Annual Report
2020

CYAN
DIGITAL SECURITY

cyan AG, Munich DE

Key Figures

Earnings Figures		2020	2019
Total earnings[a]	in EUR million	25.4	32.5
EBITDA[b]	in EUR million	-5.1	11.7
EBITDA-margin[c]	in %	-24%	44%
EBIT	in EUR million	-11.0	5.5
EBIT-margin[c]	in %	-52%	21%
Net income/loss	in EUR million	-9.3	4.5
Earnings per share	in EUR	-0.95	0.49

Segment Figures		2020	2019
Revenue BSS/OSS	in EUR million	18.2	18.4
Revenue Cybersecurity	in EUR million	3.1	8.3
EBITDA BSS/OSS	in EUR million	8.4	11.5
EBITDA Cybersecurity	in EUR million	-11.3	3.7

Cash Flow Figures		2020	2019
Operating cash flow	in EUR million	-8.7	-5.8
Investment cash flow	in EUR million	-0.8	0.5
Financing cash flow	in EUR million	1.8	11.8

Balance Sheet Figures		31/12/2020	31/12/2019
Assets, total	in EUR million	96.3	99.3
Equity	in EUR million	72.7	82.2
Net debt[d]	in EUR million	7.3	-5.1

Key Operating Figures		31/12/2020	31/12/2019
Number of staff		149	135
Leads[e]		106	58
Addressable market[f]	in million	74	50

[a] Comprising sales revenue EUR 21.3 million plus other income EUR 2.1 million and changes in inventories EUR 2.0 million.
[b] Including extraordinary expenses amounting to EUR -9.3 million (e.g., FX-effects, write-down of Wirecard receivables)
[c] Calculated as EBITDA or EBIT divided by revenues
[d] Consists of leasing liabilities of EUR 6.2 million and financial liabilities of EUR 3.6 million less cash and cash equivalents of EUR 2.5 million.
[e] Corresponds to leads from internal sales cycle phases: NDA, Proof of Concept, Request for Proposal/Quote, Close to Signing.
[f] Existing contractual relationship where technical integration has already been started/implemented.

Contents

Contents

Letter from the Management Board

Letter from the Management Board

Dear shareholders,

The 2020 financial year was for cyan, as for most companies and people, an extraordinary year marked by many uncertainties, but also by new insights. The global spread of the COVID-19 pandemic brought social and economic life largely to a halt, both nationally and internationally, and led to a downturn in the global economy. Despite the serious endurance test due to the global pandemic, cyan was able to make some important progress with existing and new partners.

At all times, the safety and well-being of our employees was a top priority. As a first step, we moved our employees to home offices, first in Europe and then in Latin America. Thanks to a very flexible IT environment and the excellent response of our employees, we were able to make this transition smoothly and continue our daily operations virtually uninterrupted. However, the often very complex corporate structures at our partners and customers, led to difficulties coping with the new situation on their side, resulting in delayed installation projects and technical on-site workshops, due to reduced resources caused by short-time work and travel restrictions.

The important Mobile World Congress in Barcelona was cancelled in February, depriving us of an important opportunity to present ourselves to potential new customers. With the recurring waves of the pandemic and the resulting global uncertainty, the short-term reaction of most MNOs and insurance companies was, on the one hand, to refocus on mission-critical business and, on the other, to exercise great caution with regard to new investments, which led to budget cuts.

The shift to remote work by large parts of the global population resulted in a significant increase in traffic over private, unsecured networks which led to an immediate increase in cybersecurity incidents through phishing and malware. During the course of the year, many telecommunications companies and insurers recognized this fact and intend to offer their customers suitable products for protection against cyber-attacks in the future. This led to an increased demand for our technology at the end of the year, from which we can also expect significant opportunities for our company in the medium term.

During these difficult times, the dominant focus for us was on implementing installations with existing customers. First and foremost, we were able to make significant progress with Orange France. Once we had handed over the software solution in the beginning of 2020, we went on to complete the technical test phase and began Friendly Customer Testing, an ‘early-access program’ with a four-digit number of interested customers in preparation for the commercial launch. In addition, detailed talks and negotiations with Orange companies in other countries have been initiated, and other projects such as the one in Slovakia have been defined and started. The network environment in most of these countries is less complex so we anticipate faster implementation and, from day one, the inclusion of all customer groups as well as of the entire range of cyan cybersecurity products.

In April 2020, our successful collaboration with Aon was completed at a technical level through the upload of the Aon CySec app to the Google Play Store and the Apple App Store. Regrettably, the pandemic delayed the sales launch for Aon. We have been engaged in a constructive dialogue to leverage areas of further potential here in 2021. In addition, Aon acts as an important intermediary with other insurance companies that have already expressed great interest in working with us.

In May, a partnership was agreed with MobiFone for our child protection solution. In the first quarter of 2021, we managed to finalize the integration of products in a telecommunications network with more than 50 million customers, despite travel restrictions and therefore almost entirely through virtual coordination and communication. We are in close dialog with MobiFone on the monetarization and the implementation of further cyan solutions.

