full Supervisory Board for its nomination of candidates at any forthcoming election of shareholder representatives to the Supervisory Board at the Annual General Meeting. The composition of the Nomination Committee has not changed; its members are still Gerd Eickers (Chair) and Dr.-Ing. Frank Zurlino. The Nomination Committee did not hold any meetings in the 2020 financial year as no Supervisory Board elections were pending.

The composition of the **Strategy Committee** is also unchanged; its members are Dr. Bernd Schlobohm (Chair) and Dr.-Ing. Frank Zurlino. The Strategy Committee has a purely advisory function and addresses the strategic, and thus long-term, development of q.beyond AG. The committee held two meetings in 2020 and dealt in particular with the Management Board's plans to implement the "2020plus" growth strategy and with potential acquisition targets.

Corporate governance

The Supervisory Board continuously monitors the status and development in the German Corporate Governance Code and the implementation of the Code's recommendations at q.beyond AG. At its meeting on 25 November 2020, the Supervisory Board acting together with the Management Board submitted its annually updated Declaration of Compliance with the recommendations made in the Code versions dated 7 February 2017 and 16 December 2019 pursuant to § 161 AktG. This declaration is permanently available on the company's website.

Together with the Supervisory Board, the Management Board reports in detail on corporate governance in the Corporate Governance Statement, which is also permanently available on the company's website. Each member of the Supervisory Board discloses any conflicts of interest that may arise, taking due account of the recommendations made in the German Corporate Governance Code. No conflicts of interest arose in the year under report.

Members of the Supervisory Board take responsibility for undertaking any training or professional development measures necessary to fulfil their duties, such as with regard to changes in the legal framework, and are supported by the company. The company keeps Supervisory Board members regularly informed of the latest legislative amendments and of any relevant developments in corporate governance. New members of the Supervisory Board are able to meet the Management Board to discuss underlying and current topics, and thus gain an overview of those topics relevant to the company ("onboarding").

Audit of financial statements

Consistent with the recommendation submitted by the Audit Committee, the Supervisory Board proposed to the Annual General Meeting on 20 May 2020 that KPMG AG Wirtschaftsprüfungsgesellschaft, based in Berlin and with offices in Cologne, should be re-elected as auditor and group auditor for the 2020 financial year. In line with the resolution adopted by the Annual General Meeting, the Audit Committee awarded the audit assignment to KPMG AG Wirtschaftsprüfungsgesellschaft.

KPMG AG Wirtschaftsprüfungsgesellschaft audited both the annual financial statements of q.beyond AG as of 31 December 2020 prepared by the Management Board in accordance with the requirements of the German Commercial Code (HGB) and the consolidated financial statements as of 31 December 2020 prepared in accordance with International Financial Reporting Standards (IFRS) as requiring application in the European Union and the supplementary provisions of German commercial law applicable pursuant to § 315e of the German Commercial Code (HGB), as well as the management and group management reports.

Key audit matters and focuses for 2020 included the recoverability of goodwill, the impact of the Covid-19 pandemic, revenue recognition under IFRS 15, the disclosures made on risks and the outlook in the management report and the risk of fraud upon revenue recognition.

The auditor granted unqualified audit opinions to the company's annual financial statements (HGB) and consolidated financial statements (IFRS) for the 2020 financial year, including the respective management reports.

Furthermore, the Management Board compiled a report on relationships with affiliated companies for the 2020 financial year (dependent company report). The auditor reviewed this report, reported in writing on its findings and granted the following unqualified opinion:

"Based on our audit and assessment performed in accordance with professional standards, we confirm that

1. the factual information in the report is correct;

2. the company's compensation with respect to the transactions listed in the report was not incommensurately high."

The aforementioned documents, including the audit reports submitted by the auditor, were provided to all Supervisory Board members in good time ahead of their review. At its meeting on 24 March 2021, the Supervisory Board discussed all these documents and the auditor's reports with the Management Board and the auditor, taking due account of the findings of the preliminary review conducted by the Audit Committee. The auditor reported to the meeting held on 24 March 2021 on its key audit findings and was available to answer questions and provide further information. The auditor also reported on the audit of the internal control system in respect of the financial reporting process and the risk management system. It informed the Supervisory Board of services it provided in addition to the audit of the financial statements and that there were no circumstances indicating that its impartiality was impaired.

Having conducted its own review, the Supervisory Board did not raise any objections to the annual financial statements (HGB) of q.beyond AG for the 2020 financial year, the consolidated financial statements (IFRS), the management report of q.beyond AG or the group management report and concurs with the findings of the audit performed by the auditor. Consistent with the recommendation made by the Audit Committee, the Supervisory Board therefore approved the consolidated financial statements (IFRS) and the annual financial statements (HGB). The annual financial statements are thus adopted. Furthermore, following its own review the Supervisory Board approved the Management Board's report on relationships with affiliated companies and concurred with the findings of the audit of the report by the auditor. Based on this review, the Supervisory Board established that no objections were to be raised to the declaration by the Management Board at the end of the report on relationships with affiliated companies.

The Supervisory Board also reviewed the Separate Non-Financial (Group) Report for the 2020 financial year. This will be published on the company's website at the latest at the end of April 2021. At the meeting on 24 March 2021, the Supervisory Board concluded that no objections were to be raised to the Separate Non-Financial (Group) report.

Cologne, 24 March 2021
On behalf of the Supervisory Board of q.beyond AG

Dr. Bernd Schlobohm
Supervisory Board Chair

q.beyond's Share Performance

Share price rises 60% in 2020

The coronavirus pandemic shaped developments on global capital markets in 2020. The first lockdown in March 2020 led prices to plummet, while the approval of the first vaccinations triggered a rally towards the end of the year. At the end of 2020, the DAX was 4% up on the previous year, while the TecDAX closed 7% higher.

With 60% growth, our share price significantly outperformed the relevant indices in 2020. Having posted a pleasing start to the year, it too could not escape the coronavirus crash and reached its annual low at € 0.78 on 16 March 2020. Just two weeks later, however, it was back above € 1.05, its 2019 year-end price. By 30 June, the share price rose to € 1.35. While our share price already gained 29% in the first half, at this point the DAX and TecDAX were both still below their 2019 year-end levels. During the summer months, our share price stabilised at this higher level. Publication of the company's Q3 results then triggered a second upward trend, one which continued in the first weeks of 2021. Our share price reached its annual high at € 1.73 on 9/10 December and closed the year at € 1.68.

Shareholders benefit from rising company value

Within a year, q.beyond shares gained € 0.63 in value, while our market capitalisation rose by € 78 million to € 209 million. When presenting the new growth strategy in May 2019, the Management Board already explained that shareholders would in future mainly participate in q.beyond's performance by way of its value growth. Measured as market capitalisation less net liquidity, the company's value more than doubled in 2020. The Management Board will therefore propose to the Annual General Meeting that, unlike in the previous year in which a dividend of € 0.03 was distributed per share, in the current year no dividend should be paid and the amount should rather be invested in further growth. Shareholders have already benefited from further share price growth in the first two months of 2021, with the price rising by a further € 0.44 to € 2.12 as of 26 February.

This value growth has been driven by the company consistently implementing its "2020plus" growth strategy and the resultant advances in its operating business. Revenues rose from quarter to quarter in 2020. Not only that, record new orders convinced investors of the sustainability of this growth course. The trust placed in the company by the capital market grew noticeably as the year progressed and facilitated substantial share price growth.

Analysts set target prices of up to € 2.50

Even after its 60-percent rise in 2020, our share price still offers upward potential. The targets set by analysts regularly covering our company were as high as € 2.50 by the end of February 2021. Bankhaus Lampe, Commerzbank and Stifel Europe Bank (formerly Mainfirst) have long had buy recommendations in place for q.beyond. However, Bankhaus Lampe discontinued its coverage at the end of 2020. Independent Research and Warburg Research advise holding the shares, with Warburg's analyst raising his target price in January 2021.

A further institution, Montega, published its first study on q.beyond in February 2021, in this case with the title "Beyond your expectations". This analyst advised buying our shares and issued a target price of € 2.50. With current coverage by five analysts, our company has attracted unusually great attention for a second-tier stock. This too documents the potential of our company's shares.

Institutional investor acquires more than 3% of shares

In 2020, our company's sustainable growth caused institutional investors in particular to acquire or expand their positions in q.beyond shares. Their share of free float rose by six percentage points to 29%. On 14 December 2020, Paladin Asset Management notified us that its share of voting rights had exceeded the three-percent threshold. Further well-known small and midcap investors also acquired smaller stakes and increased their holdings in the first two months of the current financial year. By 26 February 2021, the free float share held by institutional investors rose by a further 2 percentage points to 31%. Conversely, the share held by retail investors decreased to 69%.

Overall, free float accounts for 74.7% of q.beyond's shares and is distributed among 25,001 shareholders. The remaining 25.3% of shares are held by the two founders, Gerd Eickers and Dr. Bernd Schlobohm. Now members of the Supervisory Board, these two individuals have not sold any shares since the company's IPO in spring 2000 but have rather repeatedly increased their shareholdings further in the intervening years. Our CEO Jürgen Hermann has also expanded his shareholding on several occasions in recent years. In 2020, he acquired a further 330,000 shares, taking his current holdings to one million, or 0.8% of our shares.

Executives invest with a target price of at least € 2.80

Since October 2020, our executives have also held 0.8% of q.beyond's shares. To be able to participate in the new share matching plan, they acquired one million shares on their own accounts via the stock market. This plan runs until 31 December 2022. To take effect, q.beyond's share price must have risen to at least € 2.80 by then. In this case, the plan rewards the ongoing commitment shown by executives by granting a defined number of matching shares that are issued on a linear basis depending on the share price performance and capped at a maximum price of € 4.00.

This plan is being followed in the current financial year by a share matching plan for all company employees. This will provide q.beyond's team with an even greater incentive than before to sustainably increase the company's value.

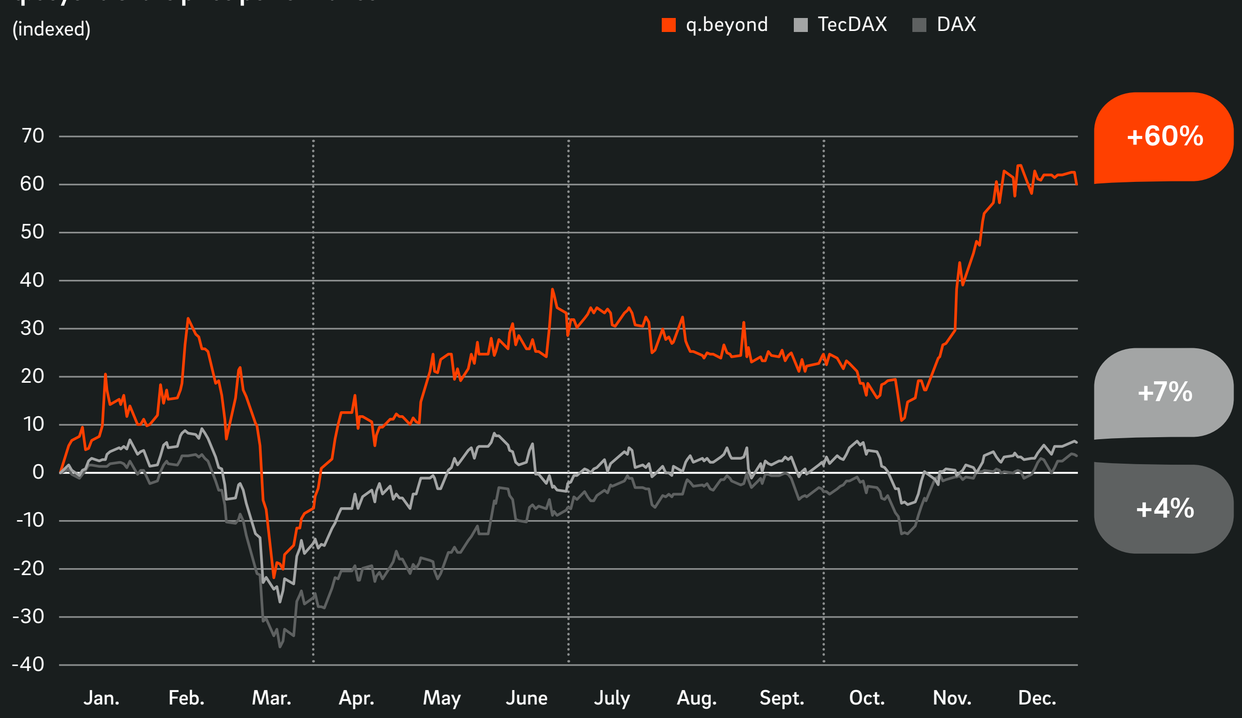
Intensive IR activities pay off

The growth in the company's value and increasing interest shown by institutional investors have benefited not least from our investor relations (IR) activities, which continued just as intensively as before. Unlike previously, since the start of the first lockdown in March 2020 we have presented our company almost exclusively on a virtual basis. The coronavirus pandemic has enormously accelerated the digitalisation of capital market communications.

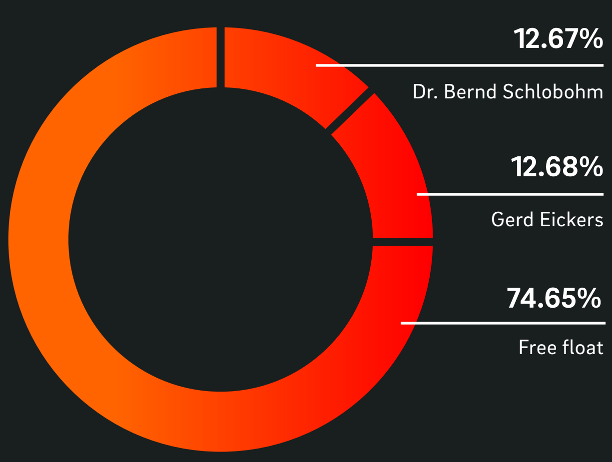
The Management Board and IR took part in the following virtual capital market conferences, among others, in the past year:

- 29th Munich Capital Market Conference
- Mainfirst (now Stifel Europe Bank) Virtual SMID Cap One-on-One Forum
- Commerzbank Sector Conference – TMT, Consumer & Real Estate
- Berenberg/Goldman Sachs – Ninth German Corporate Conference
- German Equity Forum

q.beyond share price performance
(indexed)



Shareholder structure as of 31 December 2020



Institutional investors increased their share of free float by 6 percentage points in 2020.

We also held numerous conference calls and one-to-one discussions, with a noticeable rise in interest here too as our share price rose.

Anyone interested can find all relevant information about our shares in the IR section of our website at **www.qbeyond.de/en/investor-relations.** Visitors here will find our reports and announcements, as well as key figures on our shares, the latest consensus among analysts, corporate governance and much more. This is also where presentations and recordings of comments made by the Management Board in conference calls can be found following the publication of quarterly results.

The IR Department also maintains an ongoing exchange of information with retail and institutional investors by mail and telephone. It draws on various social media to keep interested capital market players up to date. These particularly include q.beyond's IR Newsletter and its IR channel on Twitter. **www.twitter.com/qbyiren**

Key facts about q.beyond shares

Securities identification code	513 700
ISIN	DE0005137004
Trading symbol	QBY
Bloomberg symbol	QBY GY
Reuters symbol	QBYn.DE
Market segment	Prime Standard
Stock exchanges	Xetra and regional German stock exchanges
Designated sponsorship	Stifel Europe Bank AG
Shares outstanding as of 31 December 2020	124,472,487
Share class	No-par-value registered shares of common stock
Xetra closing price on 30 December 2019	€ 1.05
Xetra share price high in 2020	€ 1.73
Xetra share price low in 2020	€ 0.78
Xetra closing price on 30 December 2020	€ 1.68

q.beyond's digital solutions are making SME manufacturers fit for the future

Smarter manufacturing

Group Management Report

Group Fundamentals

Business Activities

q.beyond AG ("q.beyond" or "the company") is the key to successful digitalisation. We help our customers find the best digital solutions for their business and then put them into practice. Our strong team of 900 people accompanies SME customers securely and reliably throughout their digital journey. The company has all-round expertise in Cloud, SAP and IoT. With nationwide locations and its own certified data centres, it is one of Germany's leading IT service providers.

Since 2020, the operating business has been managed in two segments: "Cloud & IoT" and "SAP".

Cloud & IoT: comprehensive range of services for state-of-the-art IT

This segment pools q.beyond's Cloud and IoT expertise. The services offered range from turnkey cloud modules through to individual IT outsourcing services. Here, private enterprise cloud solutions are just as feasible as hybrid cloud solutions. The cloud solutions function independently of underlying infrastructures and, depending on customers' preferences, can be run at our proprietary data centres or at data centres operated by third parties, such as the major cloud providers ("hyperscalers") Amazon, Google and Microsoft. In parallel to these services, we are also systematically expanding our development expertise. Via our new subsidiary Incloud Engineering GmbH ("Incloud"), we offer front ends for app, web and IoT applications. Further information about this acquisition can be found in the **Business Report on Pages 47 to 48**. Another subsidiary focuses on the colocation business and thus on developing and operating a secure high-availability IT infrastructure.

We supplement our services with an extensive IoT portfolio. In this, we supply all key elements for turnkey and scalable IoT solutions by way of edge computing: consulting, hardware and software development, standard products such as sensors, actuators and adapters, as well as components such as chips and protocols. From development to production through to operations using IoT platforms, SMEs can receive all the services they need to enter the Industry 4.0 age.

SAP: q.beyond is a full-service provider with 20 years of project experience (unaudited*)

We cover the entire range of services involved in using SAP software. Introducing and operating the new SAP S/4HANA programme generation is playing an increasingly prominent role in our activities here. Together with our customers, we devise roadmaps, put these into practice, convert existing systems, automate processes and thus create the conditions for companies to succeed in the digital world. As a medium-sized company ourselves, we understand the processes in place at SMEs and know exactly how to portray these with maximum efficiency in SAP. Our portfolio therefore includes SAP consulting, as well as application management, hosting and basic operations. We also provide maintenance and licence management services. With "SAP Managed Service", we offer all-in packages including software and hardware for direct deployment.

* Contents of the sections designated "unaudited" have not been reviewed by the auditor.

TÜV and ISO-certified data centres in Germany (unaudited*)

Both segments work with q.beyond's proprietary infrastructure, and above all its TÜV and ISO-certified data centres located within Germany. We operate data centres at four locations with total floor space of around 20,000 square metres. All data centres are governed by German data security requirements, which are very strict by international standards. Drawing on a high-performance backbone, they act as a geo-redundant network and thus meet the utmost standards in terms of scalability, availability and security.

Market and Competitive Position

We are an IT service provider with key focuses on Cloud, SAP and IOT. We concentrate our activities on medium-sized companies based in Germany. Thanks to our own character as a medium-sized company, our presence throughout Germany and the fact that all our data centres are located within the country's borders, we enjoy a high degree of acceptance among this target group. To be able to address the specific needs of our customers, we focus on three key sectors: retail, manufacturing and energy. In the 2020 financial year, these three sectors accounted for two thirds of our revenues. Further information about our markets can be found in the **chapter "Macroeconomic and Industry Framework" on Pages 43 and 44.**

Strategy

Heading for revenues of € 200 million in 2022

Our "2020plus" growth strategy sets clear targets for 2022: revenues of € 200 million, a sustainably positive free cash flow and an EBITDA margin of more than 10%. On the way there, we expect to generate double-digit revenue growth each year. This consistent growth and a business model that is entirely focused on digitalisation create a convincing basis for continually increasing the company's value. The core elements of our business model are:

- **Attractive core business.** Software-based services and internally developed products and services (proprietary IP) facilitate high scalability. Long-term customer agreements provide for recurring revenues and high levels of customer retention.
- **Platform-based innovations.** The portfolio of services covers the digital value chain, from sensor technology to SAP applications to cloud scenarios, and combines these intelligently.
- **Sector focus.** Our product development, partner management and sales focus on the three sectors of retail, manufacturing and energy.
- **Experienced management team.** The industry, technology and sales expertise pooled in the management team ensures that our growth strategy can be smartly implemented.

* Contents of the sections designated "unaudited" have not been reviewed by the auditor.

Profitable growth offers the possibility of sustainably increasing the company's value in 2021 and beyond.

- **Investments in the future.** Our high equity ratio and high volume of available liquidity enable us to make continuous investments in future growth, and particularly in internally developed innovations and highly qualified staff. q.beyond is also boosting its growth momentum by making targeted acquisitions.

Strategy proves its value during pandemic in 2020

With our strategy, we focus on supporting and accompanying medium-sized companies in Germany in their digital transformation. We aspire to show companies easy ways to move to new digital processes, business and service models and thus make them fit to compete in the digital age. According to a study by Bitkom Research and Tata Consultancy Services[1], the coronavirus pandemic has lent even more impetus to the process of digitalisation. Given the temporary lockdowns, there was particularly great demand for ways of using technologies on a location-independent basis. We offer these kinds of solutions in Cloud, SAP and IoT environments. This meant, for example, that we were able to provide hundreds of cloud-based workplaces to customers within just a few days, enabling them to relocate their activities to home offices.

This acceleration in the process of digitalisation offers a superb basis for achieving the growth targeted for the years ahead. Thanks to our business model, this growth will be accompanied by rising EBITDA margins. And this profitable growth will in turn open up the possibility of sustainably increasing the company's value once again in 2021 and beyond.

[1] Bitkom Research, www.bitkom-research.de/de/pressemitteilung/corona-fuehrt-zu-einem-digitalisierungsschub (press release only available in German).

Research and Development

We operate in highly dynamic markets and deploy the latest technologies. Innovation is therefore an integral component of our operating business. This mostly involves quality and process-related innovations. It also means integrating new technologies, such as artificial intelligence, into existing or new solutions.

This being so, we view research and development (R&D) as a cross-divisional activity which does not involve the separate allocation of resources. We therefore do not report the number of employees working in R&D. The R&D budget also provides only limited information about innovation processes. Here, q.beyond chiefly recognises work performed on further developing its IoT portfolio and sector solutions. Given the company's increasing investments in its future growth, total research and development expenses amounted to € 6.7 million in 2020, as against € 3.6 million in the previous year. Of this sum, an amount of € 0.0 million was capitalised (2019: € 0.4 million). Amortisation of capitalised development expenses amounted to € 0.9 million in 2020 (2019: € 0.8 million).

Continuous expansion in software expertise (unaudited*)

The rising number of software experts working in all our business fields shows how closely our R&D activities are interlinked with the operating business. Over time, the work performed by these experts is expanding our intellectual property (IP). Successful developments in the past financial year included the "StoreButler", a digitalisation platform for retailers, and the "Edgizer", a smart platform for edge device management. Further information can be found in the **Business Report on Page 47.**

The 100-percent takeover of Incloud at the end of July 2020 further boosted our software expertise. Incloud's development and front-end expertise ideally complements our platform, cloud and sales competence.

At Incloud, more than 60 experts from a variety of disciplines work together in agile project teams to develop and implement digital business models. They rapidly advance innovations to market maturity, such as an IoT platform for remote machine monitoring and an app for processing measurement results.

Employees

Our success is based on the commitment and willingness to perform of all our employees. For this reason alone, our company has always accorded great priority to employee concerns. q.beyond had 936 employees as of 31 December 2020, as against 902 employees one year earlier. Our Sustainability Report contains extensive information about our personnel strategy and policies.

* Contents of the sections designated "unaudited" have not been reviewed by the auditor.

Sustainability Report

Pursuant to § 289b (3) and § 315b (3) of the German Commercial Code (HGB), we compile a separate non-financial (group) report independently of the Group Management Report. This separate report will be made available on the q.beyond website at **www.qbeyond.de/en/ir-publications** by the end of April 2021 and will then be permanently available there. The report will include disclosures on the non-financial declaration pursuant to § 315c HGB in conjunction with § 289c HGB and will be reviewed by the Supervisory Board.

Organisational Structure

Our company has its legal domicile in Cologne and a second major location in Hamburg. These two sites are supplemented by eight further locations in Germany and a software development centre in Riga in Latvia. Following the takeover of the Darmstadt-based company Incloud as of 31 July 2020, our company held one material shareholding at the end of the 2020 financial year. The IoT subsidiary Q-loud GmbH was merged into q.beyond AG as of 30 June 2020.

A complete overview of the scope of consolidation as of 31 December 2020 can be found in **Note 34 in the Notes to the Consolidated Financial Statements.**

Corporate Management

q.beyond is managed on the level of its segments, which are based on a system of profit, cost and service centres. The following are the most important key financial performance indicators referred to on group level: revenues, EBITDA and free cash flow. To date, no reference has been made to non-financial performance indicators for corporate management purposes.