The contractual extension with Magenta (previously T-Mobile Austria) defined a substantial enlargement of the potential customer base, to the magnitude of several hundred thousand end customers with fixed-line internet connections (previously UPC Austria). Delayed because of COVID, the market launch commences in the second quarter of 2021.

At the end of June, we were made aware of the insolvency of our important customer Wirecard. We had to make an adjustment in our accounts, writing down receivables amounting to almost EUR 5 million.

In July, cyan was able to sign an important contract with Virgin Mobile covering 83 million end user licenses in Mexico, Colombia, and Chile. Under the terms of this contract, cyan will provide all the technology needed to operate an MVNO, including security offers.

In the BSS/OSS segment, we concluded a contract with SMARTEL in the second half of the year. This will involve cyan, as a Mobile Virtual Network Enabler (MVNE), in providing the technological infrastructure for a new generation of MVNOs in Central Europe.

In December, a partnership with the US-American company Secure64, to develop 360-degree security solutions in the field of DNS technology, was announced. With this shared approach, the expertise that both companies possess in various aspects of the DNS business can be bundled to generate the best possible range of products for major Tier-1 operators.

In January 2021, we were able to announce an extension of our partnership with Grameenphone in Bangladesh for at least another five years. Grameenphone is planning to double its number of end users for its Skitto brand by the end of 2021. In addition, the clear objective is to achieve a customer base in the double-digit millions in the following years.

The cybersecurity market is in constant transformation and through COVID-19 the threat landscape has been further amplified. We are therefore working continuously on our technology to provide our end users with a secure online experience. By using the latest technologies and optimizing research processes, our teams managed to reduce the update cycle of our software filter to two hours, which allows end users to be even better protected against emerging threats on the internet. The goal continues to be a near real-time update of customers' systems, which we want to achieve through further optimizations in the research process and the update interfaces.

In product development, we decided to focus on unifying our security portfolio, under the heading of 'Seamless Security'. This step provides us with a unique selling proposition over our competitors, as we are the only provider to offer all security modules – network-based filters, iOS & Android apps as well as a solution for Windows – controllable for the end user using one central interface.

The solid order backlog, despite COVID-19, requires our company to invest continuously in new resources, especially the sectors of research, development and operations. To secure liquidity, talks with our principal banks on a credit line were successfully concluded in the second half of the year. In addition, a Convertible Notes Funding Program was launched with a strategic investor at the beginning of 2021. This scheme entitles us to issue convertible notes for a total value of up to EUR 8.4 million. The financing instrument provides us with important flexibility for leveraging our growth opportunities on the market and enables us to expand geographically as well as in terms of our products. In this way, we can continue to invest in our technology and further strengthen our brand – where the most urgent objective must be to achieve recurring revenues with as many additional customers as possible.

In mid-September, we announced a change in the cyan AG Management Board. Long-serving CEO Peter Arnoth was succeeded by Frank von Seth, who formally took office on January 1, 2021, following a transition period. Over the last ten years, Frank von Seth has occupied various management positions in the insurance and risk management sector – most recently with our partner, the leading risk adviser Aon. Also, in early 2021, we were able to welcome a core investor, Alexander Schütz, to the Supervisory Board.

Dear shareholders, 2020 was a challenging year. We would like to extend our thank you for the confidence you have shown, and we look forward to moving with you into a very promising future.

The Management Board,

Frank von Seth
CEO

Markus Cserna
CTO

Michael Sieghart
CFO

Munich, April 2021

Six Questions for Frank von Seth

Frank von Seth joined cyan as CEO in January 2021. His vision for cyan's cybersecurity solutions is to become the safety belt for end users on the data highway. The mission will be to drive cyan's growth even further through brand awareness and customer focus and to establish cyan as the world's leading cybersecurity company for mobile devices.

Frank, can you tell us a little more about yourself?

I am originally from Hamburg, where I spent the first 30 years of my life. I made my career in the financial industry and consulting, where my main focus has been distribution. The last 20 years I have had the privilege to work and live very internationally – in countries like Japan, Australia and Switzerland. During this time, I have repeatedly built companies and teams around the world, formed partnerships, and learned to appreciate cultural and economic structures. These experiences have helped me to develop new business areas under the most diverse circumstances and to generate great success with my employers, but especially with my customers, partners, and suppliers. I see myself very much in the position of a service provider who is interested in ensuring that the largest possible number of stakeholders are successful in the long term. Interestingly, I have always achieved this with very selective products or services, which then later became the door opener to a much larger market, or through which it was much easier to reach the larger market with other services. I see something similar happening at cyan now.

How would you describe the mission for cyan?

Let me illustrate it using an example: In the seventies, a seat belt was not standard when driving a car. It wasn't even installed by all car manufacturers and there were no corresponding legal requirements – obviously quite different from today. The same thing is currently happening on the digital highway which is the internet: consumers are currently driving around at work and in their private life without wearing a seatbelt. cyan has made it its mission to ensure safe driving on this data highway – our solutions are intended to be the seat belt on the internet journey, without limiting the positive experience of this journey.