EBITDA is defined as earnings before interest, taxes, non-cash share-based compensation, and depreciation / amortisation and impairment losses on property, plant and equipment and intangible assets. The EBITDA margin presents EBITDA as a percentage of revenues. The free cash flow presents the change in net liquidity before acquisitions and distributions, including divestments. The key figure referred to by management when managing the segments is the segment contribution. This is defined as EBITDA before general and administrative expenses and the other operating result. The segment margin presents the segment contribution as a percentage of the respective revenues.

The monthly reports contain all relevant key figures and budget / actual comparisons. They serve as a key basis of discussion for the Management and Supervisory Boards. Moreover, the latest budget / actual comparisons are used as a basis for regularly updating the rolling planning. This acts as an early warning system for potential variances, thus enabling corrective measures to be taken at an early stage. One integral component of reporting is the **risk management system, which is described from Page 58 onwards of this Group Management Report.** This ensures that any changes in opportunities and risks are directly factored into the management system.

Corporate Governance

Corporate Governance Statement

We have published our Corporate Governance Statement for the 2020 financial year pursuant to § 289f and § 315d of the German Commercial Code (HGB) at **www.qbeyond.de/en/cgs** and made this permanently available. As well as the declaration made pursuant to § 161 of the German Stock Corporation Act (AktG), this statement also includes extensive disclosures on corporate governance practices, on the composition and mode of operation of the Management and Supervisory Boards, and a diversity concept.

Remuneration Report

Our company has traditionally attached great importance to presenting the remuneration paid to the two governing bodies of the Management Board and the Supervisory Board both transparently and in detail. The Management Board remuneration system was most recently approved by the Annual General Meeting on 27 May 2015.

In November 2020, the Supervisory Board adopted a new remuneration system for the Management Board. This takes due account of the requirements of the new German Act on the Transposition of the Second Shareholder Rights Directive (ARUG II) and the revised recommendations of the German Corporate Governance Code (DCGK). The amendments mainly relate to variable remuneration components paid for the achievement of long-term targets.
In future, these latter targets will be provided with greater weighting than short-term targets, will be granted on the basis of a specified share price and will account for non-financial performance indicators. Furthermore, stockholding requirements will be introduced for the Management Board, as will provisions governing the withholding or clawback of variable remuneration components in justified cases. The Supervisory Board will present the new Management Board remuneration system for approval by the Annual General Meeting in May 2021.

November 2020

The Supervisory Board adopts a new Management Board remuneration system

Management Board remuneration system: performance and success-oriented as well as sustainable

Under the remuneration system applicable to the 2020 financial year, the Supervisory Board determines the total remuneration payable to individual members of the Management Board. In assessing the appropriateness of this remuneration, the Supervisory Board is guided by the tasks of the individual Management Board member, his or her personal performance and the company's economic situation and its sustainable development. It also takes due account of the appropriateness of the remuneration by reference to peer group companies and remuneration structures otherwise applicable within the company and at comparable companies. Total remuneration is structured in such a way as to be competitive in the market for highly qualified executives.

A high share of annual target remuneration for the Management Board is performance-related.

The remuneration system provides for fixed and variable remuneration components, pension benefits and other fringe benefits. A high share of annual target remuneration for Management Board members is performance-related.

The annual non-performance-related fixed remuneration should make up a maximum of 50% of total annual target remuneration (comprising fixed and variable remuneration based on 100% target achievement). Fixed remuneration accounts for the performance of the respective member of the Management Board and the function and responsibilities assigned to him or her. It is paid by bank transfer and in 12 equal monthly instalments at the end of each calendar month. Management Board members do not receive any separate remuneration for assuming further group-internal positions.

Furthermore, Management Board members receive variable remuneration (bonus). The amount of this bonus is based on the achievement of the annual targets (short-term incentives) and multi-year targets (long-term incentives) to be agreed in separate target agreements. These targets may be based on company-related key figures and / or individual considerations. For company-related key figures, they may also include more ambitious minimum targets than those communicated in external outlooks.

The assessment period for multi-year targets (LTI) covers three financial years. Multi-year targets are agreed at the beginning of the assessment period and must be met by the end of such period. When defining target achievement, the Supervisory Board may also agree interim targets to be met over the individual financial years in the assessment period and / or further conditions.

Variable remuneration is payable in cash and should account for at least 50% of the total annual target remuneration (based on 100% target achievement). Target achievement is basically determined following the adoption of the consolidated financial statements relevant to the targets defined in the target agreement. Any resultant bonus is paid out at the end of the month in which the Annual General Meeting is held following expiry of the financial year, to the extent that it relates to annual targets, and at the end of the month in which the Annual General Meeting is held following expiry of the assessment period, to the extent that multi-year targets are involved.

Furthermore, the company also grants pension benefits to its Management Board members. These involve defined contribution commitments for benefits provided by insurance companies and pension funds and / or commitments to pay a fixed amount to enable the member to secure his or her own suitable provision for retirement and for surviving dependants. The other fringe benefits granted to Management Board members mainly relate to the provision of a company car, payment of a car allowance and insurance provision customary to the market.

Acting upon a recommendation made by its Human Resources Committee, on one occasion in the 2017 financial year the Supervisory Board diverged on an exceptional basis from this remuneration system. When extending the employment contract with Stefan A. Baustert, it was agreed that, as of 1 January 2018 and for the remaining term of the employment contract, his fixed remuneration would make up 54.5% of his annual target remuneration (based on 100% target achievement) and thus exceed the 50% mark. This exemption was approved, as the increase in fixed remuneration represented a key factor in Stefan A. Baustert agreeing to the extension of his employment contract. At the time at which the contract was extended, the Supervisory Board and its Human Resources Committee believed that it was in the company's interests to extend the Management Board activity of Stefan A. Baustert.

Variable remuneration dependent on achievement of minimum targets

The Supervisory Board agrees lower and upper limits for the achievement of each individual annual and multi-year target. Failure to meet lower limits or any condition governing an annual target and/or multi-year target results in the complete loss of the variable remuneration attributable to the respective target. In the case of the multi-year target, the variable remuneration attributable to the respective target may be lost for the entire assessment period. Non-achievement of an interim target results in the partial or complete loss of the remuneration dependent on achievement of such target. The upper limit serves to cap variable remuneration in the event of exceptional developments at a maximum of 1.5 times the target remuneration attributable to variable remuneration and attainable upon 100% target achievement.

In concluding target agreements, the Supervisory Board ensures that the share of variable target remuneration due to achievement of the multi-year targets basically reaches a minimum of the share attributable to achievement of the annual targets. The share of variable remuneration due to annual targets may nevertheless be weighted more significantly to the extent that the remuneration structure remains focused on the company's sustainable development and on providing a long-term performance incentive by including other elements (such as additional bonuses by way of shares and stock options).

To recognise the achievement of multi-year targets and promote the company's sustainable development, the Supervisory Board may commit to paying Management Board members an appropriate additional bonus in the form of shares or stock options in q.beyond AG and, if so, agree suitable waiting, holding and exercise periods. This may further increase the share of total variable remuneration attributable to variable remuneration of a long-term incentive nature, as well as the share of total target remuneration attributable to variable remuneration. Finally, to acknowledge exceptional performance, the Supervisory Board may – at its own discretion – grant Management Board members a suitable additional bonus in cash or in the form of shares or stock options in the company. Holding and exercise periods may be agreed in this regard as well.

Management Board remuneration for the 2020 financial year

The total remuneration paid to Jürgen Hermann, the sole member of the Management Board, for the 2020 financial year amounted to € 852k. The comparative figure for the previous year (€ 929k) still included the total remuneration of € 461k paid to Stefan A. Baustert, a member of the Management Board who left the company as of 31 December 2019. The **remuneration of the Management Board is presented in the table on Page 37.** Once again in the past financial year, no loans were granted to Management Board members.

In the target agreement entered into for the 2020 financial year, an annual target and two separate, equally weighted multi-year targets were agreed with Jürgen Hermann, the sole member of the Management Board. The annual target and the multi-year targets were each weighted at 50%.

The annual target was linked to the level of the Group's revenues in the 2020 financial year. The annual target was also subject to the secondary condition that consolidated EBITDA should be sustainably positive for the fourth quarter of the 2020 financial year, i.e. consolidated EBITDA should also be expected to be positive in subsequent quarters. The annual target was 54% met.

The assessment period for the multi-year targets covers the financial years 2018 to 2020. The version of the target agreement entered into at the beginning of 2018 included the provision that the Supervisory Board could adjust the targets to account for changes in accounting and / or the scope of consolidation and / or the occurrence of significant one-off events during the current LTI performance period. In the original version of the target agreement, the multi-year targets were each largely linked to consolidated key figures that were significantly influenced by the execution of the Plusnet sale in June 2019 and the removal of this company from the scope of consolidation. Furthermore, in the wake of the Plusnet sale q.beyond amended its reporting segments from 1 January 2020. This too had a significant impact on the stipulation of LTI targets. In March 2020, the Supervisory Board therefore adjusted the multi-year targets for the performance period from 2018 up to and including 2020 to account for the aforementioned one-off events and set new targets.

Based on the amended target agreement, the multi-year targets are now linked to consolidated EBITDA for the 2020 financial year and to the revenues generated in the Cloud & IoT segment in the 2020 financial year. Entitlement to remuneration upon the achievement of one sub-target is in each case subject to achievement of the other sub-target and respective minimum targets. Should either of these secondary conditions not be met, entitlement to remuneration for each sub-target and for all financial years in the assessment period is forfeited entirely.

Previously, the relevant key financial figures were the consolidated EBITDA margin at the end of the assessment period in 2020 and the revenues generated in the Cloud segment in the 2020 financial year. The additional conditions, namely that the free cash flow generated at the Group in the 2019 and 2020 financial years should be positive in each year and that the Cloud segment should generate a positive segment contribution at the end of the assessment period in the 2020 financial year, also no longer apply.

Overall, the multi-year targets were 97.5% met. The conditions governing entitlement to the portion of variable remuneration attributable to the multi-year targets were met for each year in the three-year assessment period. The corresponding total remuneration will be disbursed after the expiry of the assessment period, and thus in the 2021 financial year.

Benefits granted

€ 000s	Jürgen Hermann Management Board				Stefan A. Baustert Member of the Management Board (until 31 December 2019)			
	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Fixed remuneration	300	300	300	300	300	-	-	-
Fringe benefits	32	32	32	32	36	-	-	-
Total	**332**	**332**	**332**	**332**	**336**	**-**	**-**	**-**
One-year variable remuneration	150	150	0	225	125	-	-	-
Multi-year variable remuneration								
Long-term incentive (2018 – 2020)[1]	150	150	0	225	-	-	-	-
Total remuneration pursuant to DCGK	**632**	**632**	**332**	**782**	**461**	**-**	**-**	**-**
Reconciliation with total remuneration pursuant								
to § 314 (1) No. 6a HGB in conjunction with DRS 17								
Less annual variable target remuneration granted	(150)	(150)			(125)	-		
Less long-term incentive (2018 – 2020)	(150)	(150)			-	-		
Plus actual one-year variable remuneration	136	81			125	-		
Plus long-term incentive paid (2018 – 2020)[2]	-	439			-	-		
Total remuneration	**468**	**852**			**461**	**-**		
Total expenses for share-based compensation								
recognised in reporting period	-	-			30	-		

Benefits paid

€ 000s	Jürgen Hermann Management Board		Stefan A. Baustert Member of the Management Board (until 31 December 2019)	
	2019	2020	2019	2020
Fixed remuneration	300	300	300	-
Fringe benefits	32	32	36	-
Total	**332**	**332**	**336**	**-**
One-year variable remuneration	136	81	125	-
Multi-year variable remuneration				
Long-term incentive (2018–2020)[2]	-	439	-	-
Total remuneration pursuant to DCGK	**468**	**852**	**461**	**-**

[1] The variable remuneration for the long-term incentive (2018 – 2020) was agreed on the basis of two separate, equally weighted multi-year targets. The assessment period for the multi-year targets covers the financial years from 2018 to 2020. The multi-year targets are linked to consolidated EBITDA for the 2020 financial year and the revenues generated in the Cloud & IoT segment in the 2020 financial year. The amount stated involves prorated LTI remuneration for the respective financial year based on 100% target achievement.

[2] Consistent with § 314 (1) No. 6a HGB, LTI remuneration is only deemed to have been granted at the end of the three-year assessment period. The amount stated involves the LTI remuneration for the entire three-year assessment period.

Benefits in the event of premature termination

The Management Board member Jürgen Hermann has been promised a settlement should his Management Board position be prematurely terminated due to effective revocation of his appointment by the company. This settlement amounts to € 600k in the first two years covered by his employment contract. In the final year of the employment contract, the settlement reduces by one twelfth per month in which the employment relationship still pertained in the final year of the contract. There is no entitlement to any settlement payment should the employment relationship be terminated without notice due to compelling reason (§ 626 BGB) or in the event of the employment relationship being terminated due to the Management Board member legitimately resigning from his position. Should Management Board activity be terminated by mutual agreement and without compelling reason, the total value of the benefits committed by the company in any agreement of this nature should not exceed the amount of € 600k.

Total remuneration for former Management Board members came to € 0k in the 2020 financial year (2019: € 550k). Dr. Bernd Schlobohm, a former Management Board member, was granted a direct pension commitment for a retirement, occupational disability and widow's pension in 1997. At the balance sheet date, the obligation amounted to € 2,531k prior to the offsetting of reinsurance claims of € 2,133k. The actuarial present value of provisions for vested pension claims for other former Management Board members amounted to € 113k.

Shares and conversion rights held by Management Board members

The table below presents individualised information about the number of shares and convertible bonds held by members of the Management Board. Via the stock market, Jürgen Hermann purchased 330,000 shares in the company in the past financial year, and 70,000 shares in the previous financial year. Further details can be found in the directors' dealings notifications made pursuant to Article 19 of the European Market Abuse Directive on **q.beyond's website at www.qbeyond.de/en/directors-dealings.**

Supervisory Board remuneration system clearly regulated in Articles of Association

Consistent with the provisions of the Articles of Association, each member of the Supervisory Board receives fixed annual remuneration of € 35k payable after the end of the financial year. The Chair and his or her Deputy receive € 70k and € 50k respectively. In addition to remuneration for their duties on the Supervisory Board, each Supervisory Board member receives separate remuneration of € 5k for their

	Shares		Convertible bonds	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Jürgen Hermann	1,000,000	670,000	150,000	150,000
Stefan A. Baustert (until 31 December 2019)	-	40,000[1]	-	200,000[1]

[1] Holdings at the time of retirement from the Management Board.

activities in any Supervisory Board committee (except the Nomination Committee). Committee chairs receive € 10k. Members sitting on several committees nevertheless receive a maximum total of € 25k for their committee activities. Supervisory Board members sitting on the Supervisory Board or a committee for only part of a given financial year received prorated remuneration.

Supervisory Board remuneration for the 2020 financial year

As in the previous year, for its activity in the 2020 financial year the Supervisory Board received total remuneration of € 315k. The table below provides individualised information about the remuneration paid to Supervisory Board members, as well as about their respective holdings of shares and conversion rights.

Ina Schlie acquired 50,000 shares via the stock market in the 2020 financial year. Further details can be found in the directors' dealings notifications made pursuant to Article 19 of the European Market Abuse Directive on **q.beyond's website at www.qbeyond.de/en/directors-dealings.**

Apart from the reimbursement of travel and other out-of-pocket expenses, no member received any further remuneration or other advantages for personal services rendered over and above the remuneration presented here, neither were any loans granted to Supervisory Board members. q.beyond also maintains a liability indemnification insurance policy which covers the members of the Supervisory Board.

	Remuneration as per § 15a of Articles of Association (€ 000s)[1]				Shares		Number of convertible bonds	
	2020		**2019**		**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Dr. Bernd Schlobohm, Chairman	95	(25)	95	(25)	15,769,910	15,769,910	-	-
Dr. Frank Zurlino, Deputy Chairman	60	(10)	60	(10)	10,000	10,000	-	-
Gerd Eickers	40	(5)	40	(5)	15,777,484	15,577,484	-	-
Ina Schlie	45	(10)	45	(10)	50,000	-	-	-
Matthias Galler[2]	35	-	35	-	-	-	2,700	2,700
Martina Altheim (from 1 July 2019)[2]	40	(5)	20	(3)	-	-	1,900	1,900
Cora Hödl (until 30 June 2019)[2]	-	-	20	(2)	-	-	-	4,100[3]
Total	**315**	**(55)**	**315**	**(55)**				

[1] Numbers in parentheses refer to remuneration for committee activity included in total amount.
[2] Employee representative.
[3] Holdings at the time of retirement from the Supervisory Board.

Takeover-Related Disclosures and Explanatory Comments

The following overview outlines the disclosures mandatory under § 315a (1) of the German Commercial Code (HGB). Overall, these involve regulations that are typical at listed companies. The disclosures below reflect the circumstances at the balance sheet date.

Composition of issued capital

Issued capital amounted to € 124,472,487 as of 31 December 2020 and was divided into 124,472,487 no-par registered ordinary shares. According to the Share Register, these shares were distributed among 25,001 shareholders.

Limitations on voting rights or transfer of shares

Each share grants one vote at the Annual General Meeting. A voting and pooling agreement is in place between the following shareholders with direct and indirect holdings in q.beyond: Dr. Bernd Schlobohm, Gerd Eickers and Gerd Eickers Vermögensverwaltungs GmbH & Co. KG. This agreement provides for the uniform exercising of voting rights and restrictions relating to the disposability of the pool-bound shares.

The Management Board is otherwise not aware of any further limitations on voting rights or restrictions on the transfer of shares. There are also no special rights conferring powers of control. Furthermore, there are no voting right controls for employee holdings in capital.

Capital holdings of more than 10%

The following direct and (pursuant to § 34 of the German Securities Trading Act [WpHG]) indirect holdings in the company's capital exceed 10% of voting rights:

- Dr. Bernd Schlobohm, Germany,
  25.34% of voting rights
  (of which 12.67% directly and 12.68% indirectly)
- Gerd Eickers, Germany,
  25.34% of voting rights (indirectly)
- Gerd Eickers Vermögensverwaltungs GmbH & Co. KG, Cologne, Germany,
  25.34% of voting rights
  (of which 12.68% directly and 12.67% indirectly)

Appointment and dismissal of Management Board members

The appointment and dismissal of members of the Management Board is governed by § 84 and § 85 of the German Stock Corporation Act (AktG) and by § 7 of the Articles of Association in their version dated 18 January 2021. Pursuant to § 7 of the Articles of Association, the Management Board comprises one or more individuals. The Supervisory Board determines the number of Management Board members. Even though issued capital exceeds € 3 million, the Supervisory Board may stipulate that the Management Board should consist of only one individual. The appointment of deputy members of the Management Board is permitted.

Amendments to Articles of Association

Pursuant to § 179 AktG, amendments to the Articles of Association require a resolution adopted by a majority of at least 75% of issued capital represented at a shareholders' meeting. Pursuant to § 15 of the Articles of Association, the Supervisory Board is authorised to adopt amendments and additions to the Articles of the Association that are of a purely formal nature and do not in themselves involve any changes to actual content.

Acquisition and buyback of treasury stock

By resolution of the Annual General Meeting on 12 July 2018, the Management Board is authorised pursuant to § 71 (1) No. 8 AktG until 11 July 2023 to acquire q.beyond shares on a scale of up to 10% of issued capital. To date, the Management Board has not acted on this authorisation.

Authorised capital

By resolution of the Annual General Meeting on 20 May 2020, the Management Board is authorised, subject to approval by the Supervisory Board, to increase the company's issued capital by up to a total of € 37,000,000 on one or several occasions up to 19 May 2025 by issuing new no-par registered shares in return for contributions in cash and / or kind (Authorised Capital 2020). When drawing on authorised capital, the Management Board may, subject to approval by the Supervisory Board, exclude shareholders' subscription rights in five cases: (1) to exclude residual amounts from shareholders' subscription rights; (2) when the new shares are issued in return for contributions in kind, particularly in the context of company acquisitions; (3) if, pursuant to § 186 (3) Sentence 4 AktG, the new shares are issued in return for cash contributions and if, at the time of final stipulation, the issue price does not fall materially short of the stock market price of the shares already listed; (4) to the extent necessary to issue subscription rights for new shares to the bearers or creditors of warrant and / or convertible bonds in order to avoid dilution of their respective holdings; and (5) if the new shares are to be issued to employees of the company, employees of a company affiliated to the company, or members of the management of a company affiliated with the company in the context of share participation or other share-based plans. The number of shares issued to the exclusion of subscription rights in the final case may not exceed an aggregate total of 5% of issued capital.

This authorised capital is intended to enable q.beyond to react swiftly and flexibly to opportunities arising on the capital market and where necessary to obtain equity capital on favourable terms. No use was made of authorised capital in the past financial year.

Conditional capital

The company had conditional capital totalling € 27,451,500 as of the balance sheet date. This was divided into Conditional Capital IV (€ 25,000,000), Conditional Capital VIII (€ 2,001,500) and Conditional Capital IX (€ 450,000).

Conditional Capitals VIII and IX serve to secure the conversion rights of bearers of convertible bonds that q.beyond has issued within the framework of existing stock option plans to Management Board members (Conditional Capital IX) or to Management Board members, managing directors of affiliated companies, employees of q.beyond or affiliated companies (Conditional Capital VIII). Conditional Capital IV may be used by the Management Board to create tradable warrant and / or convertible bonds. The Management Board is authorised by resolution of the Annual General Meeting on 20 May 2020 to issue such instruments in order to access an additional, low-interest financing option given favourable capital market conditions. The bonds may be issued in return for both cash contributions and contributions in kind. The Management Board is authorised, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights to these warrant and / or convertible bonds in four cases: (1) to settle residual amounts resulting from the subscription ratio; (2) when the bonds are issued in return for contributions in kind, particularly in the context of company acquisitions; (3) if, in the case of bonds being issued in return for cash contributions pursuant to § 186 (3) Sentence 4 AktG, the issue price does not fall materially short of the market value of the bonds; and (4) to the extent necessary to issue subscription rights to the bearers or creditors of warrant and / or convertible bonds previously issued in order to avoid dilution of their respective holdings. To date, the Management Board has not acted on the authorisation to issue tradable warrant and / or convertible bonds.

Capital limits for the exclusion of subscription rights

The exclusion of shareholders' subscription rights pursuant to § 186 (3) Sentence 4 AktG may apply for the use of treasury stock, for the issue of new shares from authorised capital and for the issue of warrant and / or convertible bonds corresponding to an aggregate total of no more than 10% of issued capital during the term of the respective authorisation. Apart from this, the exclusion of shareholders' subscription rights for the issue of new shares from authorised capital and for the issue of warrant and / or convertible bonds (excluding those issued within q.beyond's stock option plans) may not exceed an aggregate total of 20% of issued capital during the term of the respective authorisation. Treasury stocks sold with the exclusion of subscription rights would be imputed to the 20% of issued capital limit if they were sold during the term of the other authorisations.

Further details apply in accordance with the underlying resolutions adopted by the Annual General Meeting for each of these measures.

Material agreements taking effect in the event of a takeover bid

The company has no material agreements conditional on a change of control due to a takeover bid. Furthermore, no compensation agreements in the event of a takeover bid have been concluded either with the Management Board or with employees.

Business Report

Overall Summary / Actual vs. Forecast Business Performance

q.beyond meets all targets in 2020 financial year

Our company can report a very successful performance for 2020 and, despite the coronavirus crisis, met all of the targets set ahead of the first lockdown in March 2020. At € 143.4 million, revenues exceeded the target of more than € 143 million. At € -15.8 million, free cash flow was consistent with the expectation of up to € -16 million, while, at € -2.0 million, **EBITDA as defined on Page 32** was even well within the budgeted limit of up to € -5 million.

This very pleasing business performance was due to the consistent implementation of the "2020plus" growth strategy. The company's growth path is confirmed by its new orders, which rose year-on-year 21% to a new record level of € 161.1 million. We therefore have a very strong foundation to generate further sustainable growth in the current financial year.

76%

of companies in Germany use cloud computing

Macroeconomic and Industry Framework

q.beyond focuses on the German market. In 2020, Germany's gross domestic product contracted by 5.0%[2]. After ten years of growth, the coronavirus crisis triggered a severe recession which impacted on large sections of the economy. Exports and imports both showed significant reductions, while the temporary lockdowns had a particularly adverse effect on sectors such as stationary retail and gastronomy.

The IT sector was unable to escape the economic contraction entirely, but nevertheless recovered far more quickly from the downturn in spring 2020. Among other factors, it benefited here from companies in some cases accelerating their digitalisation during the crisis. Based on calculations compiled by the Bitkom sector association[3], IT revenues in Germany decreased by a mere -0.7% to € 94.6 billion. While hardware revenues even managed to post positive growth of 3%, the IT services business suffered from the various restrictions on contact. Revenues here fell by 3.2%.

Core market of Cloud: multi-cloud is the way forward

In its IT business, our company focuses on the three forward-looking markets of Cloud, SAP and IoT. Cloud is viewed as the motor of digitalisation. According to KPMG's most recent Cloud Monitor[4], 76% of German companies with more than 20 employees now use cloud computing, while 77% of users see the cloud as being of great or very great

[2] Federal Statistical Office, press release no. 020, 14 January 2021.
[3] Bitkom, ITC market figures, January 2021, press release, 13 January 2021.
[4] KPMG, Cloud Monitor 2020.

significance for their own digitalisation. Companies are increasingly combining solutions from various public and private cloud providers. One in three companies is drawing on multi-cloud computing, while a further 18% of companies plan to do so. We acted early to prepare for this market situation as well and in many cases already integrate services from various cloud providers at our customers.

Core market of SAP: S/4HANA offers great growth opportunities

We also made early preparations for what is the decisive change in the SAP business in this decade, namely the conversion to the new S/4HANA software generation. According to the "German-speaking SAP User Group (DSAG)"[5], 14% of companies have so far made this transition. Another 10% of companies intend to tackle the topic this year despite the ongoing coronavirus crisis, while 39% are planning to transition in the years ahead.

Companies continue to earmark substantial budgets for the conversion. Of the participants in the latest DSAG survey, 44% have budgeted for high or medium investments in S/4HANA. The attractiveness of our core market is underlined by another finding of the survey: 43% of companies intend to increase their investments in SAP in 2021, while a further 35% plan to uphold these investments at a stable level.

39%

of SAP users planning to convert to S/4HANA

Core market of IoT: higher investments

Our third core market of IoT is also characterised by growing investments. Based on an IDC survey published in November 2020[6], nearly 40% of companies intend to invest greater amounts in the core business with industrial IoT, i.e. the digitalisation and networking of machines, tools and products, with only 18% of companies planning to scale back their investments in this area. Not only that, many companies hope to overcome short-term challenges by drawing on industrial IoT. Of those responding, 53% wish to optimise processes and cut costs, while 47% hope to make better and faster decisions based on more exact data. With its integrated portfolio, q.beyond acted early to prepare for these requirements as well.

Business Performance

Strong growth in exceptional historic situation

Revenues rose in 2020, and that despite the exceptional historic situation. Our business model facilitated this consistent growth during what was the severest recession of the post-war period and the ongoing coronavirus crisis. Our revenues are particularly characterised by a high share of recurring items, which accounted for 78% of revenues in 2020. Moreover, the exceptional circumstances in 2020 further increased the importance German SMEs attach to digitalisation and their acceptance of this process. Our concentration on the key technologies of digitalisation, namely Cloud, SAP and IoT,

[5] German-speaking SAP User Group, www.dsag.de/pressreleases/dsag-investment-report-2021-defying-crisis-increasing-it-budgets.
[6] IDC press release (only available in German), 18 November 2020, www.idc.com/getdoc.jsp?containerId=prEUR147017420.

and our focus on the three sectors of retail, manufacturing and energy are consistent with these developments. In 2020, we generated two thirds of our revenues in these three focus sectors.

The dynamic growth we achieved in 2020 is not immediately apparent in this year's consolidated financial statements, as they still include the figures for our former subsidiary Plusnet GmbH through to 30 June 2019. The complete sale of this telecommunications subsidiary to EnBW Telekommunikation GmbH, a subsidiary of EnBW Energie Baden-Württemberg AG, represented a milestone in the implementation of our "2020plus" growth strategy. As Plusnet traditionally accounted for a high share of our revenues and earnings, in this presentation of our company's earnings position we have focused on developments in the 2020 financial year. Excluding Plusnet, our revenues grew from € 127.4 million in the previous year to € 143.4 million in 2020.

New orders rise by 21% to € 161.1 million

Alongside this continuous growth, the high volume of new orders offers particular proof of the attractiveness of our business model. This key indicator of our medium-term growth rose by 21% to € 161.1 million in 2020. Of this total, around 70% related to new customers, especially in our focus sectors of retail and manufacturing, as well as to new projects with existing customers. The success of our sales activities is supplemented by extensions in the term and scope of contracts with existing customers.

One of our new customers is Sachsenlotto, a lottery company that commissioned us to transform its entire ERP landscape. We are now consolidating all of its business management processes in a central S/4HANA environment and, based on a hybrid cloud

78% of our revenues in 2020 were recurring. This high share is characteristic of our business model.

"The high volume of new orders provides a superb basis for maintaining our double-digit revenue growth."

Jürgen Hermann // CEO of q.beyond AG

70%

of orders in 2020 came from new customers and new projects with existing customers

30%

of orders in 2020 involved contract extensions

New orders in € million

approach, are integrating further services from the SAP cloud. S/4HANA projects of this nature were one of the key factors driving the success of our SAP segment.

In the Cloud segment, new orders ranged from taking over customers' IT to migrating complete IT landscapes to the cloud through to relocating workplaces to a cloud-based environment at short notice in order to secure companies' ability to operate during the lockdown. At Swiss Steel Group, one of the world's leading companies for special long steel products, for example, our cloud specialists created hundreds of complete cloud-based workplaces in just four days.

New products open up new growth opportunities (unaudited*)

We are continually expanding our development and software expertise. Two innovations for our focus sectors of retail and manufacturing provide examples of our development success in 2020:

- **StoreButler.** This platform for retailers enables sector players to advance swiftly and securely to the digital store. The end-to-end solution can centrally manage shelf prices, simplify shelf stocking with augmented reality and optimise checkout operations with waiting time sensors.

- **Edgizer.** This smart platform enables SMEs to centrally manage both their edge devices – figuratively speaking mini data centres – directly at the respective machine and their software, as well as to orchestrate their deployment. The platform also facilitates worldwide software lifecycle management, the marketing of proprietary software and the integration of new applications.

Further innovative solutions offered in cooperation with strong partners are also opening up new opportunities for manufacturers. Together with Advantech, one of the world's leading providers of smart IoT systems and embedded platforms, we have offered one-stop packages of fully integrated hardware and software components since June 2020. These enable companies to implement new As-a-Service business models without long run-up times. Mechanical engineering companies, for example, can directly move into the digital service and maintenance model business.

Since July 2020, we have marketed an IoT starter kit for digitalising existing systems in cooperation with TeamViewer, one of the world's leading providers of remote connectivity solutions. The plug-and-play solution combines remote maintenance software from TeamViewer with q.beyond's edge computing expertise. The edge components collect sensor data and transfer them to a portal. Via a central dashboard, users therefore have access to real-time data, a factor that makes it far easier to control and maintain the system.

Incloud takeover boosts software and development expertise

Our company acquired a 100% stake in Incloud Engineering GmbH, Darmstadt, as of 31 July 2020. This software engineering specialist develops cloud and web solutions, mobile apps and IoT products and has established itself in recent years as an IT service provider.

The front-end, software and development expertise available at Incloud now ideally complements our platform, cloud and sales competence. Since the takeover, the experts at Incloud, now numbering

* Contents of the sections designated "unaudited" have not been reviewed by the auditor.

more than 60, have supported our team, particularly in developing sector solutions and integrating these into modern cloud architectures. They are also making valuable contributions towards attracting new customers and extending contracts with existing customers.

q.beyond launched on 22 September 2020

One of the most important events in the past financial year was the renaming and rebranding of our company. The Annual General Meeting on 20 May 2020 already approved the new name "q.beyond AG" with a large majority. The new brand was then unveiled at the end of September 2020. With our new motto of "Expect the next", we have since been promoting our customers' digitalisation projects with a more clearly focused portfolio of services. The positive response to the new name and brand have shown how important this milestone has been in resetting market perceptions of our company.

Key Performance Indicators

Full-year revenues of € 143.4 million in 2020

At € 143.4 million, as against € 238.0 million one year earlier, revenues were in line with our expectations. In assessing the year-on-year performance, it should be noted that the previous year's figures still included revenues of € 110.6 million generated by our former telecommunications subsidiary Plusnet in the first six months of 2019. Excluding this factor, our revenues grew by 13% in the past financial year.

EBITDA approaches break-even

At € -2.0 million, our EBITDA was in line with our budget and thus approached break-even. A definition of **EBITDA can be found on Page 32.** The EBITDA of € 140.3 million reported for 2019 was largely shaped by the other operating income of € 135.3 million resulting from the Plusnet sale.

Free cash flow consistent with budget

Free cash flow amounted to € -15.8 million in 2020, as against € 136.4 million in 2019 and thus conformed to expectations. Like EBITDA, the high previous year's figure was due to the effects of the Plusnet sale. Since this transaction, our company has been free of debt and finances its activities from liquid funds.

We had net liquidity of € 44.9 million as of 31 December 2020, as against € 66.0 million as of 31 December 2019. The change in net liquidity excluding IFRS 16 lease liabilities traditionally corresponds to the free cash flow, with this figure previously being adjusted to exclude non-operating items such as acquisitions and distributions. An amount of € 3.7 million was incurred for the distribution of the dividend in the second quarter of 2020, while the takeover of Incloud led to an outflow of € 1.5 million in the third quarter of 2020. Including these non-operating factors and when rounded down as appropriate, the free cash flow for 2020 amounted to € -15.8 million.

13%

revenue growth in 2020 excluding Plusnet

Earnings Performance

Based on revenues of € 143.4 million, the cost of revenues totalled € 131.8 million in 2020. This resulted in gross profit of € 11.6 million. Of the cost of revenues, 55% involved internal and external personnel expenses. Not only that, this line item also includes expenses for upstream services, licences and software, general service expenses and depreciation and amortisation.

Sales and marketing expenses amounted to € 12.7 million in the 2020 financial year, while general and administrative expenses came to € 19.9 million. Over the course of 2020, the company completed the process of adapting its administration to its new size in the wake of the Plusnet sale.

Our company's operating earnings strength is best understood if, like in the quarterly reports published during the financial year, depreciation, amortisation and non-cash share-based compensation are reported separately in the income statement. Consistent with IAS 1, these items form part of the individual cost items in the consolidated financial statements in this report. The abridged income statement presented below includes depreciation and amortisation as a separate line item.

In 2020, depreciation and amortisation, including non-cash share-based compensation, amounted to € 16.8 million, of which € 5.0 million related to depreciation of IFRS 16 lease liabilities. Operating earnings (EBIT) came to € -18.8 million. Accounting for the financial result and taxes on income, consolidated net income amounted to € -19.9 million, as against € 73.5 million in 2019.

€ million	2020	2019
Revenues	**143.4**	**238.0**
Cost of revenues[1]	(120.3)	(177.8)
Gross profit[1]	**23.2**	**60.2**
Sales and marketing expenses[1]	(12.6)	(22.0)
General and administrative expenses[1]	(14.7)	(32.3)
Other operating result	2.1	134.4
EBITDA	**(2.0)**	**140.3**
Depreciation and amortisation (including non-cash share-based compensation)	(16.8)	(52.4)
Operating earnings (EBIT)	**(18.8)**	**87.9**

[1] Excluding depreciation, amortisation and non-cash share-based compensation.

Earnings Performance by Segment

Cloud business posts strong growth, with disproportionate increase in earnings

Revenues in the Cloud & IoT segment rose by 12% to € 102.0 million in the past year. This strong growth was driven in particular by the company's success in its Cloud Services business, with particularly strong demand for virtual workplaces during the coronavirus pandemic. Furthermore, demand from SMEs for professional solutions to operate their IT and for their cloud transformation also continued to grow just as rapidly.

The cost of revenues rose to € 85.6 million in 2020, as against € 76.4 million in 2019. Gross profit improved to € 16.5 million in 2020, up from € 14.5 million in the previous year. Sales and marketing expenses decreased to € 8.7 million in 2020, compared with € 11.5 million one year earlier. As a result, the segment contribution (segment EBITDA before general and administrative expenses and the other operating result) rose to € 7.8 million, up from € 3.0 million in 2019. Based on revenue growth of € 11.2 million, the segment contribution improved within one year by € 4.8 million.

SAP revenues rise by 13% despite restrictions on contact

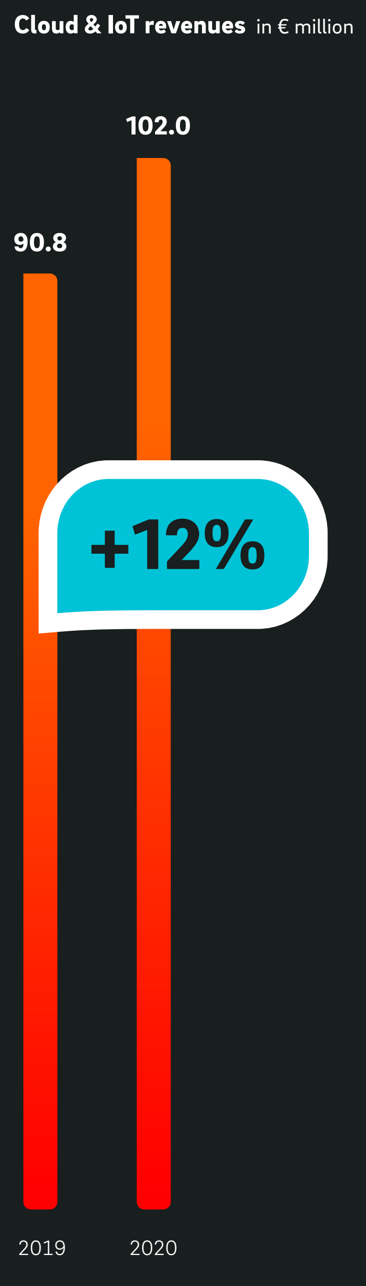
The SAP business, parts of which require intensive consulting input, was affected far more significantly than the Cloud & IoT Business by the temporary lockdowns and ongoing restrictions on contact in 2020. Against this backdrop, the 13-percent growth in revenues in the SAP segment to € 41.4 million in the past year is all the more remarkable. The SAP team benefited on the one hand from its early focus on the new S/4HANA software generation. On the other hand, the broad-based approach in this segment served to stabilise business. Alongside SAP consulting, we also offer SAP application management, hosting and basic operations.

The cost of revenues rose by just 2% to € 34.7 million in 2020. This made it possible to more than double gross profit to € 6.7 million, as against € 2.7 million in 2019. At the same time, this segment stepped up its sales and marketing efforts with existing and new customers. The associated expenses rose to € 3.9 million, up from € 1.6 million one year earlier. The segment contribution nevertheless showed a sustainable improvement, rising from € 1.1 million in the previous year to € 2.8 million in 2020.

Financial Position

Since the Plusnet sale, our company has financed all its activities from existing liquidity. As of 31 December 2020, the balance sheet showed liquid funds of € 44.9 million. There were no liabilities to banks, as our company is free of debt. Financial management safeguards the smooth financing of the operating business and of upcoming capital expenditure. In this, it pursues two core objectives: maintaining and optimising the company's financing capacity and reducing its financial risks. Surplus liquidity is exclusively invested in money market and low-risk investments. As virtually all of q.beyond's operations are

Strong growth in both segments: Cloud & IoT and SAP generated double-digit revenue growth in 2020



Our company has been free of debt since 2019 and is fully financed with its existing liquidity.

in the euro area, the company is not exposed to any exchange rate risks. Further information about **financial risk management can be found in Note 40** in the Notes to the Consolidated Financial Statements.

The cash flow statement provides information about the changes in liquid funds in the past financial year. The cash flow from operating activities amounted to € -5.0 million in 2020, as against € -17.7 million in the previous year. The cash flow from investing activities totalled € -7.1 million in 2020, compared with € 173.2 million one year earlier. The high figure for 2019 resulted from the Plusnet sale. The same applies to the cash flow from financing activities, which stood at € -9.1 million in 2020, compared with € -143.1 million in 2019.

Net Asset Position

Capital expenditure of € 5.5 million in 2020 financial year

Excluding the impact of IFRS 16, capital expenditure totalled € 5.5 million in 2020, down from € 12.0 million in the previous year. The previous year's figure still included capital expenditure of € 4.6 million relating to the Plusnet business. In the past year, investments related almost exclusively to technology and other items of property, plant and equipment. Only € 0.2 million related to the acquisition of intangible assets and licenses.

Non-current assets and liquidity dominate asset side of balance sheet

Total assets amounted to € 190.9 million as of 31 December 2020, as against € 225.1 million in the previous year. Here, non-current assets decreased to € 102.1 million as of 31 December 2020, compared with € 111.7 million at the previous year's balance sheet date. The largest items within non-current assets are still property, plant and equipment (€ 28.3 million), land and buildings (€ 20.7 million) and right-of-use assets (€ 15.8 million). The increase in goodwill by € 2.6 million to € 21.0 million as of 31 December 2020 resulted from the 100-percent takeover of Incloud.

Current assets fell to € 88.8 million at the 2020 balance sheet date, compared with € 113.4 million one year earlier. This reduction was due in particular to the change in cash and cash equivalents, which stood at € 44.9 million as of 31 December 2020 as against € 66.0 million at the previous year's balance sheet date. Furthermore, the settlement of receivables due to the former subsidiary Plusnet led other current assets to decrease to € 3.5 million, compared with € 12.6 million as of 31 December 2019. By contrast, the company's revenue growth led the second largest item within current assets, trade receivables, to rise to € 37.1 million, up from € 31.0 million as of 31 December 2019.

Solid balance sheet with equity ratio of 72%

Shareholders' equity totalled € 136.6 million as of 31 December 2020, compared with € 160.2 million at the previous year's balance sheet date. The reduction was due to the accumulated deficit, as well as to the distribution of the dividend, which was charged directly to the accumulated deficit. Irrespective of this, the equity ratio rose by one percentage point to 72% as of 31 December 2020.

Liabilities showed a further reduction to € 54.3 million at the 2020 balance sheet date, down from € 64.9 million at the end of 2019. Non-current liabilities chiefly relate to lease liabilities of € 12.4 million (31 December 2019: € 16.7 million), as well as to unchanged pension provisions of € 6.3 million. Current liabilities are dominated by trade payables and other liabilities, which totalled € 22.4 million as of 31 December 2020, as against € 28.6 million at the 2019 balance sheet date.

€ 44.9 million

q.beyond's liquidity as of 31 December 2020

Outlook, Opportunity and Risk Report

Overall Summary of Outlook

Double-digit revenue growth planned

In the current financial year, we will press ahead with consistently implementing our "2020plus" growth strategy. We therefore expect our revenues to show double-digit growth to between € 160 million and € 170 million. Furthermore, we have budgeted a significant improvement in EBITDA to between € 5 million and € 10 million, as well as free cash flow of between € -10 million and € -5 million. Free cash flow is budgeted to be sustainably positive from the fourth quarter of 2021.

This further double-digit revenue growth, and that despite the ongoing coronavirus pandemic, will be driven by our business model, with its high share of recurring revenues (2020: 78%), as well as by persistently high demand from companies. Irrespective of the pandemic, new orders in 2020 rose by 21% to € 161.1 million. Our budgets assume that economic activity in Germany will begin to normalise from the second quarter of 2021. Not only that, once the coronavirus crisis has been successfully overcome, the pace of digitalisation is set to accelerate among SMEs[7]. We are preparing for the resultant opportunities by consistently investing in future growth. We will develop further digital products, platforms and services while also recruiting software and other technology specialists. Furthermore, we plan to make targeted acquisitions to expand our product and service portfolio, extend our technological expertise and sharpen our sector focus. With liquid funds of € 44.9 million and no debts at the end of 2020, our company is very well placed to finance the organic and external growth it has planned.

Future Macroeconomic and Industry Framework

In its Annual Economic Report published at the end of January 2021, the German Federal Government forecast that the economic downturn in 2020 would be followed in 2021 by GDP growth of 3.0%[8]. The IT sector is set to benefit disproportionately from this upturn. The sector association Bitkom[9] has forecast 4.2% growth in German IT revenues to € 98.6 billion.

Our three core markets of Cloud, SAP and IoT will show significantly greater momentum. That is particularly true of the cloud as the motor of digitalisation. As explained in the **"Macroeconomic and Industry Framework" chapter on Pages 43 and 44**, the conversion to S/4HANA is gaining momentum in the SAP market, while the IoT business continues to be driven by a companies' high propensity to invest.

[7] Bitkom Research, www.bitkom-research.de/de/pressemitteilung/corona-fuehrt-zu-einem-digitalisierungsschub (press release only available in German).
[8] Press release (only available in German) by the Federal Ministry for Economic Affairs and Energy, 27 January 2021, www.bmwi.de/Redaktion/DE/Pressemitteilungen.
[9] Press release by Bitkom, 13 January 2021, www.bitkom.org/EN/Bitkom-Industry-Growing-Again.

Ambitious targets for 2021: q.beyond aims to generate further strong growth and significantly improve its EBITDA and free cash flow.

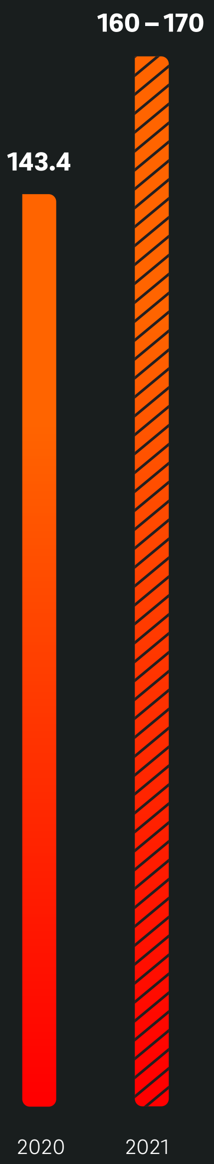
EBITDA

of € 5 million to € 10 million expected for current financial year

Free cash flow

of € -10 million to € -5 million budgeted for full financial year – sustainably positive from Q4 2021

Revenue forecast in € million



Expected Financial Position, Financial Performance and Cash Flows

We have budgeted for a significant improvement in our earnings performance in 2021. The key factor driving this improvement is the scalability of our business model, in which revenue growth is not matched by cost growth. In view of this, we have budgeted for EBITDA to rise to between € 5 million and € 10 million, compared with € -2.0 million in 2020.

Strong growth solidly financed

Our company is still free of debt and intends to finance its growth in 2021 as well with its own resources. The consolidated balance sheet showed net liquidity of € 44.9 million at the end of 2020. The full-year budget for 2021 still provides for negative free cash flow of between € -10 million and € -5 million. Free cash flow is budgeted to be sustainably positive from the fourth quarter of 2021.

Expected Earnings Performance by Segment

Both of q.beyond's segments, "Cloud & IoT" and "SAP", have budgeted substantial revenue growth for the current financial year. They will also continue to invest in further growth, focusing in particular on promoting the development of innovations and making targeted additions to their teams. Irrespective of these measures, they will significantly increase their segment contributions once more in 2021.

Opportunity Management

We are focusing on three growing markets: Cloud, SAP and IoT. The dynamic growth in these markets presents us with ever new opportunities. Responsibility for identifying and acting on such opportunities lies with the operations managers. They are familiar with their specific market environments and their inherent potential. They also draw on expertise available in the sales and marketing department, as well as on various market and competition analyses.

Specific opportunities are factored into the rolling planning, with a review being performed at an early stage to ascertain the risks involved in pursuing and implementing these opportunities. Here, the benefits of dovetailing risk and opportunity management are especially clear. In what follows, we report on the future developments and events that could lead to a positive variance from the full-year outlook for 2021. By analogy with risks, the company classifies these as "large opportunities" with a comparatively high probability of occurrence and a substantially positive contribution to its financial position, financial performance and cash flows.

Individual Opportunities

Our "large opportunities" are presented below in descending order of their significance to our company:

- **Additional customers for Cloud Services.** Enormous technological advances and the requirements of digital business models mean that the IT in place at growing numbers of SMEs is increasingly reaching its limits. It is currently not yet foreseeable whether and how quickly these SMEs will tackle the crucial task of modernising their IT and, here in particular, of making increasing use of the cloud, once the coronavirus crisis has been successfully overcome. As digitalisation is increasingly becoming the centrepiece of business models at SMEs as well, actual demand, particularly for Cloud Services, could significantly exceed our planning assumptions.

- **Rapid implementation of new SAP solutions.** The technological advance to S/4HANA will continue to drive business in our "SAP" segment in 2021 as well. As this new product family is a key to digitalising business models, demand for corresponding advisory and implementation services may possibly exceed expectations.

- **Proprietary software solutions.** We are systematically expanding our software expertise along the digital value chain. Our company is increasingly creating its own products and platforms, such as "StoreButler" and "Edgizer". For these innovations, we have initially budgeted only a low volume of revenues. As they offer bespoke solutions to key challenges in the retail and manufacturing sectors, however, demand may well exceed expectations this year already.

- **More IoT projects in regular operation.** Many of our IoT customers have to date focused on pilot projects and, together with our experts, tested the opportunities offered by deploying this innovative technology on an industrial scale. In 2020, we began aligning our IoT structures more closely towards regular operations and serial production and dovetailing them with other company departments. This may result in additional, as yet unbudgeted revenues. That would particularly be the case if SMEs draw on our comprehensive IoT expertise in the mass production of networked devices.

q.beyond focuses on three growing markets: Cloud, SAP and IoT. Their dynamism provides us with ever-more new opportunities.

Risk Management

Like any other company, q.beyond is permanently exposed to numerous potential risks. Consciously addressing and assessing these risks enables us to boost our competitiveness and lay a key foundation for our sustainable business success. Professional risk management ensures that all events, actions or neglected actions that could potentially pose a threat to the success of our company, or even to its continued existence, are already identified, analysed, assessed, managed and monitored at the earliest possible stage of their development. Risk management comprises coordinated procedures, measures and the necessary rules for dealing with risks and thus often supports decision-making processes at the parent company (AG) and all its subsidiaries.

Organisation and Procedures

We have implemented a company-wide uniform integrated risk management system (RMS) to ensure the effectiveness of our risk management and facilitate the aggregation of risks and transparent reporting. The use of a risk management software that has proven its worth enables us to classify risks precisely and, as a result, to focus on material risks.

Risk management as integral component of decision-making processes

The RMS is an integral component of decision-making processes. It ensures that risk assessments are considered in all decisions and that measures to reduce, transfer or avoid risks are taken at an early stage. Quarterly reports raise awareness of risk issues among all managers with relevant responsibility. Guidelines, procedures and work instructions are in place to flank the RMS and ensure its implementation in day-to-day operations. The risk ana lyses, such as those required for management systems under ISO 27001 (Information Security) or ISO 9001 (Quality Management), ensure uniform, efficient reporting.

The RMS covers all company departments. Managers reporting directly to the Management Board (heads of department) continually monitor and assess the risks arising. Within the RMS framework, they act as risk coordinators and are responsible for making sure that the risks identified are always up to date. Heads of department report to Corporate Risk Management at least once a quarter. They also regularly check whether any new risks with material implications and previously undetected have arisen in their areas of responsibility and whether there is any need to amend the assessment of risks already identified. This process ensures that potential risks in the operating business can be detected at an early stage.

Corporate Risk Management responsible for reporting

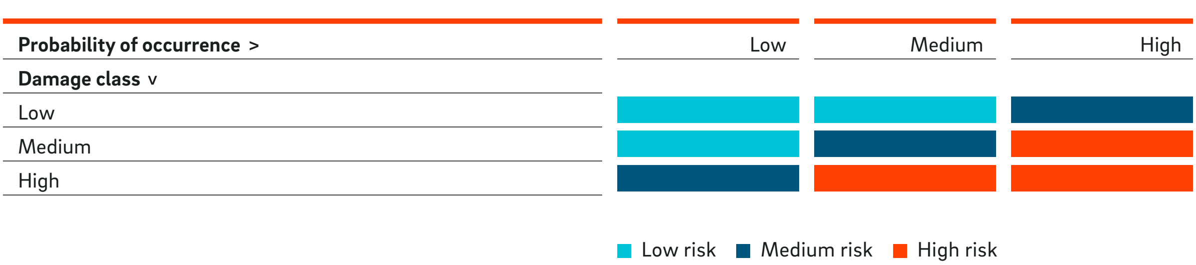
Corporate Risk Management is responsible for risk reporting to the Management Board. It sees to the consolidation and documentation of the risks assessed by the risk coordinators. Based on the risk reports for departments, it compiles a compact report (using the "R2C_GRC" risk management software) and forwards this to the Management Board on a quarterly basis. The Management Board is informed immediately of any newly detected high risks. The Management Board informs the Supervisory Board Audit Committee with an extensive risk report at least once a year. Corporate Risk Management also serves as an interface to other audit and/or certification processes and ensures that, there too, the risks relevant to the company are uniformly recorded. The Finance department is responsible for monitoring risks on the basis of key operating and financial performance figures.

Risk Management Guidelines issued by the Management Board govern the approach to handling risks and define risk management processes and organisational structures. These guidelines are reviewed and modified as necessary on a regular basis, and at least once a year. In the context of the audit of the financial statements, the external auditors each year review whether the early-warning risk identification system is suitable for the early detection of any risks to the company's continued existence. Further information about the RMS in respect of financial instruments recognised under IFRS 7 can be found in **Note 40 in the Notes to the Consolidated Financial Statements.**

Assessment Methodology

The risk management software supports the overall risk management process throughout the company. The tool initially uses a gross view to classify a risk in terms of its estimated probability of occurrence and potential implications. This means that the probability of occurrence and extent of damage are assessed without accounting for any measures taken to minimise, transfer or avoid risks. In the past financial year, this classification was simplified by reducing the number of risk classes from five to three, thus rendering risk reporting more transparent.

Classification of risks



Assessment of probability of occurrence
Low: Improbable (less than 30%)
Medium: Probable
High: Highly probable (more than 70%)

Assessment of extent of damage (adverse impact on liquidity/cash flow)
Low: Below € 50,000
Medium: Up to € 250,000
High: Above € 250,000

The classification of a risk as “low”, “medium” or “high” continues to be based on the combination of its probability of occurrence and damage class. The chart on Page 59 shows the methodology used to classify risks.

General risks are analysed to assess whether and how these could specifically harm our company. If this analysis concludes that relevant damage from such risks really is conceivable, then these risks are included as specific risks. General risks with no specific reference to the company are otherwise not recorded in the RMS. General risks include developments such as global disasters, financial system collapse, war and terrorist attacks.

This risk analysis and classification is followed by measures aimed at dealing with and monitoring risks. These serve to reduce existing risks, to hedge risks with insurance coverage, where this is economically expedient, and to raise awareness of existing residual risks and / or risk acceptance.

Focus on high risks

The risk is subsequently reassessed in terms of its probability of occurrence and extent of damage to account for the aforementioned measures (net view). The external risk report only includes those risks that still have to be deemed material for our future business performance even after all risk reduction, transfer and avoidance measures have been factored in, i.e. subsequent to performance of the net analysis. Based on this classification, these risks are categorised as “high risks”. A risk that is allocated to the “high” damage class, for example, is only assessed as constituting a “high risk” in the overall assessment if there is also at least a “medium” probability of occurrence.

As a result of this risk analysis, in our external risk report we report risks that are either individually material or aggregate individually immaterial risks in suitable risk categories. At q.beyond, relevant risk categories particularly comprise industry-specific and macroeconomic risks, operating risks (cost structures, procurement, stability of operations, customers, sales activities, IT security, human resources) and finance and compliance risks. The assessments and accompanying comments and requirements are only provided in quantitative terms in cases where quantitative assessment of the specific extent of damage is possible. As this is generally not the case, however, the relevant risks are usually classified in terms of classes of damage.

Supplementary Disclosures Pursuant to § 315 (4) HGB

Risk management in respect of financial reporting forms an integral component of the RMS. The risks involved in accounting and financial reporting are constantly monitored, with the results being factored into Group-wide reporting. Within the audit of the annual financial statements, the external auditor also reviews the financial reporting process. Based on the auditor’s findings, both the Supervisory Board Audit Committee and the full Supervisory Board deal with the internal control system in respect of the financial reporting process.

The RMS is characterised by the following key features:

- Our company has a clear management and corporate structure. Accounting activities for subsidiaries are performed either by q.beyond AG itself on the basis of agency agreements or handled in close liaison with the subsidiaries. Individual process responsibility is clearly allocated at all subsidiaries.
- Our company ensures strict compliance with legal requirements and International Financial Reporting Standards (IFRS) by means of a range of measures including employing qualified specialists, providing targeted and ongoing training and development for these specialists, strictly observing the dual control principle by separating execution, billing and approval functions in organisational terms and clearly segregating duties for document creation and posting in the controlling department.
- Our company uniformly deploys standard SAP software across all divisions.
- The accounting software is comprehensively protected against unauthorised access. It ensures that all major transactions at all companies are consistently, correctly and promptly recorded.
- Once prepared, separate financial statements are transferred to a uniform consolidation system in which intercompany transactions are eliminated. This system then provides the basis for the consolidated financial statements and for major disclosures in the Notes to the Consolidated Financial Statements and the Group Management Report.
- Group-wide monthly reporting ensures the early detection of potential risks during the financial year.

With these measures, we create the necessary transparency for our financial reporting and – to the greatest extent possible – prevent any potential risks arising in this process.

Individual Risks

Risk monitoring focuses on the actual risk situation, i.e. due account is taken of existing measures to reduce, transfer or avoid risks. Based on this net perspective, the following relevant risks were assessed as “high” and are presented below in descending order of significance.

Shortage of specialists

Our company needs qualified specialists to operate and further develop its proprietary product portfolio. Given the shortages, particularly of IT specialists, in the German labour market, it is sometimes difficult to find adequate replacements for the relevant positions within a short timeframe. This risk may be exacerbated by employees resigning, particularly when this leaves the company without the resources needed to maintain the same level of performance capacity or when the employees resigning have special expertise that cannot be replaced immediately. The shortage of specialist staff may result in bottlenecks in operations, in the development of services and in the IoT business.

Our company has countered this risk for years now by consistently training young specialists, cooperating with select universities and offering a range of targeted retention measures for those specialists and executives who are especially important to the company's operations. Furthermore, we are making efforts to ensure duplicate coverage for key functions.

Uncertain success in new business fields

Success in new business fields such as Cloud Services and IoT is a factor of great strategic significance to our company. We are continually developing new digital services and thus strengthening our position in forward-looking markets. These kinds of innovation provide us with a variety of opportunities, but may also prove to be risks in the event of delays arising in development processes and market launches. Reasons for such delays include protracted agreement processes with development partners and pilot customers, as well as a lack of internal resources.

We limit this risk by cooperating with select partners, drawing on external experts and, where possible, recruiting additional specialists for the development of new products and business models, for example in the energy business. In 2020, these resources made major contributions to far-reaching innovations which q.beyond launched onto the market, thus accessing new business fields. These innovations include the IoT device platform "Edgizer" and "StoreButler", a digitalisation platform for retailers.

Impact of coronavirus pandemic

The coronavirus pandemic dominated economic developments in the past financial year. Our company may be benefiting from the resultant acceleration in digitalisation among SME companies, but also had to deal, particularly in its SAP business, with the various restrictions imposed on contacts. Temporary lockdowns made it more difficult to acquire new projects and put pressure on retail, one of our three focus sectors. An easing in restrictions became apparent in the third quarter of 2020, but the renewed lockdown at the end of 2020 and beginning of 2021 threatened this progress.

The speed at which we can overcome this risk crucial depends on the further course of the pandemic. Until then, q.beyond will be limiting the implications by maintaining strict cost management, optimising its internal resources, and working very closely with existing customers. In recent months, this dialogue has repeatedly resulted in the initiation of new SAP projects. This way, the "SAP" segment was able to increase its revenues in 2020 despite the effects of the pandemic.

IoT: from project to series production

We expanded our IoT business at a very early stage of developments and have documented its performance capacity in numerous pilot projects. It will now increasingly be about transferring these pilots to normal operations and having the relevant components produced on a serial basis. There is the risk that existing structures and processes will not meet the new requirements and that quality defects in terms of operations and production will pose a risk to customer relationships. We are countering this risk by stepping up our efforts to develop the relevant structures and processes. Key focuses here are on guaranteeing smooth operations and on expanding serial production of IoT components with external contract manufacturers.

Overall Summary

Taking due account of the potential extent of damage and probabilities of occurrences of these and other potential risks, no risks that could result in any permanent and significant impairment of the company's financial position, financial performance or cash flows in the current financial year are discernible at present. In organisational terms, all meaningful and reasonable measures have been taken to enable the company to detect potential risks at an early stage and take appropriate action.

Due to these or other risks, or to erroneous assumptions, future earnings may nevertheless deviate materially from the expectations of our company and its management. To the extent that they do not constitute historic facts, all disclosures in this Group Management Report are forward-looking statements. They are based on current expectations and forecasts of future events and are regularly reviewed within the company's risk management.

q.beyond shows you how to manage your future energy mix and get moving with e-mobility

Reimagining electricity

Financial Report

Consolidated Financial Statements

Consolidated Statement of Income

€ 000s	Note	2020	2019
Revenues	6	**143,416**	**238,047**
Cost of revenues	7	(131,795)	(208,818)
Gross profit		**11,621**	**29,229**
Sales and marketing expenses	7	(12,694)	(22,787)
General and administrative expenses	7	(19,896)	(38,722)
Other operating income	9	2,850	139,068
Other operating expenses	9	(707)	(18,851)
Operating earnings (EBIT)		**(18,826)**	**87,937**
Financial income	10	52	87
Financial expenses	10	(464)	(6,108)
Income from associates	11	(39)	(16)
Earnings before taxes		**(19,277)**	**81,900**
Income taxes	38	(620)	(8,357)
Consolidated net income		**(19,897)**	**73,543**
Attribution of consolidated net income			
Owners of the parent company		(19,897)	73,619
Non-controlling interests		-	(76)
Earnings per share (basic) in €	12	(0.16)	0.59
Earnings per share (diluted) in €	12	(0.16)	0.59

Consolidated Statement of Comprehensive Income

€ 000s	2020	2019
Consolidated net income	**(19,897)**	**73,543**
Other comprehensive income		
Line items that are not reclassified in the income statement		
Actuarial losses from defined benefit pension plans	(474)	(1,314)
Tax effect	155	438
Line items that are not reclassified in the income statement	**(319)**	**(876)**
Line items that were or might subsequently be reclassified		
in the income statement		
Fair value measurement of cash flow hedge	-	318
Tax effect	-	(106)
Line items that were or might subsequently be reclassified		
in the income statement	**-**	**212**
Total fair value changes (net of tax) recognised directly	**(319)**	**(664)**
Total comprehensive income	**(20,216)**	**72,879**
Attribution of total comprehensive income		
Owners of the parent company	(20,216)	72,955
Non-controlling interests	-	(76)

Consolidated Balance Sheet

€ 000s	Note	31 Dec. 2020	31 Dec. 2019
ASSETS			
Non-current assets			
Property, plant and equipment	14	28,252	30,341
Land and buildings	14	20,749	21,498
Goodwill	15	20,993	18,365
Right-of-use assets	16	15,826	19,127
Other intangible assets	17	12,382	15,911
Financial assets recognised at equity	11	163	202
Prepayments	19	1,664	1,401
Other non-current assets	21	2,061	4,819
Non-current assets		**102,090**	**111,664**
Current assets			
Trade receivables	18	37,064	31,034
Prepayments	19	3,214	3,525
Inventories	20	57	228
Other current assets	21	3,514	12,610
Cash and cash equivalents	22	44,925	66,031
Current assets		**88,774**	**113,428**
TOTAL ASSETS		**190,864**	**225,092**

€ 000s	Note	31 Dec. 2020	31 Dec. 2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	23	124,472	124,172
Capital surplus	24	144,160	144,132
Other capital reserves	26	(2,466)	(2,147)
Accumulated deficit		(129,611)	(105,989)
Shareholders' equity		**136,555**	**160,168**
Liabilities			
Non-current liabilities			
Lease liabilities	16	12,408	16,698
Other financial liabilities	27	21	25
Accrued pensions	28	6,327	6,293
Other provisions	29	565	548
Non-current liabilities		**19,321**	**23,564**
Current liabilities			
Trade payables and other liabilities	30	22,436	28,593
Lease liabilities	16	5,460	5,501
Other financial liabilities	27	2	-
Other provisions	29	6,192	7,030
Accrued taxes	29	332	54
Deferred income	31	566	182
Current liabilities		**34,988**	**41,360**
Liabilities		**54,309**	**64,924**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**190,864**	**225,092**

Consolidated Statement of Changes in Equity

€ 000s		Equity attributable to equity holders of q.beyond AG			
				Other capital reserves	
	Note	Issued capital	Capital surplus	Actuarial losses	Cash flow hedge reserve
Balance as of 1 January 2020		**124,172**	**144,132**	**(2,147)**	**-**
Consolidated net income		-	-	-	-
Other comprehensive income, net of taxes	26	-	-	(319)	-
Total comprehensive income		**-**	**-**	**(319)**	**-**
Exercising of convertible bonds		300	38	-	-
Dividends paid	23	-	-	-	-
Non-cash share-based compensation	36	-	(10)	-	-
Balance as of 31 December 2020		**124,472**	**144,160**	**(2,466)**	**-**
Balance as of 1 January 2019		**124,172**	**144,119**	**(1,319)**	**(212)**
Consolidated net income		-	-	-	-
Other comprehensive income, net of taxes	26	-	-	(876)	212
Total comprehensive income		**-**	**-**	**(876)**	**212**
Change in scope of consolidation		-	-	48	-
Dividends paid	23	-	-	-	-
Non-cash share-based compensation	36	-	13	-	-
Balance as of 31 December 2019		**124,172**	**144,132**	**(2,147)**	**-**

Accumulated deficit	Total	Non-controlling interests	Total equity	
(105,989)	**160,168**	**-**	**160,168**	**Balance as of 1 January 2020**
(19,897)	(19,897)	-	(19,897)	Consolidated net income
-	(319)	-	(319)	Other comprehensive income, net of taxes
(19,897)	**(20,216)**	**-**	**(20,216)**	**Total comprehensive income**
-	338	-	338	Exercising of convertible bonds
(3,725)	(3,725)	-	(3,725)	Dividends paid
-	(10)	-	(10)	Non-cash share-based compensation
(129,611)	**136,555**	**-**	**136,555**	**Balance as of 31 December 2020**
(175,883)	**90,877**	**(780)**	**90,097**	**Balance as of 1 January 2019**
73,619	73,619	(76)	73,543	Consolidated net income
-	(664)	-	(664)	Other comprehensive income, net of taxes
73,619	**72,955**	**(76)**	**72,879**	**Total comprehensive income**
-	48	856	904	Change in scope of consolidation
(3,725)	(3,725)	-	(3,725)	Dividends paid
-	13	-	13	Non-cash share-based compensation
(105,989)	**160,168**	**-**	**160,168**	**Balance as of 31 December 2019**

Consolidated Statement of Cash Flows

€ 000s	Note	2020	2019
Cash flow from operating activities	32		
Earnings before taxes		(19,277)	81,900
Depreciation and amortisation of non-current assets	8, 14, 17	11,906	18,253
Write-downs of goodwill	15	-	14,172
Depreciation of right-of-use assets (IFRS 16)	16	4,951	19,939
Other non-cash income and expenses		610	485
Profit from sale of subsidiaries		-	(135,253)
Loss on disposals of assets		14	239
Income tax paid		(406)	(1,744)
Income tax received		104	61
Interest received		9	10
Interest paid in connection with leases (IFRS 16)	16	(401)	(2,051)
Net financial expenses	10	412	6,022
Income from associates	11	39	16
Changes in provisions	28, 29	(787)	1,341
Changes in trade receivables	18	(6,252)	24,269
Changes in trade payables		91	(33,827)
Changes in other assets and liabilities		4,021	(11,542)
Cash flow from operating activities	32	**(4,966)**	**(17,710)**
Cash flow from investing activities	33		
Purchase of intangible assets		(173)	(4,256)
Purchase of property, plant and equipment		(5,409)	(8,179)
Payments for acquisition of a subsidiary, less liquid funds thereby acquired		(1,515)	-
Purchases of financial assets recognised at equity		-	(218)
Proceeds from sale of property, plant and equipment		10	33
Proceeds from sale of a subsidiary, less liquid funds thereby disposed of	2	-	185,813
Cash flow from investing activities	33	**(7,087)**	**173,193**
Cash flow from financing activities	33		
Dividends paid	23	(3,725)	(3,725)
Repayment of convertible bonds		(4)	(11)
Proceeds from loan to former subsidiary		-	3,430
Proceeds from issue of shares		338	-
Taking up of loans		-	23,000
Repayment of loans		-	(142,000)
Interest paid		(11)	(4,993)
Repayments of lease liabilities	16	(5,651)	(18,771)
Cash flow from financing activities	33	**(9,053)**	**(143,070)**
Change in cash and cash equivalents		**(21,106)**	**12,413**
Cash and cash equivalents as of 1 January		66,031	53,618
Cash and cash equivalents as of 31 December	22	**44,925**	**66,031**

Notes to the Consolidated Financial Statements for the 2020 Financial Year

Company Information

QSC AG was renamed as q.beyond AG in September 2020. q.beyond AG is the key to successful digitalisation. It helps its customers find the best digital solutions for their business and then puts them into practice. q.beyond accompanies SME customers securely and reliably throughout their digital journey and has extensive expertise in the fields of Cloud, SAP and IoT. With nationwide locations and its own certified data centres, the company is one of Germany's leading IT service providers.
q.beyond AG is a stock corporation registered in the Federal Republic of Germany. Its legal domicile is Mathias-Brüggen-Strasse 55, 50829 Cologne, Germany. The company is registered in the Commercial Register of the Cologne District Court under number HRB 28281. q.beyond AG has been listed on the Deutsche Börse stock exchange since 19 April 2000 and in the Prime Standard since the beginning of 2003.

Accounting Policies

1 Basis of preparation

Pursuant to Article 4 of Regulation (EC) No. 1606 / 2002 of the European Parliament and the Council dated 19 July 2002, the company is required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Pursuant to § 315e (1) of the German Commercial Code (HGB), it is thus exempted from preparing consolidated financial statements in accordance with HGB.
q.beyond prepares its consolidated financial statements in accordance with the IFRSs issued by the International Accounting Standards Board (IASB) that require application in the EU as of 31 December 2020, as well as with the supplementary requirements of § 315e (1) HGB. The company took due account of all IFRSs requiring mandatory application in the EU in the 2020 financial year, as well as of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).
In its consolidated financial statements, q.beyond generally makes application of the cost method. Material exceptions relate to liabilities for equity-settled share-based payments and the net liability for defined benefit pension plans.
The financial year of q.beyond AG and its subsidiaries included in consolidation (hereinafter also referred to as "q.beyond") corresponds to the calendar year. The consolidated financial statements are presented in euros, the company's functional currency. All amounts, unless otherwise stated, are rounded up or down to the nearest thousand-euro amount (€ 000s). The rounding up or down of figures may result in minor discrepancies on a scale of € 1k or 0.1% between numbers and percentages in this Annual Report.

No events or transactions which would have a material effect on the Group's financial position, financial performance or cash flows occurred between the end of the reporting period and 23 March 2021 (the date on which the consolidated financial statements were approved by the Management Board for submission to the Supervisory Board).
The consolidated income statement has been prepared using the cost-of-sales method. In the interests of clarity and informational value, individual line items have been aggregated in the income statement and balance sheet. These line items are reported and commented on separately in the notes.

2 Scope of consolidation and amendments under company law

The consolidated financial statements comprise the financial statements of q.beyond AG and its subsidiaries as of 31 December of each financial year. The financial statements of subsidiaries included in consolidation have been prepared on the basis of uniform accounting policies pursuant to IFRS 10 (Consolidated Financial Statements). All subsidiaries have the same balance sheet date as the parent company q.beyond AG.
All intragroup transactions and balances are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, i.e. the date on which q.beyond obtains control. Inclusion by way of full consolidation ends upon the parent company no longer exercising control. Information on the companies included in the consolidated financial statements is provided in Note 34.
Non-controlling interests are measured upon acquisition at their respective share of identifiable net assets at the company thereby acquired.
By articles of association dated 29 April 2020, q.beyond AG founded Q.BEYOND, SIA, a subsidiary in Riga / Latvia, and provided this company with share capital of € 2.8k.
By articles of association dated 15 September 2020, q.beyond AG founded IP Exchange GmbH, a subsidiary based in Nuremberg, and provided this company with share capital of € 500k. By notarised contribution agreement dated 21 December 2020, q.beyond AG transferred the following items to the capital reserve of IP Exchange GmbH with economic effect as of midnight on 1 January 2021: the assets, rights, contractual relationships, receivables and liabilities attributable to the colocation business in Munich and Nuremberg, as well as all shares in IP Colocation GmbH.
By agreement dated 21 July 2020, q.beyond AG acquired all of the shares in Incloud Engineering GmbH, Darmstadt. The date as of which q.beyond took over the respective assets and liabilities was 31 July 2020. In the five months to 31 December 2020, Incloud Engineering GmbH contributed revenues of € 2,771k and income of € 427k to consolidated net income. If the acquisition had been executed as of 1 January 2020 then, based on Management Board estimates, consolidated revenues would have amounted to € 145,460k and the annual consolidated net deficit would have amounted to € 19,940k.

Consideration transferred. The fair values as of the acquisition date of each main group of consideration are presented in summarised form below:

€ 000s	
Cash and cash equivalents	1,828
Conditional consideration	900
Total consideration transferred	**2,728**

The preliminary purchase price for the acquisition of the 25,000 shares with a nominal value of € 1 each amounted to € 2,728k and comprises a basic purchase price of € 828k, a preliminary purchase price of € 1,000k and an additional purchase price of € 900k, payment of which is conditional on the achievement of predefined financial targets (EBIT) for the 2020 and 2021 financial years. The target for the 2020 financial year was met. Achievement of the 2021 target is deemed likely; the resultant purchase price has therefore been added to the costs of the shares.

Costs associated with the business association. In connection with the business combination, q.beyond incurred costs of € 74k for legal advice, notary fees and the performance of due diligence by an auditing company. These costs are recognised in general and administrative expenses.

Identifiable assets acquired and liabilities assumed. The amounts recognised for the assets acquired and liabilities assumed as of the acquisition date are presented in summarised form below:

€ 000s	
Property, plant and equipment	68
Right-of-use assets	376
Trade receivables	397
Prepayments	5
Other non-current assets	1,188
Other assets	87
Cash and cash equivalents	313
Lease liabilities	(376)
Other financial liabilities	(105)
Other provisions	(32)
Trade payables and other liabilities	(1,821)
Total identifiable net assets	**100**

Goodwill. The goodwill arising upon the acquisition has been recognised as follows:

€ 000s	
Consideration transferred	2,728
Fair value of identifiable net assets	100
Goodwill	**2,628**

The goodwill is chiefly attributable to the skills and specialist qualifications of the workforce and the synergies expected to arise from integrating the company into the existing Cloud & IoT segment. None of the goodwill recognised is deductible for tax purposes.

Changes in the company structure in the previous year. By purchase agreement dated 6 May 2019, a contract was concluded with EnBW Telekommunikation GmbH, a subsidiary of EnBW Energie Baden-Württemberg AG, regarding the sale of all shares in Plusnet GmbH. This transaction was closed as of 30 June 2019. Control by the parent company ended upon the expiry of 30 June 2019 and Plusnet GmbH was deconsolidated as of this date. The sale also involved all shareholdings directly and indirectly held by Plusnet GmbH. Due to the disposal of Plusnet GmbH and its subsidiaries in the previous year, the figures in the consolidated income statement and the consolidated statement of cash flows are only comparable to a limited extent with the respective previous year's figures.

3 Significant judgements and estimates

The application of accounting policies requires the use of judgements as well as of forward-looking assumptions and estimates. Actual outcomes may differ from those assumptions and estimates. Significant adjustments to the carrying amounts of assets and liabilities may therefore be required within the coming financial year. The use of judgements, assumptions and estimates was required in particular for the accounting treatment of the following items:

(a) Judgements made when applying accounting policies which could have the most material impact on the amounts recognised in the consolidated financial statements relate to the following items:

Note 6 – Revenues: Determining the percentage of completion for performance obligations satisfied over time

Note 6 – Revenues: Determining allocation of the transaction price to the performance obligations

Note 16 – Term of lease contract: Determining whether the exercising of extension options is reasonably certain

(b) Assumptions and estimates mainly relate to the following items:

Notes 15 and 17 – Impairment test on intangible assets and goodwill: Significant assumptions underlying calculation of the recoverable amount

Note 16 – Determining discount rates to calculate the present value of **lease liabilities**

Note 18 – Trade receivables: Measuring impairments based on expected credit losses: significant assumptions used to determine weighted average default rate

Note 38 – Recognition of **deferred tax assets:** Availability of future taxable earnings against which deductible temporary differences and tax loss carryovers can be offset

Note 28 – Measurement of **pension provisions:** Significant actuarial assumptions

Note 29 – Recognition and measurement of **provisions:** Significant assumptions concerning probability and scale of outflow of benefits

4 Summary of significant accounting policies

Revenue and expense recognition. q.beyond recognises revenues upon satisfaction of the respective performance obligation by transfer of the promised good or promised service to the customer. The asset counts as transferred when the customer gains control over it. Furthermore, the following criteria have to be met for revenues to be recognised:

- For services performed by q.beyond, the benefits of those services generally flow to customers who simultaneously receive and consume the benefits of the services while they are being performed (IFRS 15.35a). On this basis, revenues are recognised over time.
- For services performed in regular IT service operations, q.beyond draws on the practical expedient provided for in IFRS 15.B16, under which revenues are recognised in the amount for which q.beyond is entitled to invoice the customer, as q.beyond is entitled to consideration in the amount directly corresponding to the value of services already performed.
- For the performance of transition services (mainly in connection with the outsourcing of IT infrastructures) which precede the performance of regular IT service operations, revenues are recognised based on the percentage of completion. This is determined using “milestones reached” as a specific variant of the output-based method.
- For services performed in regular IT service operations, standalone prices are, as a general rule, contractually allocated to the individual performance obligations. No further allocation is therefore required.
- For transition services, standalone milestones are measured at expected cost plus a margin (IFRS 15.79b), with the transaction price being allocated to individual milestones on this basis.

- Disbursements and reimbursements of short-time allowances represent transitory items. As a result, neither income nor expenses require recognition for these items in the income statement. By contrast, reimbursements by the Federal Labour office of the social security expenses borne by the employer represent performance-based grants pursuant to IAS 20 and are recognised at q.beyond as a reduction in personnel expenses. Other government grants are recognised as other operating income over the periods in which q.beyond expenses those costs the grants are intended to compensate.
- q.beyond recognises interest income when it arises using the effective interest method (i.e. the rate that discounts estimated future cash flows over the expected life of the financial instrument to its net carrying amount). Interest unwound on finance lease receivables from multiple element arrangements is also presented as interest income.
- Multiple element arrangements consist of a service portion and a hardware lease, where the fair values of the two components are separable and can be reliably determined. Application of IFRS 16 requirements to hardware leases means that q.beyond functions as lessor in certain multiple element arrangements. The lease agreements relate to identifiable assets usable exclusively by the customer. Revenues for services performed under the service contract are distributed in line with performance over the contractual period. For the portion of the multiple element arrangement classified as a finance lease, the revenues are recognised upon inception of the arrangement and the interest portion is recognised over the term of such. In these cases, amounts owed by customers (lessees) under a finance lease are recognised as discounted receivables. When measuring hardware leases as operating leases, the revenues are recognised on a monthly basis in accordance with the contractual terms. The total contractual performance is apportioned to the respective components using the residual value method, as this most closely reflects the economic substance of the contracts.
- Operating expenses are recognised when the performance has been utilised or at the time they are incurred.

Specifically, q.beyond structures its revenue recognition as follows:

The **Cloud & IoT segment** pools all IT services that assist companies in gradually transitioning to the digital age and also includes a broad portfolio of IoT services. All major IT functions can be procured as turnkey cloud modules or as individual outsourcing services. These range from virtual IT workplaces and business applications to flexible IT resources through to comprehensive communications and network services. They are supplemented by colocation services involving the provision of data centre capacities. The IoT business also covers the whole spectrum of services, including software competence, hardware from sensors through to gateways, and secure data transmission and storage.
Revenues from rental and service agreements are recognised in line with the services performed, i.e. basically on a time-apportioned basis over the contract term. Furthermore, this segment generates revenues from sales of hardware and software. Revenues from the sale of hardware and from rental and lease transactions viewed as sales in terms of their economic substance are recognised upon shipment of the hardware to the customer and provided that the company does not have any unsatisfied obligations impacting on final acceptance by the customer. All costs resulting from these obligations are recognised at the same time as the corresponding revenues.

The **SAP segment** involves the provision of consulting services to companies to assist them in digitalising and optimising their business processes based on SAP technologies and the operation of corresponding applications.
Revenues from the respective service contracts are recognised in line with the services performed, i.e. basically on a time-apportioned basis over the contract term. Revenues from contracts for services charged in line with time inputs are recognised upon performance of the working hours and at the contractually agreed hourly rates.

Foreign currency translation. q.beyond presents its consolidated financial statements in euros. Transactions in currencies other than the euro are initially recognised using the spot exchange rate on the transaction date. Differences arising from changes in the exchange rate between the transaction date and the settlement or balance sheet date are recognised through profit or loss.

Property, plant and equipment. q.beyond recognises property, plant and equipment at cost less accumulated depreciation and impairment losses. Repair and maintenance expenses that do not constitute material replacement investments are directly expensed in the period in which they are incurred. The estimated useful lives of assets are taken as the basis for applying straight-line depreciation.
Any excess in the carrying amount of an asset over its respective recoverable amount is recognised through profit or loss as an impairment loss. Property, plant and equipment are subject to straight-line depreciation over the following expected useful lives:

	Useful life in years
Property, plant and equipment	
Buildings	8 – 50
Network and technical equipment	2 – 25
Installations on third-party land	3 – 20
Plant and operating equipment	3 – 15

Borrowing costs. Borrowing costs are recognised as an expense in the period in which they are incurred. There are no qualifying assets as defined in IAS 23.

Business combinations and goodwill. q.beyond accounts for business combinations using the acquisition method. This involves recognising all identifiable assets, liabilities and contingent liabilities of the acquired business at fair value. Goodwill arising in a business combination is initially measured at the amount by which the company’s interest in the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination.
q.beyond tests goodwill for impairment at least once a year and upon any indication that the carrying amount is potentially impaired.

Other intangible assets. Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination corresponds to their fair value as of the date of acquisition. Internally generated intangible assets are capitalised if the IAS 38 recognition criteria are met. The costs involved relate primarily to personnel and materials. Costs not eligible for capitalisation are recognised through profit or loss in the period in which they arise. An assessment is made initially as to whether the useful lives of intangible assets are finite or indefinite. Intangible assets with finite lives are subject to straight-line amortisation over their useful economic lives and tested for impairment whenever there is any indication of such. For assets with finite useful lives, the amortisation period and method are reviewed at least at the end of each financial year.
Other intangible assets primarily include software, licences and similar rights. Moreover, brands and customer bases have been recognised as assets in conjunction with initial consolidations.
Any excess in the carrying amount of an asset over its respective recoverable amount is recognised through profit or loss as an impairment loss.
Acquired software is amortised over periods of 3 to 5 years. Internally generated intangible assets (development costs) are amortised after completion of the development phase over a period of 2 to 5 years. Acquired brands are written down over periods of 2 to 10 years.
The useful lives of intangible assets identified in the business combinations with IP Partner AG and INFO AG in 2011 are 10 to 20 years for customer bases.

Financial assets recognised using the equity method. The shares held by q.beyond in financial assets recognised using the equity method comprise investments in associates. Associates are companies over which q.beyond has significant influence, but not control or joint control, over the financial and operating policy decisions of the companies.
The equity method requires investments in an associate to be recognised in the balance sheet at cost. The goodwill relating to an associate is included in the carrying amount of the investment and is not subject to amortisation. In applying the equity method, q.beyond determines whether any additional impairment losses require recognition in connection with the net investment held by q.beyond in the associate. The income statement includes q.beyond's share in the performance of the associate. Changes recognised by the associate directly in equity are recognised by q.beyond directly in equity in line with its share and – where necessary – included in the statement of changes in equity.

Financial instruments

Financial assets and liabilities. Within the scope of IFRS 9, q.beyond has financial assets liabilities that are primary debt instruments.

q.beyond measures financial assets and liabilities within the scope of IFRS 9 as follows:

	IFRS 9 category
Assets not measured at fair value	
Cash and cash equivalents	Amortised cost
Current trade receivables	Amortised cost
Liabilities not measured at fair value	
Trade payables and other liabilities	Amortised cost
Other financial liabilities	Amortised cost

The classification category is based on the management requirements for financial debt instruments ("business model") and the cash flow criterion ("basic loan feature/SPPI").
The company determines this classification upon initial recognition and reviews the allocation at the end of each financial year. Where permitted and necessary, items are reclassified between categories.
Upon initial recognition, q.beyond measures financial assets at fair value. q.beyond recognises all regular-way purchases and sales of financial assets using trade date accounting, i.e. as of the date on which q.beyond enters into the obligation to purchase or sell the asset.
Regular-way purchases and sales involve purchases or sales of financial assets under a contract whose terms require delivery of the asset within the timeframe established by regulation or convention in the marketplace.
q.beyond measures cash and cash equivalents and trade receivables with fixed or determinable payments that are not listed on an active market at amortised cost using the effective interest method, less any impairments, and including transaction costs. Gains and losses are recognised in period earnings if the assets are derecognised or impaired, as well as in the context of amortisations.
Moreover, other assets are recognised at nominal value and reported in line with their respective terms in the "Non-current assets" and "Current assets" line items.

Impairments of financial assets. The expected credit loss model pursuant to IFRS 9 requires not only an appraisal of information about past events and current conditions but also due consideration of forecasts of future economic conditions.

Financial instruments and contract assets. The estimated volume of expected receivables defaults is calculated using the simplified lifetime model based on experience with actual receivables defaults. All receivables have homogenous risk characteristics and are therefore not divided by customer group.

q.beyond recognises impairments for expected credit losses on:

- Financial assets measured at amortised cost
- Contract assets
- Other receivables, including lease receivables

Application of the IFRS 9 impairment requirements has not resulted in any material impairment of cash and cash equivalents. These are exclusively deposited on a short-term basis at German banks with investment grade ratings issued by the rating agencies Standard & Poor's, Fitch and Moody's.
q.beyond measures impairments in the amount of lifetime expected credit losses. When determining whether the default risk of a financial asset has increased significantly since initial recognition and estimating expected credit losses, q.beyond draws on reasonable and supportable information that is relevant and available within a reasonable timeframe and at reasonable cost. This includes both quantitative and qualitative information and analysis based on historical data at q.beyond and on in-depth assessments which include forward-looking information.
q.beyond assumes that the default risk for a financial asset has increased significantly when it is more than 180 days past due.
q.beyond considers a financial asset as being in default when the debtor is unlikely to be able to meet its credit obligation to q.beyond in full without q.beyond reverting to measures such as drawing on collateral (if available).
Lifetime expected credit losses are the credit losses expected to result from all potential default events during the expected term of the financial instrument.
The maximum period over which expected credit losses are measured is the maximum contractual period over which q.beyond is exposed to credit risk. Expected credit losses represent the probability-weighted estimates of credit losses.

Credit-impaired financial assets. q.beyond determines as of each balance sheet date whether financial assets recognised at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Indicators that a financial asset may be impaired included the following observable data:

- Significant financial difficulty of the debtor
- Breach of contract, such as default or more than 180 days past due
- Probability that the debtor will enter bankruptcy or other financial reorganisation

Presentation of impairments for expected credit losses in the balance sheet. Impairments of financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairments. An impairment loss is charged to the gross carrying amount of a financial asset when, based on reasonable assessment, q.beyond expects that all or a portion of the financial asset will not be recovered. q.beyond performs an individual assessment of the time at which an impairment loss should be recognised, and the amount of such, based on whether there is reasonable expectation of collection.

Reminders are issued for outstanding receivables as soon as they become overdue. For all receivables, if payment is more than 180 days past due this is viewed as an indication of an increase in default risk. This triggers an impairment test for the receivable, i.e. all receivables that are more than 180 days past due are individually analysed to assess any need for impairment.
Based on historic recoverability data for the past five years, receivables that are not more than 180 days past due have a very low default rate of 0.08%. In response to the Covid-19 pandemic, the risk provision stated for expected defaults in this group of receivables has been increased for the first time in the 2020 financial year, in this case by a factor of nearly four.
q.beyond does not expect to collect any significant proportion of impaired amounts. Financial assets for which impairment losses have been recognised may nevertheless be subject to enforcement measures to collect overdue receivables.

Contract acquisition costs. Contract acquisition costs are accounted for in accordance with IFRS 15. This involves recognising the costs incurred to obtain and perform the contract and writing these down over the contract term. If the costs exceed the expected revenues, the resultant loss is recognised immediately as an expense.

Prepayments. Transitory items involving outlays prior to the balance sheet date and relating to a specified period after the balance sheet date are recognised as prepayments.

Inventories. q.beyond initially measures inventories at cost. As of the balance sheet date, items are stated at the lower of cost and net realisable value.

Cash and cash equivalents. Cash and cash equivalents reported in the balance sheet and statement of cash flows comprise cash on hand, cash at banks, and short-term deposits with original maturities of three months or less. Cash funds that are subject to restrictions on disposal are recognised under other assets.

Provisions. A provision is recognised when q.beyond has a legal or constructive obligation as a result of a past event, when it is likely that an outflow of resources embodying economic benefits will be required to settle such an obligation, and when the amount of obligation can be reliably estimated. Where q.beyond expects some or all of a recognised provision to be reimbursed, the reimbursement is recognised as a separate asset if the reimbursement is virtually certain. The expense for allocations to the provision is recognised in the income statement net of any reimbursement.

- **Severance payments.** Provisions are recognised for any existing legal or constructive obligations to grant severance payments to employees in connection with the termination of employment.

- **Dismantling obligations.** Provisions are recognised to cover the obligation to return the space let at a data centre and in office complexes to a contractually agreed state following expiry of the expected term of letting.

- **Restructuring measures.** A provision for restructuring measures is recognised as soon as q.beyond has approved a detailed and formal restructuring plan and the respective measures have either begun or been publicly announced.

Pensions. The obligations for defined benefit plans are determined separately for each plan using the projected unit credit method and on the basis of actuarial surveys. Actuarial gains and losses are recognised under other reserves within other comprehensive income. The assumptions used by the company to measure actuarial obligations are described in Note 28. Obligations for contributions to defined contribution plans are expensed as soon as the associated work has been performed.

Stock option plans. q.beyond's employees may receive share-based compensation in the form of equity instruments in return for work performed. q.beyond measures the expense of issuing such equity instruments on the basis of the fair value of the equity instrument at the grant or provision date (based on the stock option plans resolved or modified after 7 November 2002) and uses an appropriate option price model. Further details can be found in Note 36. The expense recognised for granting equity instruments and the corresponding increase in equity are spread over the vesting period of the options.
q.beyond does not recognise any expense for remuneration claims which cannot be exercised. If the terms and conditions of an equity-based remuneration agreement are modified, q.beyond recognises as a minimum the level of expense that would have arisen in the absence of such modification. If an equity-based remuneration agreement is cancelled, q.beyond accounts for the agreement as if it had been exercised on the cancellation date and recognises the previously unrecognised expense immediately.

Leases. Upon commencement of the respective contract, q.beyond assesses whether it is or contains a lease. This is the case when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. q.beyond bases its assessment of whether a contract conveys the right to control an identified asset on the definition of a lease provided in IFRS 16. This method is applied to contracts concluded on or after 1 January 2019.

I q.beyond as lessee

Upon the commencement or amendment of a contract containing a lease component, q.beyond divides the contractually agreed consideration on the basis of the relative stand-alone prices. For leased data centre space and for closed non-lease components in the case of leased vehicles, q.beyond has nevertheless opted to forego separating the non-lease components and has rather recognised the lease and non-lease components as a single lease component.
At the commencement date, q.beyond recognises an asset for the right thereby conveyed to use the leased asset ("right-of-use asset") and a lease liability.
The right-of-use asset is initially measured at cost, corresponding to the initial measurement of the lease liability, adjusted to account for payments made at or before the commencement date, plus any initial direct costs and the estimated costs of dismantling or removing the underlying asset or of restoring the underlying asset or the place in which it is located, and less any lease incentives received.
In subsequent periods, the right-of-use asset is subject to straight-line depreciation from the commencement date though to the end of the lease period. Furthermore, the right-of-use asset is corrected where necessary to account for impairments and adjusted to account for specified remeasurements of the lease liability.

The lease liability is initially recognised at the present value of the lease payments that have not yet been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, using q.beyond's incremental borrowing rate. In general, q.beyond uses its incremental borrowing rate as the discount rate.
To calculate its incremental borrowing rate, q.beyond obtains interest rates from various external financing sources and makes specified adjustments intended to account for the lease conditions and asset type.

The lease payments included in the measurement of the lease liability comprise:

- Fixed payments
- Variable payments that depend on an index or a rate
- Payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease

The lease liability is measured at its updated carrying amount using the effective interest method. It is remeasured if the future lease payments change due to a change in an index or if q.beyond changes its assessment concerning the exercising of any extension or termination option.
Any such remeasurement of the lease liability leads to a corresponding adjustment in the carrying amount of the right-of-use asset, or to recognition of such remeasurement through profit or loss if the carrying amount of the right-of-use asset is reduced to zero.

q.beyond has drawn on the following significant options and practical expedients:

- Right-of-use assets and lease liabilities are recognised as separate line items in the balance sheet.
- Lease contracts for low-value assets are not treated as leases, but will rather be presented as current expenses in future as well.
- Short-term leases (less than twelve months) are not recognised in the balance sheet.
- Leases of intangible assets are not within the scope of IFRS 16 but are rather governed by IAS 38.
- Consistent with the internal management of the company, intragroup leases will in future basically still be presented in segment reporting as operating leases pursuant to IFRS 8.

II q.beyond as lessor

Upon the commencement or amendment of a contract containing a lease component, q.beyond divides the contractually agreed consideration on the basis of the relative stand-alone prices. For arrangements containing lease and non-lease components, q.beyond applies IFRS 15 to allocate the contractually agreed consideration.
When q.beyond acts as a lessor, each lease is classified upon commencement of the contract either as a finance lease or as an operating lease.

To assess each lease, q.beyond has performed an overall assessment to ascertain whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. The lease is classified as a finance lease where this is this case, and otherwise as an operating lease. In making this assessment, q.beyond accounts for certain indicators, such as whether the lease covers the major part of the economic life of the asset.
q.beyond recognises the head lease and the sublease separately in cases in which the company acts as an intermediate lessor. q.beyond classifies the sublease by reference to the right-of-use asset arising from the head lease rather than by reference to the underlying asset. If the head lease is a short-term lease, q.beyond classifies the sublease as an operating lease.
q.beyond applies IFRS 9 requirements for derecognition and impairment to its net investment in a lease. Lease payments from operating leases are credited to sales on a straight-line basis over the term of the lease.

Contract liabilities. One-off payments that have been received before the related performance obligation has been satisfied are stated as contract liabilities and recognised as sales over the agreed contractual term.

Taxes. q.beyond recognises current income tax assets and liabilities for current and prior periods at the amount expected to be reimbursed by or paid to the tax authorities. To calculate this, the company uses the tax rates and tax laws applicable to the relevant assessment period. Current income taxes relating to items recognised directly in equity are also recognised in equity.
Deferred taxes are recognised using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

q.beyond recognises deferred tax liabilities for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill
- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that at the time of the transaction does not affects taxable profit or loss
- Where the deferred tax liability arises from taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

q.beyond recognises deferred tax assets for all deductible temporary differences and unused tax loss carryovers to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, tax loss carryovers not yet used and tax credits can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that at the time of the transaction affects neither the reported result for the period nor taxable profit or loss

- Where the deferred tax asset relates to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, if it is probable that the temporary differences will not reverse in the foreseeable future and insufficient taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Previously unrecognised deferred tax assets are also reassessed at each balance sheet date and recognised to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.
q.beyond measures deferred tax assets and liabilities at the tax rates expected to apply to the year when the asset is realised or the liability settled based on tax rates and tax laws that have been enacted as of the balance sheet date. Future changes in tax rates have to be accounted for if enacted or substantively enacted by the end of the reporting period.
Deferred taxes in connection with items recognised directly in equity in other comprehensive income are likewise recognised directly in equity (through OCI) and not through profit or loss.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to taxes on income at the same taxable entity and due to the same tax authority.

IFRIC 23 “Uncertainty over Income Tax Treatments” clarifies application of IAS 12 recognition and measurement requirements in cases where there is uncertainty as to the income tax treatment. In recognising and measuring items, companies have to work with estimates and assumptions, for example as to whether each tax treatment should be considered independently or considered together with other uncertainties, whether reference is made to a likely amount or an expected value and whether any changes have arisen compared with the previous period. Detection risk is irrelevant when accounting for uncertain items. The accounting treatment is based on the assumption that the tax authorities will investigate the item in question and that they will have all relevant material at their disposal. This interpretation has not had any material implications for the consolidated financial statements of q.beyond AG.

5 Changes to accounting policies

New, currently valid requirements

q.beyond applied “Definition of a Business” (amendments to IFRS 3) and “Interest Rate Benchmark Reform” (amendments to IFRS 9, IAS 39 and IFRS 7) for the first time as of 1 January 2020. Furthermore, a number of other new standards also required first-time application as of 1 January 2020. However, these did not have any material implications for the consolidated financial statements. q.beyond applied “Definition of a Business” (amendments to IFRS 3) to business combinations with acquisition dates on or after 1 January 2020 in order to assess whether it acquired a business or a set of assets. Details of the accounting methods are presented in Note 4. Details of subsidiaries acquired by q.beyond during the financial year under report can be found in Note 2.

Effective date	New or amended standards and interpretations
1 January 2020	Amendments to References to the IFRS Conceptual Framework
	Amendments to IAS 1 and IAS 8: Definition of Material
	Amendments to IFRS 3: Definition of a Business
	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
1 June 2020	Covid-19-Related Rent Concessions (Amendments to IFRS 16)

Future requirements and new standards not yet applied

The table below provides an overview of the latest amendments to IFRS requiring application in financial years beginning after 1 January 2020 for which premature application in financial years beginning on 1 January 2020 is permitted.
q.beyond has not made premature application of the new or amended standards when preparing these consolidated financial statements. The amended standards and interpretations are not expected to have any material implications for the consolidated financial statements.

Effective date	New or amended standards and interpretations
1 January 2021	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
1 January 2022	Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)
1 January 2022	Annual Improvements to IFRS, 2018 – 2020 Cycle
1 January 2022	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
1 January 2022	Reference to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
1 January 2023	IFRS 17 Insurance Contracts[1] and Amendments to IFRS 17 Insurance Contracts
Outstanding[2]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

[1] Premature application of IFRS 17 is only permitted with simultaneous application of IFRS 9 Financial Instruments.
[2] The effective date for these amendments has been postponed indefinitely.

Notes to the Consolidated Income Statement

6 Revenues

Revenues from hardware leases in the context of new multiple element arrangements amounted to € 142k in 2020 (2019: € 1,085k).
A breakdown of revenues by geographical regions is presented in the tables below. Furthermore, the revenues thereby broken down are reconciled with the segments described in Note 35.

€ 000s	Geographical region					
	Germany		Outside Germany		Total	
	2020	2019	2020	2019	2020	2019
Segments						
Cloud & IoT	98,263	86,997	3,738	3,826	102,001	90,823
SAP	40,052	34,442	1,363	2,165	41,415	36,607
Operation disposed of at 30 June 2019	-	106,392	-	4,225	-	110,617
Total	**138,315**	**227,831**	**5,101**	**10,216**	**143,416**	**238,047**

	Revenues in € 000s		Revenues in %	
	2020	2019	2020	2019
Sectors				
Retail	54,724	54,414	38.2%	22.9%
Manufacturing	29,485	25,818	20.5%	10.8%
Energy	9,857	12,555	6.9%	5.3%
Other	49,350	145,260	34.4%	61.0%
Total	**143,416**	**238,047**	**100.0%**	**100.0%**

q.beyond generally draws on the practical expedient provided in IFRS 15.121, which permits outstanding performance obligations for contracts with expected original terms of no longer than one year and revenues recognised in line with their invoicing to be exempted from the disclosure obligation.

7 Expenses by category

Of total research and development expenses of € 6,738k (2019: € 3,625k), an amount of € 0k was capitalised as development expenses in the 2020 financial year (2019: € 410k).

€ 000s	2020	2019
Employee benefit expenses	77,985	97,267
Procured input expenses	49,754	98,100
Depreciation/amortisation of non-current and right-of use assets	16,857	38,192
Maintenance expenses	4,850	10,214
Consulting expenses	4,358	10,349
Other personnel-related expenses	2,585	4,960
Advertising expenses	2,126	2,136
Other expenses	5,870	9,108
Cost of revenues, sales and marketing expenses, general and administrative expenses	**164,385**	**270,326**

8 Depreciation, amortisation and impairments

Depreciation, amortisation and impairments are allocated to individual corporate functions as follows:

€ 000s	2020	2019
Cost of revenues	11,540	31,056
Sales and marketing expenses	142	781
General and administrative expenses	5,175	6,355
Other operating expenses	-	14,172
Depreciation, amortisation and impairments	**16,857**	**52,364**

9 Other operating income and expenses

€ 000s	2020	2019
Income from subleases	1,188	926
Income from commercial services	372	2,239
Non-period income from electricity cost refunds	304	-
Income from trade receivables previously written down	274	1
Sundry non-period other income	259	110
Sundry other operating income	142	498
Income from insurance compensation	170	-
Non-period income from payroll and transport taxes	103	13
Income from disposal of non-current assets	38	28
Profit on sale of Plusnet companies	-	135,253
Other operating income	**2,850**	**139,068**

€ 000s	2020	2019
Non-period expenses for social security payments	169	-
Sundry other operating expenses	155	873
Dismantling obligations	125	-
Negative deposit rates	87	104
Losses from disposal of non-current assets	52	267
Property tax	60	60
Non-period insurance expenses	37	-
Sundry non-period other operating expenses	22	113
Disposal costs for Plusnet companies	-	3,262
Write-down of goodwill	-	14,172
Other operating expenses	**707**	**18,851**

10 Financial result

The financial expenses of € 464k (2019: € 6,108k) mainly comprise interest expenses of € 401k for leases recognised in accordance with the IFRS 16 leasing standard (2019: € 2,051k). The net interest charge on pension provisions amounts to € 34k (2019: € 94k). No borrowing costs directly attributable to qualifying assets were incurred.

11 Income from associates

q.beyond owns 25.15% of the shares in aiXbrain GmbH, Aachen, which was founded on 7 June 2019. The company's annual net deficit for 2020 amounted to € 157k. The associated loss on the investment recognised at equity therefore amounts to € 40k.
The table below presents the key financials of aiXbrain GmbH in summarised form. The table also presents a reconciliation of the summarised key financials with the carrying amount of the investment held by q.beyond in aiXbrain GmbH.

€ 000s	**2020**
Shareholding	**25.15%**
Non-current assets	15
Current assets	149
Non-current liabilities	(150)
Current liabilities	(12)
Net assets (100%)	**2**
Carrying amount of investment in associate	**1**
Revenues	88
Net income	(157)
q.beyond's share of comprehensive income	**(40)**

The shareholding is held as a financial rather than a strategic investment. Earnings at aiXbrain GmbH are attributable to continuing operations. No other income or expenses were incurred. Further information can be found in Note 37.

12 Earnings per share

The calculation of basic earnings per share is based on the consolidated net income attributable to ordinary shareholders in the parent company and the weighted average number of shares in circulation in the year under report.
A total of 124,316,327 shares were in circulation throughout the 2020 financial year.
The calculation of diluted earnings per share is based on the consolidated net income attributable to ordinary shareholders in the parent company and the weighted average number of shares in circulation in the year under report following adjustment for all dilutive effects of the convertible bonds issued in connection with stock option plans.

€ 000s	2020	2019
Consolidated net income attributable to shareholders in the parent company (basic)	(19,897)	73,619
Share-based compensation in connection with subscribed convertible bonds	-	-
Consolidated net income attributable to shareholders in the parent company (diluted)	(19,897)	73,619

Shares issued	2020	2019
Weighted average number of shares issued (basic)	124,316,237	124,172,487
Effect of conversion of convertible bonds	30,500	-
Weighted average number of shares issued (diluted)	124,346,737	124,172,487

The conversion effects for convertible bonds resulting from stock option plans and the associated share-based compensation only account for those convertible bonds for which the conditions for conversion were met at the balance sheet date, even if the respective holding period prior to conversion had not yet expired.

13 Personnel expenses and employees

€ 000s	2020	2019
Wages and salaries	67,605	85,131
Employer social security contributions (pension insurance)	4,969	5,606
Employer social security contributions (other)	5,203	6,183
Pension expenses	218	334
Non-cash share-based compensation	(10)	13
Employee benefit expenses	**77,985**	**97,267**

Wages and salaries include expenses of € 3,942k for the termination of employment contracts (2019: € 7,112k).

During the 2020 financial year, q.beyond had an average total of 896 employees (2019: 1,091). The following table presents the distribution of employees by key corporate function:

	2020	**2019**
Sales and marketing	95	145
Technology and consulting	726	836
Administration	68	101
Head office departments	7	9
Number of employees by corporate function (average)	**896**	**1,091**

In response to the Covid-19 pandemic and its associated impact on the economy and the labour market, in the German Ordinance Facilitating Short-Time Work (KugV), which was dated 25 March 2020 and took retrospective effect as of 1 March 2020, the Federal Government adopted specific temporary measures facilitating access to the short-time allowance and to reimbursements by the Federal Labour office of social security contributions borne by employers upon the submission of the relevant applications. Within this programme, eligible companies were able to apply for a grant amounting to 60% of the net salary per employee (and 67% for employees with at least one child) for the first three months of participation in the scheme. This was intended to assist such companies in maintaining their ability to pay monthly salaries to furloughed employees.

For the months from May to August, q.beyond received short-time allowances of € 177k and social security contributions of € 165k from the Federal Labour Office.

Disbursements and reimbursements of short-time allowances represent transitory items. As a result, neither income nor expenses require recognition for these items in the income statement. By contrast, reimbursements by the Federal Labour office of the social security expenses borne by the employer represent performance-based grants pursuant to IAS 20 and are recognised at q.beyond as a reduction in personnel expenses.

Notes to the Consolidated Balance Sheet

14 Property, plant and equipment

€ 000s	Land and buildings	Network and technical equipment	Operational and business equipment	Total
Gross value at 1 Jan. 2019	**29,621**	**256,720**	**27,437**	**313,778**
Additions	11	7,575	620	8,206
Disposals	-	(580)	(93)	(673)
Disposals due to deconsolidation / Plusnet sale	-	(177,393)	(6,557)	(183,950)
Reclassifications	-	(170)	170	-
Gross value at 31 Dec. 2019	**29,632**	**86,152**	**21,577**	**137,361**
Acquisitions due to business combinations	-	2	66	68
Additions	48	4,836	483	5,367
Disposals	-	(210)	(571)	(781)
Reclassifications	-	(178)	178	-
Gross value at 31 Dec. 2020	**29,680**	**90,602**	**21,733**	**142,015**
Accumulated depreciation and impairments at 1 Jan. 2019	**7,330**	**214,110**	**19,836**	**241,276**
Additions	804	9,895	1,767	12,466
Disposals	-	(573)	(88)	(661)
Disposals due to deconsolidation / Plusnet sale	-	(161,090)	(6,469)	(167,559)
Accumulated depreciation and impairments at 31 Dec. 2019	**8,134**	**62,342**	**15,046**	**85,522**
Additions	797	6,147	1,279	8,223
Disposals	-	(194)	(537)	(731)
Accumulated depreciation and impairments at 31 Dec. 2019	**8,931**	**68,295**	**15,788**	**93,014**
Carrying amounts at 31 Dec. 2019	**21,498**	**23,810**	**6,531**	**51,839**
Carrying amounts at 31 Dec. 2020	**20,749**	**22,307**	**5,945**	**49,001**

As of 31 December 2020, the “Network and technical equipment” line item included assets under construction of € 346k (2019: € 352k). These related to the replacement of technical equipment at data centres. In the income statement, q.beyond recognises depreciation and amortisation within the cost of revenues, sales and marketing expenses and general and administrative expenses line items.

15 Goodwill

Goodwill amounted to € 20,993k as of 31 December 2020 (2019: € 18,365k). In connection with the acquisition of Incloud Engineering GmbH, initial consolidation as of 31 July 2020 resulted in the addition of goodwill amounting to € 2,628k, which was allocated to the Cloud & IoT segment.
Consistent with IFRS 8 requirements, the company's internal organisational structure used by the management for business decisions and performance assessments has been referred to as the basis for delineating segments. Accordingly, segment reporting is aligned to product structures. This has resulted in the segments of Cloud & IoT and SAP.
The groups of cash-generating units (CGUs) to which goodwill has been allocated correspond to the operating segments determined for the companies included in consolidation pursuant to IFRS 8.5. The operating segments represent the lowest level of reporting at the companies included in consolidation for which goodwill is systematically monitored.
Taking due account of the acquisition of Incloud Engineering GmbH, the carrying amount of goodwill is allocated to segments as presented below.
The redistribution of goodwill in the Consulting segment was based on the relevant values in use of the units within the segment.

€ 000s	Telecommunications	Consulting	Cloud	Cloud & IoT	SAP
Carrying amount at 31 Dec. 2019	**894**	**10,409**	**7,062**	**-**	**-**
Reallocation	(894)	(10,409)	(7,062)	-	-
Carrying amount at 1 Jan. 2020	**-**	**-**	**-**	**8,822**	**9,543**
Incloud Engineering	-	-	-	2,628	-
Carrying amount at 31 Dec. 2020	**-**	**-**	**-**	**11,450**	**9,543**

Due to the amended segmentation from 1 January 2020 onwards, the recoverability of goodwill was reviewed as of this date directly prior to being reallocated. The impairment test as of 1 January 2020 did not identify any indication that goodwill was impaired.
q.beyond determines the recoverable amount of the CGUs as their value in use and refers here to the cash flow forecasts from continued use of the CGUs based on the Management Board's planning for the company for a three-year period. This planning accounts for management expectations with respect to the future performance of individual business units and also takes due account of internal assumptions concerning the marketing opportunities for innovative applications, as well as of past experience.

The **Cloud & IoT segment** pools all IT services and offers a broad range of IoT services. Revenue growth in a double-digit percentage range has been assumed for the detailed planning period. Assuming that expenses do not rise to the same extent as revenues, a robust increase in EBITDA, and thus also in the EBITDA margin, is expected. The sustainable growth rate is assumed to amount to 1.0%.

The revenue growth generated in the **SAP segment** in 2020 is expected to continue in the detailed planning period. In particular, the need on the part of customers to convert to S/4HANA will lead to substantial revenue growth in the years covered by the planning period. This revenue performance and the increasing deployment of internal rather than external staff will significantly increase EBITDA and the EBITDA margin. A sustainable growth rate of 1.0% has been assumed for the SAP segment.
To discount the cash flows expected for the respective CGUs, the segment-specific weighted average costs of capital (WACC) were determined. Segment-specific beta factors were derived by reference to peer group data.

Segment-specific pre-tax discount rates are as follows:

	2020
Cloud & IoT	9.05%
SAP	8.69%

The discount rate is a pre-tax key figure. It has been based on the yield on government bonds issued by the government on relevant markets and denominated in the same currencies as the underlying cash flows. This discount rate is adjusted to account for a risk premium reflecting the higher overall risk involved in an equity investment and the specific risk profiles of individual CGUs.
The values in use of the Cloud & IoT CGU groups are € 36,413k higher than the carrying amounts of the assets. The calculation of the CGUs' value in use is subject to forecasting uncertainties, particularly in respect of the development in prices and market shares, with these uncertainties requiring consideration when planning revenues, gross profit, the capex ratio and the discount rate.
Various scenario analyses were performed for the impairment tests. The Management Board has determined that one change deemed possible in a material assumption in the Cloud & IoT segment might lead the carrying amount to exceed the recoverable amount. All other factors being equal, an impairment requirement would arise if revenues in the final planning year, and thus in perpetuity, were to fall 12.8% short of the sales of € 169,266k assumed in the plan.

16 Leases

q.beyond as lessee

In its capacity as lessee, q.beyond leases data centre space, office space, car parking spaces, dark fibre lines and vehicles. Pursuant to IFRS 16, the company has recognised right-of-use assets and lease liabilities for most of these lease contracts, i.e. the leases are recognised in the balance sheet.
Right-of-use assets are initially measured in the amount of the respective lease liabilities, adjusted to account for any lease payments made in advance or deferred, and subsequently at amortised cost. Right-of-use assets are subject to straight-line depreciation over the term of the respective contract.
q.beyond tested its right-of-use assets for impairment at the end of the financial year and concluded that there were no indications of impairment.
In applying IFRS 16, q.beyond drew on a number of practical expedients. Specifically, the company:

- Applied a single discount rate for a portfolio of similarly structured lease contracts (e.g. real estate contracts with similar remaining terms)
- Did not recognise any right-of-use assets or lease liabilities for those leases with terms ending within 12 months of the date of initial application
- Did not recognise any right-of-use assets or lease liabilities for those leases for which the underlying asset is of low value (e.g. IT equipment)

The terms of contracts valid as of 31 December 2020 are presented in the following table:

	Term in years
Type of contract	
Lease contracts for data centre space	1 – 6
Lease contracts for office space	1 – 6
Lease contracts for car parking spaces	1 – 6
Lease contracts for dark fibre lines	3
Lease contracts for cars	1 – 4

A number of lease contracts, mainly for real estate, include extension and termination options. In determining the terms of these contracts, due account is taken of all facts and circumstances offering an economic incentive to exercise extension options or not exercise termination options. q.beyond only accounts for amendments to the respective contractual terms due to the exercising or non-exercising of such options when these are reasonably certain to occur.
The company estimates that the potential future lease payments resulting from exercising the extension options on significant lease contracts would result in an undiscounted lease liability of € 21.8 million.
The opening values, additions, disposals and amounts of depreciation for the right-of-use assets underlying the respective classes are presented in the table below:

€ 000s	Real estate	Technical equipment	Operational and business equipment	Total
Gross value at 1 Jan. 2019	**52,555**	**58,224**	**1,088**	**111,867**
Additions	4,587	6,624	211	11,422
Disposals	(2,733)	(4,529)	(26)	(7,288)
Disposals due to deconsolidation / Plusnet sale	(31,233)	(61,001)	(601)	(92,835)
Reclassifications	-	1,739	-	1,739
Gross value at 31 Dec. 2019	**23,176**	**1,057**	**672**	**24,905**
Acquisitions due to business combinations	376	-	-	376
Additions	230	645	457	1,332
Disposals	(77)	(132)	(132)	(341)
Gross value at 31 Dec. 2020	**23,705**	**1,570**	**997**	**26,272**
Accumulated depreciation and impairments at 1 Jan. 2019	**-**	**-**	**-**	**-**
Additions	6,857	12,697	385	19,939
Disposals	(85)	(8)	(4)	(97)
Disposals due to deconsolidation / Plusnet sale	(1,585)	(13,166)	(120)	(14,871)
Reclassifications	-	806	-	806
Accumulated depreciation and impairments at 31 Dec. 2019	**5,187**	**330**	**261**	**5,778**
Additions	4,206	425	320	4,951
Disposals	(107)	(50)	(126)	(283)
Accumulated depreciation and impairments at 31 Dec. 2020	**9,286**	**705**	**455**	**10,446**
Carrying amounts at 31 Dec. 2019	**17,989**	**727**	**411**	**19,127**
Carrying amounts at 31 Dec. 2020	**14,419**	**865**	**542**	**15,826**

Amounts recognised in the income statement in addition to depreciation:

€ 000s	2020
IFRS 16 leases	
Interest expenses on lease liabilities	401
Interest income on subleasing of right-of-use assets in finance leases	4
Expenses for short-term leases	35
Expenses for low-value asset leases, except short-term leases of low-value assets	79

Amounts recognised in the statement of cash flows:

€ 000s	2020
Total outflow of cash for leases	**5,651**

The terms of the lease liabilities are presented in the table in Note 40.

q.beyond as lessor

Operating leases. q.beyond agrees lease-like components with its customers, in this case mainly for data centre space rental. Here, the company concludes part amortisation contracts without purchase options or price adjustment clauses. The lease contracts have average terms of three to five years (and in some cases provide for extension options).
In 2020, lease income of € 19,088k was recognised under revenues (2019: € 26,315k).
The following table presents a maturity analysis for lease receivables and shows the undiscounted lease payments due to be received after the balance sheet date:

€ 000s	2020
Operating lease contracts	
Less than 1 year	17,366
1 to 2 years	12,781
2 to 3 years	10,648
3 to 4 years	7,743
4 to 5 years	7,216
More than 5 years	21,326
Operating lease contracts	**77,080**

Finance leases

q.beyond acts as lessor in some specialised multiple element arrangements and subleases. The following table presents a maturity analysis of the future minimum lease payments from finance leases:

€ 000s	2021	2022	2023	2024	Total
Minimum lease payments					
receivable in future					
Lease payments	2,406	1,965	30	7	4,408
Discounting	(25)	(19)	(1)	-	(45)
Present values	**2,381**	**1,946**	**29**	**7**	**4,363**

In 2020, an amount of € 2,736k was recognised as lease payments (2019: € 1,619k).

17 Other intangible assets

€ 000s	Licenses	Acquired software	Internally generated software	Customer connec-tions	Customer bases	Brands	Other	Total
Gross value								
at 1 Jan. 2019	**1,948**	**17,768**	**9,299**	**68,085**	**36,223**	**2,726**	**12,070**	**148,119**
Additions	71	1,655	17	2,087	-	-	-	3,830
Disposals	-	(266)	-	(2)	-	-	-	(268)
Reclassifications	-	(1,445)	1,445	(1,739)	-	-	-	(1,739)
Disposals due to deconsolidation / Plusnet sale	(1,934)	(10,448)	-	(68,431)	-	-	(706)	(81,519)
Gross value at 31 Dec. 2019	**85**	**7,264**	**10,761**	**-**	**36,223**	**2,726**	**11,364**	**68,423**
Additions	-	136	-	-	-	18	-	154
Disposals	-	(83)	-	-	(97)	(1,812)	(458)	(2,450)
Reclassifications	-	-	-	-	-	-	-	-
Gross value at 31 Dec. 2020	**85**	**7,317**	**10,761**	**-**	**36,126**	**932**	**10,906**	**66,127**
Accumulated amortisation and impairments								
at 1 Jan. 2019	**1,384**	**14,564**	**8,679**	**62,829**	**22,313**	**2,526**	**11,413**	**123,708**
Additions	61	849	741	1,977	2,056	100	3	5,787
Disposals	-	(249)	-	(808)	-	-	-	(1,056)
Disposals due to deconsolidation / Plusnet sale	(1,360)	(9,868)	-	(63,998)	-	-	(701)	(75,927)
Accumulated amortisation and impairments at 31 Dec. 2019	**85**	**5,297**	**9,420**	**-**	**24,369**	**2,626**	**10,715**	**52,512**
Additions	-	20	868	-	2,055	101	639	3,683
Disposals	-	(83)	-	-	(97)	(1,812)	(458)	(2,450)
Accumulated amortisation and impairments at 31 Dec. 2020	**85**	**5,234**	**10,288**	**-**	**26,327**	**915**	**10,896**	**53,745**
Carrying amounts at 31 Dec. 2019	**-**	**1,967**	**1,341**	**-**	**11,854**	**100**	**649**	**15,911**
Carrying amounts at 31 Dec. 2020	**-**	**2,083**	**473**	**-**	**9,799**	**17**	**10**	**12,382**

In its income statement, q.beyond reports depreciation and amortisation within the cost of revenues, sales and marketing expenses and general and administrative expenses line items.

18 Trade receivables

In terms of their historic recoverability, receivables that are not more than 180 days past due showed a very low default rate of 0.08% over the past five years. Unless the creditworthiness of the respective customer changes significantly in the first 180 days after performance of the respective service, based on historic empirical values and with due consideration of materiality factors q.beyond therefore does not recognise any allowance in this period. In response to the Covid-19 pandemic, a risk allowance that is almost four times higher has been recognised for these receivables for the first time in the 2020 financial year. This is intended to cover the expected default on these receivables. To assist in the calculation of the default risk, the development in Germany's gross domestic product (GDP) in real terms between 2015 and 2019 was set in relation to the GDP expected in the 2020 financial year. The resultant factor was multiplied by the historic default rate of 0.08 and led to a default rate of 0.3%.
Receivables that are more than 180 days past due are considered on an individual case basis, i.e. all receivables more than 180 days past due are individually tested for impairment.
As of 31 December 2020, trade receivables amounting to € 585k were impaired (2019: € 213k). The individual allowances schedule and provision for expected credit losses developed as follows:

€ 000s	**2020**	**2019**
Allowance at 1 January	**213**	**3,689**
Added and expensed	441	427
Utilised	-	(129)
Reversed	(69)	(63)
Disposal due to deconsolidation / Plusnet sale	-	(3,711)
Allowance at 31 December	**585**	**213**

The allowance recognised for trade receivables as of 31 December 2020 is structured as follows:

€ 000s	Default rate (weighted average)	Gross carrying amount	Allowance	Impaired credit-worthiness
Receivables				
Expected credit loss	0.3%	37,064	(109)	no
Individual allowance	81.4%	585	(476)	yes
Total		**37,649**	**(585)**	**37,064**

Receivables of € 248k were written down in the financial year under report. These mainly (€ 243k) related to a customer that filed for bankruptcy during the financial year.
Incoming payments of € 263k were received in the 2020 financial year on previously written down receivables with carrying amounts of € 340k.

19 Prepayments

Non-current prepayments of € 1,664k (2019: € 1,401k) and current prepayments of € 3,214k (2019: € 3,525k) chiefly consist of prepayments for service and maintenance agreements.

20 Inventories

The inventories recognised as of 31 December 2020 exclusively relate to consumables of € 57k (2019: € 22k).

21 Other assets

The other current assets of € 3,514k (2019: € 12,610k) mainly include receivables of € 1,357k in connection with finance lease contracts (2019: € 1,698k), paid cash deposits of € 885k (2019: € 978k) and receivables of € 855k due from the tax authorities (2019: € 1,004k). The receivables due in connection with finance lease contracts include receivables of € 730k for multiple element arrangements (2019: € 960k) and receivables of € 627k for subleases (2019: € 738k).
Other non-current assets with remaining terms of more than one year amount to € 2,061k (2019: € 4,819k) and mainly comprise receivables in connection with finance lease contracts of € 956k (2019: € 2,455k) and

paid cash deposits of € 895k (2019: € 2,105k). The receivables due in connection with finance lease contracts include receivables of € 632k for subleases (2019: € 1,507k) and of € 324k for multiple element arrangements (2019: € 948k).
Assets include contract acquisition costs of € 199k (2019: € 287k). Of these, € 41k are non-current (2019: € 164k) and € 158k current (2019: € 123k). These assets are written down over the terms of the underlying contracts.

22 Cash and cash equivalents

Cash and cash equivalents amounted to € 44,925k at the 2020 balance sheet date (2019: € 66,031k) and consisted of cash at banks and cash on hand.

23 Issued capital

As of 1 January 2020, issued capital at the company amounted to € 124,172,487 and comprised 124,172,487 no-par registered ordinary shares.
Conversion rights relating to stock option plans were exercised during the financial year under report, as a result of which 300,000 convertible bonds were converted into shares.
The changes in the number of shares and in issued capital are as follows:

	No-par ordinary shares	€
Number of shares at 1 January 2020	**124,172,487**	**124,172,487**
Addition due to issue of no-par ordinary shares	300,000	300,000
Number of shares at 31 December 2020	**124,472,487**	**124,472,487**

In the 2020 financial year, a dividend of € 0.03 per share with dividend entitlement was distributed for the previous year (€ 3,725k).

24 Capital reserve

The capital reserve amounted to € 144,160k as of 31 December 2020 (2019: € 144,132k). This amount also includes the deferred share-based compensation for the stock option plan. Of the year-on-year change, € 38k is due to the exercising of convertible bonds and € -10k to non-cash share-based compensation.

25 Authorised and conditional capital

Authorised capital. By resolution of the Annual General Meeting on 20 May 2020, the Management Board is authorised, subject to approval by the Supervisory Board, to increase the company's issued capital by up to a total of € 37,000,000 on one or several occasions up to 19 May 2025 by issuing new no-par registered shares in return for contributions in cash and/or kind (Authorised Capital 2020). As a general rule, subscription rights should be granted to shareholders. Subscription rights may also be granted to shareholders in such way that the new shares are taken over by one or several banks or companies defined in § 186 (5) Sentence 1 of the German Stock Corporation Act (AktG) with the obligation to offer them to shareholders for subscription (indirect subscription right).
When drawing on authorised capital, the Management Board may, subject to approval by the Supervisory Board, exclude shareholders' subscription rights in five cases: (1) to exclude residual amounts from shareholders' subscription rights; (2) when the new shares are issued in return for contributions in kind in the context of business combinations or for the purpose of acquiring companies, parts of companies, interests in companies or of other assets or of rights to acquire other assets, including receivables due to the company; (3) if the new shares are issued in return for cash contributions and if, at the time of final stipulation, the issue price for each new share does not fall materially short of the stock market price of company shares of the same class and furnished with the same rights that are already listed. The number of shares issued to the exclusion of subscription rights in this way may not exceed a total of 10% of issued capital either at the time at which this authorisation takes effect or at the time at which the authorisation is drawn on. Other shares issued or disposed of during the term of this authorisation to the exclusion of subscription rights with direct or corresponding application of § 186 (3) Sentence 4 AktG must be imputed to this 10% limit, as must any shares issued to satisfy option and/or conversion rights or obligations in connection with warrant and/or convertible bonds and/or profit participation rights to the extent that such bonds or profit participation rights are issued during the term of this authorisation to the exclusion of subscription rights with corresponding application of § 186 (3) Sentence 4 AktG; (4) to the extent necessary to issue subscription rights for new shares to the bearers or creditors of warrant and/or convertible bonds with option and/or conversion rights or obligations that were or are still to be issued by the company or an affiliated group company pursuant to § 18 AktG in which the company directly or indirectly holds a majority stake, with such subscription rights for new shares being issued to the extent to which the aforementioned bearers or creditors would be entitled having exercised their option or conversion rights or satisfied their option exercise or conversion obligations; (5) if the new shares are to be issued to employees of the company, employees of a company affiliated with the company, or members of the management of a company affiliated with the company in the context of share participation or other share-based plans, in which case the employment relationship with the company or, in the case of an affiliated company, the affiliation with the company and the employment relationship with such affiliated company must still pertain at the time at which the issue of shares is approved; to the extent permitted by § 204 (3) Sentence 1 AktG, the contribution payable for the new shares may be covered from that portion of the annual net surplus which the Management and Supervisory Boards are permitted to allocate to other revenue reserves pursuant to § 58 (2) AktG. The number of shares issued to the exclusion of subscription rights in this way may not exceed a total of 5% of issued capital either at the time at which this authorisation takes effect or at the time at which the authorisation is drawn on; and only to the extent that the shares issued to the exclusion of shareholders' subscription rights in return for cash

contributions or contributions in kind on the basis of and during the term of this authorisation or on the basis of another authorised capital do not exceed a total of 20% of issued capital either at the time at which this authorisation takes effect or at the time at which the authorisation is drawn on. Treasury shares disposed of to the exclusion of subscription rights during the term of this authorisation are imputed to the aforementioned 20% limit, as are any new shares to be issued to the exclusion of subscription rights during the term of this authorisation as a result of warrant and/or convertible bonds and/or option or conversion rights. Any shares to be issued on the basis of convertible bonds resulting from any stock option plan at q.beyond AG which benefits Management Board members and company employees or members of the management and employees at affiliated companies are exempted from the aforementioned imputation.
This authorised capital is intended to enable q.beyond AG to react swiftly and flexibly to opportunities arising on the capital market and where necessary to obtain equity capital on favourable terms. No use was made of authorised capital in the past financial year.

Conditional capital. The company had conditional capital totalling € 27,451,500 as of the balance sheet date. This was divided into Conditional Capital IV (€ 25,000,000), Conditional Capital VIII (€ 2,001,500) and Conditional Capital IX (€ 450,000).
Conditional Capitals VIII and IX serve to secure the conversion rights of bearers of convertible bonds that q.beyond AG has issued or may issue within the framework of existing stock option plans to Management Board members (Conditional Capital IX) or to Management Board members, managing directors of affiliated companies, employees of q.beyond AG and affiliated companies (Conditional Capital VIII).
Conditional Capital IV may be used by the Management Board to create tradable warrant and/or convertible bonds. The Management Board is authorised by resolution of the Annual General Meeting on 20 May 2020 to issue such instruments in order to access additional attractive financing alternatives on the capital market, depending on market conditions, over and above traditional possibilities of taking up debt and equity capital. The convertible bonds may be issued in return for both cash contributions and contributions in kind. The Management Board is authorised, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights to these warrant and/or convertible bonds in four cases: (1) to settle residual amounts resulting from the subscription ratio; (2) when the bonds are issued in return for contributions in kind, particularly in the context of company acquisitions; (3) if, in the case of bonds being issued in return for cash contributions pursuant to § 186 (3) Sentence 4 AktG, the issue price does not fall materially short of the market value of the bonds; and (4) to the extent necessary to issue subscription rights to the bearers or creditors of warrant and/or convertible bonds previously issued in order to avoid dilution of their respective holdings. To date, the Management Board has not acted on the authorisation to issue tradable warrant and/or convertible bonds.
The exclusion of shareholders' subscription rights pursuant to § 186 (3) Sentence 4 AktG may only apply for the use of treasury stock, for the issue of new shares from authorised capital and for the issue of warrant and/or convertible bonds corresponding up to an aggregate total of no more than 10% of issued capital during the term of the respective authorisation. Apart from this, the exclusion of shareholders' subscription rights, irrespective of the legal grounds, for the use of treasury stock, for the issue of new shares from authorised capital and for the issue of warrant and/or convertible bonds (including those issued within q.beyond's stock option plans) may not exceed an aggregate total of 20% of issued capital during the term of the respective authorisation.

26 Other reserves

The development in this item in the 2020 and 2019 financial years is presented in the consolidated statement of changes in equity.
Other reserves were structured as follows as of 31 December:

€ 000s	2020	2019
Other reserves		
Actuarial gains / losses on pension plans	(3,660)	(3,186)
Deferred taxes	1,194	1,039
Other reserves	**(2,466)**	**(2,147)**

27 Other financial liabilities

Other financial liabilities comprise convertible bonds (see Note 36) of € 21k (2019: € 25k) and bank liabilities of € 2k (2019: € 0k).
Information about current liabilities under finance lease arrangements can be found in Note 16.

28 Pension provisions

q.beyond operates defined benefit pension plans which are partially secured through reinsurance policies that are classified as plan assets in accordance with IAS 19.
Pension provisions cover the obligations resulting from pension commitments made to one member of the Supervisory Board during his previous activity as a member of q.beyond's Management Board and to two former Management Board members at the former INFO AG, as well as obligations resulting from pension commitments made to parts of q.beyond's workforce in previous years.
The pension entitlements relate to defined benefits which depend primarily on the period of service with the company and the relevant level of pensionable salary. These defined benefit plans expose q.beyond to actuarial risks, including longevity and interest rate risks.
The pension provisions for defined benefit plans are measured using the projected unit credit method in accordance with the requirements of IAS 19 and take future developments into account. The biometric calculations were based on the 2018 G biometric tables newly published in 2018 by Prof. Dr. Klaus Heubeck – Lizenz Heubeck-Richttafeln-GmbH, Cologne.
q.beyond recognises actuarial gains and losses directly through other comprehensive income. In 2020, accumulated actuarial losses after taxes of € 2,466k were recognised through other comprehensive income (2019: € 2,147k). Total actuarial losses after taxes came to € 319k in the 2020 financial year (2019: € 876k).

€ 000s	2020	2019
Present value of defined benefit obligation at 1 January	**8,423**	**7,452**
Deconsolidation	-	(110)
Interest cost	46	130
Actuarial losses (gains)		
Due to changes in financial assumptions	400	1,263
Due to experience adjustments	74	52
Benefits paid	(261)	(364)
Present value of defined benefit obligation at 31 December	**8,682**	**8,423**
Fair value of plan assets at 1 January	**(2,130)**	**(1,907)**
Interest income	(12)	(36)
Income/expenses from plan assets excluding amounts		
included in net interest income and expenses	(4)	1
Amounts paid out	-	17
Company contributions to plan assets	(210)	(205)
Fair value of plan assets at 31 December	**(2,356)**	**(2,130)**
Pension provision at 31 December	**6,326**	**6,293**
Discount factor	0.40%	0.54%
Rate of compensation increase	2.00%	2.00%
Pension indexation	1.00%	1.00%

Expenses for plan assets excluding amounts included in interest income are reported under other comprehensive income.
The income and expenses recognised in the income statement for defined benefit plans are structured as follows:

€ 000s	2020	2019
Pension expenses		
Interest cost	46	130
Income from plan assets recognized through profit or loss	(12)	(36)
Pension expenses	**34**	**94**

Pension payments of € 368k and funding contributions to plan assets of € 210k are expected in 2021.
If the aforementioned material assumptions used to measure pension obligations as of the balance sheet date were to change by half a percentage point in each case, pension obligations would increase / decrease as follows:

€ 000s	Change in pension obligations	Pension obligations
Change in interest rate +0.5%	(627)	8,055
Change in interest rate -0.5%	705	9,387

As of 31 December 2020, the weighted average term of the defined benefit obligation came to 15.3 years (2019: 15.1 years).
Employer contributions to defined contribution plans amounted to € 4,969k in the 2020 financial year (2019: € 5,606k).

29 Other provisions and tax provisions

(a) Other provisions

€ 000s	Restruc-turing	Redundancy payments	Dismant-ling	Onerous contracts	Litigation risks	Warranties	Total
Balance at 1 January 2020	**4,565**	**2,382**	**440**	**190**	**1**	**-**	**7,578**
Taken over in a business							
combination	-	-	-	-	-	32	32
Added	2,797	1,044	125	-	65	-	4,031
Utilised	(2,431)	(2,309)	-	(83)	-	-	(4,823)
Reversed	(12)	(41)	-	-	-	(8)	(61)
Balance at 31 December 2020	**4,919**	**1,076**	**565**	**107**	**66**	**24**	**6,757**
Non-current	-	-	565	-	-	-	565
Current	4,919	1,076	-	107	66	24	6,192
Balance at 31 December 2020	**4,919**	**1,076**	**565**	**107**	**66**	**24**	**6,757**

Restructuring. During 2020, the Management Board decided to further optimise cost structures in its Cloud & IoT segment. q.beyond has recognised a provision of € 2,797k to cover redundancy payments to employees. Work on implementing all restructuring measures, including those initiated in previous years, is expected to be completed by the end of 2021.

Redundancy payments. Provisions of € 1,044k were capitalised in 2020 for redundancy payments to employees. These provisions will be utilised in 2021. The estimated costs are based on the terms of the relevant agreements.

Dismantling. The dismantling obligation of € 565k (2019: € 440k) mainly comprises an amount of € 440k (2019: € 440k) for a rented data centre for which the rental term expires on 30 April 2023, as well as an amount of € 100k (2019: € 0k) for a leased office building whose rental term expires on 31 December 2022.

Onerous contracts. These mainly relate to ancillary costs at a rented property where the object of the rental agreement can only be used to a diminished extent. The rental term of the onerous contracts expires as of 31 December 2022.

(b) Tax provisions

€ 000s	Corporate income tax and solidarity surcharge	Trade tax	Interest as per § 233a of the Fiscal Code (AO)	Total
Balance at 1 January 2020	27	27	-	54
Added	130	141	6	277
Utilised	-	-	-	-
Reversed	-	-	-	-
Balance at 31 December 2020	**157**	**168**	**6**	**331**

30 Trade payables and other liabilities

€ 000s	2020	2019
Current		
Trade payables	10,392	10,350
Contract liabilities	670	488
Other liabilities	11,374	17,755
Current	**22,436**	**28,593**

Other liabilities mainly includes personnel liabilities of € 7,913k (2019: € 7,357k) and liabilities of € 1,815k to the tax authorities (2019: € 1,371k).

31 Deferred income

Consideration paid in advance for services that have not yet been performed or goods that have not yet been delivered is deferred on a time-apportioned basis over the term of the contract or over the period for which the customer relationship is expected to last.

Notes to the Consolidated Statement of Cash Flows

The statement of cash flows is divided into three sections: operating, investing and financing activities. The cash flow from operating activities has been calculated using the indirect method.
The cash flow from financing activities includes outgoing payments for the repayment of lease liabilities. Interest income is recognised in the cash flow from operating activities, while interest payments are accounted for in the cash flow from financing activities. Tax payments are reported in their full amount in the cash flow from operating activities, as it is not possible to allocate these items to individual segments.

32 Cash flow from operating activities

The cash flow from operating activities amounted to € -4,966k in the 2020 financial year and thus improved by € 12,744k compared with the previous year.
This was essentially due to the year-on-year improvement in earnings before taxes following adjustment of the previous year's figure to exclude the profit generated from the sale of subsidiaries and the goodwill impairments recognised.

33 Cash flows from investing activities and financing activities

The cash flow from investing activities amounted to € -7,087k in the 2020 financial year (2019: € 173,193k). The positive cash flow from investing activities reported in the previous year was exclusively attributable to the sale of Plusnet GmbH. Payments for the acquisition of property, plant and equipment and of intangible assets fell year-on-year by € 6,853k. The acquisition of shares in Incloud Engineering GmbH led to an outflow of funds amounting to € 1,515k.
The cash flow from financing activities amounted to € -9,053k in the 2020 financial year (2019: € -143,070k). The outflow of funds was primarily due to payments of € 5,651k in connection with lease liabilities (2019: € -18,771k) and dividend payments of € -3,725k to shareholders in q.beyond AG (2019: € -3,725k).

€ 000s	1 Jan. 2020	Cash-effective changes	Non-cash-effective changes	31 Dec. 2020
Financial liabilities				
Lease liabilities	22,198	(6,052)	1,722	17,868
Financial liabilities	**22,198**	**(6,052)**	**1,722**	**17,868**

Other Disclosures

34 Subsidiaries

The consolidated financial statements include the following companies:

€ 000s	Shareholdings in %	Equity 31 Dec. 2020	Net income 2020
Subsidiary, headquarters, country			
(Disclosures as per HGB annual financial statements)			
IP Colocation GmbH, Nuremberg, Germany	100.00	3,705	364
IP Exchange GmbH, Nuremberg, Germany	100.00	465	(35)
Incloud Engineering GmbH, Darmstadt, Germany	100.00	612	457
Q.BEYOND, SIA, Riga, Latvia	100.00	161	(91)

For all of its subsidiaries, the control exercised by q.beyond is attributable to its share of voting rights. Information about the acquisition of Incloud Engineering GmbH can be found in Note 2.

35 Segment reporting

In accordance with the provisions of IFRS 8, the basis for identifying segments consists of the company's internal organisational structure as used by corporate management for business administration decisions and performance assessments.

New segmentation since 1 January 2020. Since the first quarter of 2020, the Colocation business has, together with the former Cloud and Outsourcing segments, formed the new "Cloud & IoT" segment. This way, q.beyond has accounted for the amended management of the company following the Plusnet sale, as well as the fact that customers are increasingly combining services from these business fields. This segment is supplemented by the "SAP" segment.

Cloud & IoT. This segment pools all IT services that assist companies in gradually transitioning to the digital age and also includes a broad portfolio of IoT services. Customers are increasingly combining IoT and IT services. All major IT functions can be procured as turnkey cloud modules or as individual outsourcing services. These range from virtual IT workplaces and business applications to flexible IT resources through to comprehensive communications and network services. These activities are supplemented by colocation services involving the provision of data centre capacities.

The IoT business also covers the whole spectrum of relevant services, including software competence, hardware from sensors through to gateways, and secure data transmission and storage.

SAP. The "SAP" segment involves the provision of consulting services to companies to assist them in digitalising and optimising their business processes based on SAP technologies and the operation of corresponding applications. q.beyond is an SAP full-service provider and has extensive experience in basis operations, application management, implementation, user support and maintenance, as well as in licensing and rental models.

The segment contribution is the key segment performance indicator referred to by the management. This is defined as EBITDA before general and administrative expenses and the other operating result. For income statement purposes, the cost of revenues is thus allocated in full to the respective segment, as are sales and marketing expenses. The direct and indirect allocation of costs to individual segments is consistent with internal reporting and management structures.
Indirect cost allocation is primarily based on resource utilisation by the respective segments. The Management Board does not receive any regular information about segment-specific assets and liabilities, general and administrative expenses, depreciation and amortisation and other operating income and expenses as components of the respective segment earnings figures.

€ 000s	Cloud & IoT	SAP	Group
2020 financial year			
Revenues	**102,001**	**41,415**	**143,416**
Cost of revenues	(85,551)	(34,703)	(120,254)
Gross profit	**16,450**	**6,712**	**23,162**
Sales and marketing expenses	(8,696)	(3,866)	(12,562)
Segment contribution	**7,754**	**2,846**	**10,600**
General and administrative expenses			(14,721)
Depreciation and amortisation (including			
non-cash share-based compensation)			(16,848)
Other operating income and expenses			2,143
Operating earnings (EBIT)			**(18,826)**
Financial income			52
Financial expenses			(464)
Income from associates			(39)
Earnings before taxes			**(19,277)**
Income taxes			(620)
Consolidated net income			**(19,897)**

€ 000s	Cloud & IoT	SAP	Operation disposed of at 30 June 2019	Group
2019 financial year				
Revenues	**90,823**	**36,607**	**110,617**	**238,047**
Cost of revenues	(76,357)	(33,938)	(67,521)	(177,816)
Gross profit	**14,466**	**2,669**	**43,096**	**60,231**
Sales and marketing expenses	(11,492)	(1,599)	(8,904)	(21,995)
Segment contribution	**2,974**	**1,070**	**34,192**	**38,236**
General and administrative expenses				(32,311)
Depreciation and amortisation (including				
non-cash share-based compensation)				(52,377)
Other operating income and expenses				134,389
Operating earnings (EBIT)				**87,937**
Financial income				87
Financial expenses				(6,108)
Income from associates				(16)
Earnings before taxes				**81,900**
Income taxes				(8,357)
Consolidated net income				**73,543**

Revenues include € 3,588k generated with non-German EU customers, (mainly UK – part of the EU Single Market and Customers Union until 31 December 2020 [€ 1,232k] and the Netherlands [€ 916k]), as well as € 1,513k with non-EU customers (mainly Switzerland [€ 1,105k]). All other revenues were generated in Germany. In the 2020 financial year, the "Cloud & IoT" and "SAP" segments had two customers who respectively accounted for 14.3% and 13.5% of total revenues.

36 Stock option plans

Since 1999, q.beyond has incepted a total of eight stock option plans providing for the issue of convertible bonds with a nominal amount of € 0.01 each to employees, Management Board members and members of the management at affiliated companies. Convertible bonds are allocated by the Management Board, which additionally required the consent of the Supervisory Board for allocations to advisors and suppliers. The Supervisory Board alone decides on allocations to members of the Management Board of q.beyond AG.

Participants in these plans are entitled to subscribe convertible bonds in return for payment of the nominal amount of € 0.01 and to convert each convertible bond into a no-par registered share in return for payment of the exercise price. The exercise price for the convertible bond corresponds to the stock market price of the share on the issue date. The convertible bonds have an eight-year term and are subject to a four-year lockup period following subscription.
As of the balance sheet date on 31 December 2020, the SOP 2012 and SOP 2015 plans were active. Convertible bonds allocated within the SOP 2012 plan were eligible for subscription for the last time on 15 May 2017. Allocations and subscriptions within the SOP 2015 plan, which is solely available to Management Board members, were possible until 26 May 2020. No new convertible bonds were allocated or subscribed in the 2020 financial year.
The conversion right provided for by the SOP 2012 and 2015 plans may only be exercised at the earliest after the expiry of a four-year waiting period and only if at least one of the following two conditions is met: the share price is at least 20% higher than the conversion price or the share has outperformed the TecDAX in relative terms since the subscription date. No personnel expenses have been recognised pursuant to IFRS 2 for the convertible bonds resulting from the 2000, 2000A, 2001 and 2002 SOP plans, none of which is now utilisable.
No option values had to be calculated in the 2019 and 2020 financial years for the SOP 2012 and 2015 plans. The distribution of the convertible bonds outstanding under the active plans as of 31 December 2020 and 31 December 2019 is as follows:

	Number of convertible bonds	**Weighted average exercise price in €**
Outstanding at 31 December 2018	**3,564,329**	**2.20**
Newly issued in 2019	-	-
Lapsed in 2019	(1,062,829)	2.53
Exercised in 2019	-	-
Outstanding at 31 December 2019	**2,501,500**	**2.06**
Newly issued in 2020	-	-
Lapsed in 2020	(93,500)	2.26
Exercised in 2020	(300,000)	1.13
Outstanding at 31 December 2020	**2,108,000**	**2.18**

The exercise prices of the 2,108,000 convertible bonds outstanding range from € 1.10 to € 4.59, while the remaining term for exercising them ranges from directly exercisable through to 14 May 2025 at the latest. The exercise price is set upon subscription and cannot be changed subsequently. Depending on the development in its share price, the company expects the outstanding convertible bonds to be converted at the latest by 2025.

As of the balance sheet date on 31 December 2020, the agreed four-year lockup period had expired for a total of 1,638,400 of the outstanding convertible bonds; however, these bonds could not yet be exercised as the underlying terms had not been fully met. A total of 30,500 stock options were directly exercisable as of the balance sheet date.
In the 2020 financial year, income of € 10k was generated in connection with non-cash share-based compensation (2019: expenses of € 13k).

2020 share matching plan

With the approval of the Supervisory Board, in August 2020 the Management Board of q.beyond AG offered select executives at q.beyond AG and the managing directors of companies affiliated with q.beyond the opportunity to participate on a voluntary basis in a 2020 share matching plan. This plan runs until 31 December 2022.
Between 1 September and 9 October 2020, plan participants were able to acquire shares in q.beyond AG on their own behalf and their own account. Subsequent to 31 December 2022, q.beyond will grant matching shares at a predefined ratio to each plan participant if the company's share price reaches € 2.80 by the end of 2022. The plan is capped at a share price of € 4.00. The number of matching shares granted to each participant is dependent on the number of shares acquired at the beginning of the plan, as well as on the participant remaining at the q.beyond Group during the term of the plan. q.beyond currently plans to service the incentive scheme by way of a cash payment corresponding to the stock market value upon maturity of the matching shares to be granted, but is nevertheless also entitled to satisfy the respective claims by granting actual shares.
Plan participants acquired a total of 1,025,369 shares during the acquisition period. The share matching plan was initially recognised at fair value as of the grant date. The fair value of the matching shares committed in the past financial year was determined using a calculation model based on a Monte Carlo simulation. q.beyond shares were included in this model with their expected weighted volatility as of the balance sheet date and at a price of € 1.684 per share. The expected volatility was based on the implicit volatilities of traded company options, which were then calibrated to the option data (term and target share price) of the share matching plan. The model used a risk-free interest rate of -0.5% and an expected dividend yield of 0%.
The share-based compensation will be recognised in the income statement on a time-apportioned basis through to 31 December 2022, with expenses of € 25k so far recognised for the 2020 financial year. A provision of € 25k was recognised as of 31 December 2020 for obligations in connection with the 2020 share matching plan.

37 Related party transactions

Transactions with members of the management in key positions

I Remuneration of members of the management in key positions. The remuneration of members of the management in key positions comprises:

€ 000s	2020	2019
Remuneration of management members		
Short-term benefits	728	1,244
Other long-term benefits	139	150
Termination benefits	-	550
Share-based compensation	-	30
Remuneration of management members	**867**	**1,974**

Remuneration of members of the management in key positions (members of the Management and Supervisory Boards) includes salaries, expense reimbursements, settlements, benefits in kind and expenses incurred for stock option plans.
Other long-term benefits relate to the claim to variable remuneration resulting from the multi-year targets agreed for the Management Board. The Management Board has remuneration claims totalling € 439k in connection with the multi-year targets agreed for the 2018 to 2020 assessment period. This remuneration is disbursed following expiry of the assessment period. Of this total, two amounts of € 150k (€ 300k in total) were already reported as other long-term benefits in the notes to the consolidated financial statements for the 2018 and 2019 financial years.

II Transactions with members of the management in key positions. The company's Management Board (CEO) held voting rights for 1,000,000 shares at the end of the 2020 financial year (share of voting rights: 0.8%). The company's Supervisory Board members have a total of 31,607,394 shares, corresponding to around 25.4% of voting rights.
In 2020, q.beyond AG maintained business relations with companies in which members of its own Management and Supervisory Boards act as shareholders. IAS 24 states that individuals or companies constitute related parties when one of the parties has the possibility of controlling or exercising significant influence over the other party. All contracts with these companies require Supervisory Board approval and are concluded on customary market terms.

Members of q.beyond's Management and Supervisory Boards are shareholders in the following companies:

€ 000s	Net revenues	Expenses	Payments received	Payments made
2020 financial year				
QS Communication Verwaltungs Service GmbH	-	177	-	191
2019 financial year				
QS Communication Verwaltungs Service GmbH	-	152	-	181

€ 000s	Receivables	Payables
31 December 2020		
QS Communication Verwaltungs Service GmbH	-	33
31 December 2019		
QS Communication Verwaltungs Service GmbH	-	15

QS Communication Verwaltungs Service GmbH provides q.beyond with advisory services in its IoT business field.

Transactions with associates

q.beyond has made a commitment to aiXbrain GmbH to provide that company with a subordinated loan of up to € 120k. This loan will be disbursed, possibly in several tranches, if called on by the borrower. The subordinate loan has a fixed term until 30 November 2023. An amount of € 67k had been disbursed upon the preparation of these consolidated financial statements.
Furthermore, q.beyond has agreed options to acquire further shares in the company (call options), which are linked to the assumption of loan agreements, as well as a put option to sell shares in the company should call options previously have been exercised.

38 Deferred and current taxes

q.beyond used an aggregate tax rate of 32.66% to calculate deferred taxes (2019: 32.61%). The deferred tax assets and liabilities recognised as of the balance sheet date relate to the following balance sheet line items and loss carryovers:

€ 000s	Assets	Liabilities	Assets	Liabilities	Consolidated income statement	
	2020	**2020**	**2019**	**2019**	**2020**	**2019**
Deferred tax assets and liabilities						
Intangible assets	-	3,400	-	5,292	1,892	885
Property, plant and equipment	879	5,343	1,195	6,196	537	(5,932)
Other assets	639	-	639	-	-	57
Other receivables	-	898	-	1,266	368	(4,124)
Inventories	15	-	-	-	15	-
Deferred income	-	-	-	-	-	160
Accrued pensions and other provisions	859	-	957	-	(253)	(81)
Change in market price of derivatives	-	-	-	-	-	(116)
Other liabilities	6,020	-	7,018	2	(996)	10,518
Total deferred taxes on temporary differences	**8,412**	**9,641**	**9,809**	**12,756**	**1,563**	**1,367**
Total deferred taxes on loss carryovers	**1,229**	**-**	**2,947**	**-**	**(1,718)**	**(10,186)**
Total deferred taxes before netting	**9,641**	**9,641**	**12,756**	**12,756**		
Netting	9,641	9,641	12,756	12,756		
Total deferred taxes	**-**	**-**	**-**	**-**		

The temporary differences in connection with interests in subsidiaries for which no deferred tax liabilities are recognised amounted to € 172k in the 2020 financial year (2019: € 154k).
Pursuant to IAS 12.39, however, this liability has not been recognised as q.beyond controls the dividend policies of its subsidiaries and can control reversal of the temporary differences.

The following table presents the reconciliation of the expected income tax expenses to the actual income tax expenses. The expected income tax expenses are calculated by multiplying earnings before taxes by q.beyond's tax rate.

€ 000s	2020	2019
Reconciliation		
Net income before income taxes	**(19,277)**	**81,900**
Tax rate	32.66%	32.61%
Expected tax expenses	(6,296)	26,708
Tax effects of		
Changes in write-downs of deferred taxes recognised for loss carryovers	6,772	16,561
Impairment of goodwill	-	4,591
Non-deductible operating expenses	167	312
Tax-exempt income	-	(38,399)
Non-period income	-	(665)
Changes in tax rates	4	(21)
Other items	(27)	(730)
Reconciled tax expenses	**620**	**8,357**

Reconciled tax expenses consist of an amount of € 465k recognised for current tax income expenses (2019: tax income for previous years: € 462k) and deferred tax expenses of € 155k (2019: tax expenses of € 8,819k). In the 2020 financial year, tax expenses of € 155k was recognised directly in other reserves in connection with actuarial gains and losses (2019: tax income of € 438k).
As of 31 December 2020, corporate income tax loss carryovers at q.beyond AG came to € 403 million (2019: € 408 million) while trade tax loss carryovers totalled € 388 million (2019: € 393 million).
No deferred taxes have been recognised for corporate income tax loss carryovers of € 400 million (2019: € 404 million) and trade tax loss carryovers of € 384 million (2019: € 389 million), both of which may be carried forward for unlimited periods, as it is unlikely that these items can be offset against positive taxable income.

39 Legal disputes

EnBW Telekommunikation GmbH, Karlsruhe, initiated legal proceedings against q.beyond by filing a petition for arbitration dated 13 January 2021. In connection with the sale of Plusnet GmbH to EnBW Telekommunikation GmbH, the plaintiff demands that q.beyond should correct its income tax returns for 2017. q.beyond believes that the proceedings have low prospects of success. There are no other court or arbitration proceedings in which q.beyond AG or any of its group subsidiaries are involved which could have a material impact on their economic positions.

40 Objectives and methods used in financial risk management and capital management

In connection with its business activities, q.beyond is exposed to a number of financial risks that are intrinsically linked with entrepreneurial activity. q.beyond combats these risks with a comprehensive risk management system, which is an integral component of its business processes and corporate decisions. The key elements of this system are a Group-wide planning and controlling process, Group-wide policies and reporting systems, as well as Group-wide risk reporting.
The Management Board lays down the principles of the company's financial policies annually and monitors these within the risk management system. Further information about risk management can be found in the Group Management Report.
Financial liabilities mainly comprise trade payables and lease liabilities. The main purpose of these financial liabilities is to finance the company's operating activities. Financial assets directly resulting from business activities relate in particular to trade receivables and cash and cash equivalents. No derivatives were traded in the 2020 financial year.
The main risks to which q.beyond is exposed due to its use of financial instruments include credit risk and liquidity risks. Since no material transactions are executed in foreign currencies, there are no material foreign currency risks. There were no material risk clusters in the past financial year. The strategies and procedures used to manage these risks are presented below.

Credit risk. q.beyond is exposed to the risk of payment defaults on the part of its customers. The company makes efforts to ensure that it only enters into business dealings with creditworthy customers and thus attempts to exclude this risk from the outset. To this end, creditworthiness checks are performed before the respective contract is concluded. Once business relations have been initiated, receivables balances are monitored to reduce potential default risks.
Maximum default risks are limited to the carrying amounts of the receivables disclosed in Note 18. q.beyond expects non-impaired receivables to be collectible.

Liquidity risks. q.beyond monitors its risk of a liquidity shortfall with monthly liquidity planning. This accounts for the terms of available financial assets and the expected cash flows from operating activities. As of the respective balance sheet date, q.beyond's current and non-current financial liabilities had the following maturities. These disclosures are based on the expected undiscounted payments.

€ 000s	Carrying amount	Due by end of 2021	Due by end of 2022	Due by end of 2023	Due by end of 2024	Due by end of 2025	Due after 2025	Total
Lease liabilities	17,868	5,453	4,817	2,392	2,108	2,097	1,001	17,868
Trade payables	10,392	10,392	-	-	-	-	-	10,392
Contractual liabilities	670	670	-	-	-	-	-	670
Other current and non-current financial liabilities	1,356	710	636	3	3	4	-	1,356
At 31 December 2020	**30,286**	**17,225**	**5,453**	**2,395**	**2,111**	**2,101**	**1,001**	**30,286**

€ 000s	Carrying amount	Due by end of 2020	Due by end of 2021	Due by end of 2022	Due by end of 2023	Due by end of 2024	Due after 2024	Total
Lease liabilities	22,198	5,501	5,050	4,449	2,063	2,043	3,092	22,198
Trade payables	10,350	10,350	-	-	-	-	-	10,350
Contractual liabilities	488	488	-	-	-	-	-	488
Other current and non-current financial liabilities	8,958	8,933	-	7	4	7	7	8,958
At 31 December 2019	**41,994**	**25,272**	**5,050**	**4,456**	**2,067**	**2,050**	**3,099**	**41,994**

41 Financial instruments

Disclosures on the balance sheet. Given that the carrying amounts largely correspond to fair values, no separate disclosures have been made on the respective fair values.

€ 000s	Carrying amount	Amortised cost	Fair value – in equity	Fair value – hedging instruments	Fair value – through profit or loss
31 December 2020					
Assets not measured at fair value					
Cash and cash equivalents	44,925	x			
Receivables from finance leases	2,313	x			
Current trade receivables	37,064	x			
Liabilities not measured at fair value					
Trade payables and other liabilities	11,727	x			
Contract liabilities	670	x			
Lease liabilities	17,868	x			
Other financial liabilities	21	x			

€ 000s	Carrying amount	Amortised cost	Fair value – in equity	Fair value – hedging instruments	Fair value – through profit or loss
31 December 2019					
Assets not measured at fair value					
Cash and cash equivalents	66,031	x			
Receivables from finance leases	4,153	x			
Current trade receivables	31,034	x			
Liabilities not measured at fair value					
Trade payables and other liabilities	19,283	x			
Contract liabilities	488	x			
Lease liabilities	22,198	x			
Other financial liabilities	25	x			

Fair value disclosures for instruments with recurring measurement. At the end of each reporting period, q.beyond AG ascertains whether any reclassifications are required between the levels of the measurement hierarchy. No reclassifications were made in the reporting period from 1 January 2020 to 31 December 2020.

Disclosures on the consolidated income statement. The following interest income and expenses and the following net gains and losses on financial instruments are included in the consolidated income statement.

€ 000s	Interest income/interest expenses	Fair value change	Impairments	Payments received on retired receivables	Net result 2020	Net result 2019
Assets valued at amortised cost	37	-	(372)	263	**(72)**	(150)
Liabilities valued at amortised cost	(401)	-	-	-	**(401)**	(5,411)
Fair value – hedging instruments	-	-	-	-	**-**	(472)

€ 000s	Interest income/interest expenses	Fair value change	Impairments	Payments received on retired receivables	Net result 2019	Net result 2018
Assets valued at amortised cost	50	-	(235)	35	**(150)**	(335)
Liabilities valued at amortised cost	(5,411)	-	-	-	**(5,411)**	(3,057)
Fair value – hedging instruments	(472)	-	-	-	**(472)**	(1,033)

42 Declaration pursuant to § 161 AktG regarding compliance with the German Corporate Governance Code

The Management and Supervisory Boards of q.beyond AG submitted their most recent declaration pursuant to § 161 of the German Stock Corporation Act (AktG) on 25 November 2020 and made this available on the company's website at **www.qbeyond.de/en/declaration-of-compliance.** The company will post any future amendments to provisions relevant for compliance with the German Corporate Governance Code on its website without delay.

43 Auditor's fees

The fee paid to KPMG AG Wirtschaftsprüfungsgesellschaft for the audit of financial statements refers above all to the audit of the annual and consolidated financial statements and the dependent company report of q.beyond AG, as well as to audits of the financial statements of subsidiaries.
Other certification services relate to the auditing of the internal control system pursuant to ISAE 3402.

€ 000s	2020	2019
Auditor's fee		
Audit of financial statements	213	267
Other certification services	58	51
Auditor's fee	**271**	**318**

44 Remuneration of the Management and Supervisory Boards

Total Management Board remuneration for the 2020 financial year came to € 852k, as against € 929k in the previous year. This comprises fixed remuneration of € 300k (2019: € 600k), ancillary benefits of € 32k (2019: € 68k) and variable remuneration of € 520k (2019: € 261k).
The breakdown of total remuneration by individual Management Board member can be found in the remuneration tables included in the Remuneration Report within the Group Management Report. This report also includes extensive information about the remuneration system and about payments committed to active Management Board members in the event of the premature termination of their activities.

Remuneration of former Management Board members totalled € 0k in the 2020 financial year (2019: € 550k). The following table presents individualised information about the number of shares and convertible bonds held by members of the Management Board:

	Shares		Convertible bonds	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Jürgen Hermann	1,000,000	670,000	150,000	150,000
Stefan A. Baustert	-	40,000[1]	-	200,000[1]

[1] Holdings at the time of retirement from the Management Board.

Jürgen Hermann purchased shares in the company via the stock exchange in the 2020 calendar year (please also see the corresponding directors' dealings notifications made pursuant to Article 19 of the European Market Abuse Directive on q.beyond's website).
As in the previous year, the Supervisory Board received remuneration totalling € 315k for its activity in the 2020 financial year. The breakdown of overall remuneration by individual Supervisory Board member and further details can be found in the Remuneration Report within the Group Management Report. This report also includes information about the remuneration system and an overview of the shares and convertible bonds held by Supervisory Board members.
The actuarial present value of provisions for vested claims to pensions for former Management Board members amounts to € 2,644k prior to the offsetting of asset values of € 2,133k for reinsurance policies.

45 Risks

Risks are presented in detail in the Risk Report within the Group Management Report.

46 Directors and officers

Management Board. Jürgen Hermann was the sole member of the Management Board in the 2020 financial year.

Supervisory Board. The members of the Supervisory Board in the 2020 financial year were as follows:

Supervisory Board member	
Dr. Bernd Schlobohm	Businessman, Supervisory Board Chairman
Dr. Frank Zurlino	Managing Director at Horn & Company Performance & Restructuring GmbH, Düsseldorf, Germany, and Managing Director at neuland.digital GmbH, Düsseldorf, Germany; Deputy Supervisory Board Chairman
Ina Schlie	Businesswoman
Gerd Eickers	Independent Telecommunications Consultant
Matthias Galler	Senior IT Consultant, Chairman of the Works Council at q.beyond AG, Employee Representative
Martina Altheim	Head of Corporate Social Responsibility at q.beyond AG, Employee Representative

Dr. Frank Zurlino is also a member of the Advisory Board at M2Beauté Cosmetics GmbH, Cologne, Germany, and of the Advisory Board of hasenkamp Holding GmbH, Frechen, Germany.
Ina Schlie is also a member of the Advisory Board at Adolf Würth GmbH & Co. KG, Künzelsau, Germany, of the Supervisory Board of Heidelberger Druckmaschinen AG, Heidelberg, Germany, and of the Supervisory Board of Deutschland – Land der Ideen e. V., Berlin, Germany.
Gerd Eickers is also Chairman of the Supervisory Board at Contentteam AG, Cologne, Germany.

47 Events after the balance sheet date

No events of material significance that would require report here have occurred since the end of the financial year.

Cologne, 23 March 2021

q.beyond AG
The Management Board

Jürgen Hermann

Statement of Responsibility

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Cologne, 23 March 2021

q.beyond AG
The Management Board

Jürgen Hermann

Independent Auditor's Report

To q.beyond AG, Cologne

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of q.beyond AG (until 20 September 2020: QSC AG), Cologne, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of income, 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 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of q.beyond AG, Cologne, for the financial year from 1 January to 31 December 2020. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the „Other Information" section of our auditor's report.
The group management report contains cross-references that are not required by law and which are marked as unaudited. In accordance with German legal requirements, we have not audited the cross-references and the information to which the cross-references refer.

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 IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (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 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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. Our opinion on the group management report does not cover the content of those components of the group management report specified in the „Other Information" section of the auditor's report. The group management report contains cross-references that are not required by law and which are marked as unaudited. Our audit opinion does not extend to the cross-references and the information to which the cross-references refer.

Pursuant to Section 322 (3) 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 Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as „EU Audit Regulation") 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. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

↗ Impairment testing of recognised goodwill

For the accounting policies applied, please refer to the disclosures made by the Company in the notes to the consolidated financial statements in note no. 4. The assumptions underlying the measurement are presented in the notes to the consolidated financial statements under note no. 19.

The financial statement risk

Goodwill of EUR 21 million is recognised in the consolidated balance sheet of q.beyond AG. This corresponds to 11% of total assets.
Impairment of goodwill is tested annually at the level of the „Cloud and IoT" and „SAP" business segments. For this purpose, the carrying amount of the assets is compared with their recoverable amount for the respective business segment. If the carrying amount exceeds the recoverable amount, there is a need to recognise an impairment loss. For the impairment test, the Company determines the value in use. The reporting date for the impairment test is 31 December 2020.
The Company modified its internal control system as at 1 January 2020. The previous Telecommunications (Colocation business), Outsourcing and Cloud segments as well as the Non-SAP Consulting sub-segment of the previous Consulting segment were merged into the new „Cloud & IoT" segment. The SAP Consulting sub-segment of the previous Consulting segment constitutes a second „SAP" segment since 1 January 2020. The changes in the allocations to segments require a reallocation of goodwill, which had, to date, been tested at the level of the Consulting operating segment. Goodwill is allocated using the relative values in use by the segment-related units.
Impairment testing of goodwill is complex and based on a range of assumptions that require judgement. These include the expected business and earnings performance of the business segments for the next three years, the assumed long-term growth rates and the discount rate used.
There is the risk for the financial statements that an impairment loss existing as at the reporting date will not be recognised and, thus, the related disclosures in the notes are not appropriate.

Our audit approach

With the involvement of our valuation experts, we assessed the appropriateness of significant assumptions and the Company's calculation method used for the reallocation of goodwill in the Consulting operating segment and for impairment testing. For this purpose we discussed the expected business and earnings performance and the assumed long-term growth rates with those responsible for operational planning.
As impairment testing was carried out at q.beyond by an external independent expert, we also confirmed the competence, professional skills and impartiality of the appointed external independent expert and obtained an understanding of the nature of their work.
Basing our assessment on the valuation model used by the client, we evaluated the methodical approach and computational accuracy. In addition, we also critically evaluated the assessment of the valuation model made by the independent expert and reconciled their results with our own.
We also reconciled this with the budget prepared by the Management Board and approved by the Supervisory Board.
We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations. We compared the expert's assumptions and data underlying the segment-specific discount rates, in particular the risk-free rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

In order to take account of forecast uncertainty, we examined the impact of potential changes in material assumptions related to measurement on value in use (sensitivity analysis) by calculating alternative scenarios and comparing these with the values stated by the Company.
The results of the calculation were evaluated overall by comparing the computationally derived value of equity, resulting from the sum of value in use less net financial liabilities, with the market capitalisation of the shares of q.beyond AG (as at 31 December 2020).
Finally, we assessed whether the disclosures in the notes regarding impairment testing of goodwill are appropriate. This also included an assessment of the appropriateness of disclosures in the notes according to IAS 36.134(f) on sensitivity in the event of a reasonably possible change in the key assumptions used for measurement.

Our observations

The calculation method used for the impairment testing of goodwill is appropriate and in line with the accounting policies to be applied.
The Company's assumptions and data used for measurement are within an acceptable range and are balanced as a whole.
The related disclosures in the notes are appropriate.

↗ Revenue recognition on an accrual basis

For the accounting policies applied, we refer to the disclosures made by the Company in the notes to the consolidated financial statements in note no. 4.

The financial statement risk

The Group's revenue amounted to EUR 143.4 million in financial year 2020.
q.beyond and its subsidiaries recognise revenue when (or as) they satisfy a performance obligation by transferring a promised good or service to a customer. An asset is considered transferred when (or as) the customer obtains control of that asset. In accordance with the transfer of control, revenue is recognised either at a point in time or over time in the amount to which q.beyond AG expects to be entitled.
Generally, q.beyond AG satisfies the performance obligation and recognises revenue over time if the criterion is met that the customer receives the benefit from the Group's services and simultaneously uses the service while it is performed.
Different contractual agreements, containing in part complex contractual provisions, are made with customers. As a result of these complex provisions and the judgements involved in assessing the time at which control in transferred to the customer, there is the risk for the financial statements that revenue is not recognised in the correct amount as at the reporting date.

Our audit approach

Based on our understanding of the process, we assessed the design, establishment and functionality of the internal controls identified, in particular with regard to the correct revenue recognition cut-off.
As part of our audit, we assessed management's interpretation of the criteria for the recognition of revenue over time in compliance with the requirements of IFRS 15 and the applicable group-wide accounting policy.
For agreements selected on the basis of risk, we assessed the proper implementation of the accounting policy and the revenue recognition in accordance with underlying contractual agreements, as well as most significant instances of judgement such as the selection of the measure of progress and the estimate of the performance progress achieved.
Building upon the knowledge previously obtained, we assessed the proper determination of the respective progress towards complete satisfaction of a performance obligation as well as the balance sheet and income statement recognition.

Our observations

q.beyond AG's approach to recognition of revenue over time is appropriate. The assumptions underlying the accounting treatment are appropriate.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the group management report, whose content was not audited:

- the separate non-financial group report, expected to be provided to us after the date of this auditor's report, which is referred to in the group management report,
- the corporate governance statement referred to in the group management report, and
- information extraneous to the group management report and marked as unaudited.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.
Our 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 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 information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (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, management 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, management 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, management 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, management 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 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 Section 317 HGB and the EU Audit Regulation 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 judgement and maintain professional scepticism 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 provide a basis for our 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 controls.
- 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 opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management'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 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 Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express 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 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 management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 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.
We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the „ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, „ESEFqbeyond2020KA.zip"
(SHA256-Hashwert: b9f0323750b390b6b31c808d06d2c7dad89b8ffdf2c7b85cbe15da4e28fb74b1)
and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format („ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.
In our opinion, the reproduction of the consolidated financial statements and the group management report contained in file, which can be downloaded by the issuer from the electronic client portal with access protection, and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January 2020, to 31 December 2020 contained in the „Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above.

We conducted our assessment of the reproduction of the consolidated financial statements and the group management report contained in the file, which can be downloaded by the issuer from the electronic client portal with access protection, in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).
The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.
In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.
The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].
The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on May 20, 2020. We were engaged by the Chairperson of the Accounting and Audit Committee of the Supervisory Board on 30 November 2020. We have been the group auditor of q.beyond AG, Cologne, without interruption since the financial year 2008. We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Charlotte Salzmann.

Cologne, 23 March 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Salzmann Wirtschaftsprüferin [German Public Auditor]	Gall Wirtschaftsprüfer [German Public Auditor]

Calendar

Quarterly Figures
10 May 2021
9 August 2021
8 November 2021

Annual General Meeting
12 May 2021

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For further information: www.qbeyond.de