Where do you see the greatest potential for the company?

In the consumer mass market. In the future, cyan will rather directly address the needs of the end user so that we understand their security needs and behavior even better. Our technology is universal and can be deployed in many areas: telecommunications, insurance, but also IoT, educational apps, or connected mobility, for example. In the next step, we will focus on three areas: MNOs, insurers, and end users. What unites the former two groups is that they have very large access to consumers and that they are still in the early stages of dealing with cyber. We no longer view these two groups as customers, but rather see them as our partners. B2B2C thus becomes B2P2C – we both have the same goal in mind. In the third focus area, we will approach end users directly with our own product. The knowledge we develop from this can then also be used by our distribution partners to streamline product presentation, user-friendliness, and monetization.

You mentioned the insurance industry as an opportunity. With your background, could you give us some details on that?

As mentioned, cyber is a very important topic among insurers, but it does not have a long history, so in many ways they are still limited in knowledge and experience. I came from risk consulting and worked a lot with insurers. It was possible to see how the risks of cybercrime have changed over time. In the beginning, it almost invariably affected multinational companies – mainly banks. In recent years, small and medium-sized companies have been added to the target list; the pandemic and the associated home office and distance learning have led to major cyberattacks on a broad scale among smaller companies, educational institutions, and private individuals. Having a cyber insurance is important and helps fill financial gaps when problems have occurred that could not have been prevented. But in order to effectively protect customers now, and ultimately reduce insurance risk, preventative measures are necessary – otherwise it would be a bit like offering car insurance but not having a seatbelt. The compensation that the insurer can offer is usually financial, but for SMEs and individual consumers, the non-material damage is often far greater – think of, say, grandparents losing the pictures of their children and grandchildren on their smartphones. We want to work with insurers to help customers mitigate these risks through our convenient and mass-marketable cybersecurity solutions, so that damage is minimal to non-existent.

What is cyan missing most?

cyan has developed a great technological edge in its cybersecurity products in the past. Today, we can offer a customer interface for every situation – we call this our Seamless Security Platform. We have solutions for both network-integrated and device-based cybersecurity, which we sell as white-label products through our partners. However, as with many technology companies, marketing such complex technologies often gets overlooked in the process. A big focus will be on building our own brand. We will reposition ourselves through non-traditional sales channels and marketing tools, getting to know and understand the user even better and making a virtual product attractive to the user. We plan to do this with our own cyan branded app and associated marketing activities. This will then also benefit us in our collaboration with our partners – we become an ingredient and quality stamp in our partner's branding strategy. Basically like 'cyan inside'.

A final comment? What is your overall philosophy for running cyan?

'Think big, be creative and be fast' is how I would describe the atmosphere I want to create at cyan. We operate in a large, rapidly evolving market that offers tremendous opportunity for employees, partners, and shareholders. We will improve every day, strive to create sustainable value as a company, and do everything we can to evolve from a medium-sized European company into a global cybersecurity player.

Report of the Supervisory Board

Report of the Supervisory Board

Dear shareholders,

The 2020 financial year was strongly influenced by the COVID-19 pandemic and thus also challenging for CYAN AG (hereinafter also called the 'Company'). On the Supervisory Board, we had to suddenly move towards holding all sessions online; for an entire year, the Management Board and the staff had to demonstrate great flexibility while maintaining high standards of professionalism. In the following report, the Supervisory Board provides information on the performance of its duties and the key points of its activities in the 2020 financial year.

In the 2020 financial year, the Supervisory Board of CYAN AG was able to perform all of its duties, despite the global COVID-19 pandemic, as defined by law and by Articles of Association. Throughout the 2020 financial year, it regularly and extensively dealt with the position and development of the company. The Supervisory Board consulted on a regular basis with the Management Board of the company, and it monitored its activities diligently. On a regular, prompt, and comprehensive basis, the Management Board informed the Supervisory Board in written and verbal form of all major aspects of planning, business development, the position of the company including its risk position, governance, and compliance as well as current topics.

Meetings and Resolutions

A total of six Supervisory Board sessions took place, on January 15, 2020, February 25, 2020, April 29, 2020, May 14, 2020, June 3, 2020, and on October 22, 2020. Every member of the Supervisory Board attended at least half of all Supervisory Board sessions. Mr. Rofalski and Mr. Prunbauer attended all of those sessions, while Mr. Schütze was prevented from attending one because of illness. Due to the extensive security measures resulting from the COVID-19 pandemic, these sessions were held virtually through the medium of videoconferences. When necessary, the Supervisory Board also passed written resolutions by circulation procedure. Between these sessions, the Supervisory Board was kept informed by written reports from the Management Board covering significant projects and plans for the company.

Topics covered at regular sessions of the Supervisory Board included the position of the company in relation to sales, profits and customers, as well as the financial position of the company. No conflicts of interest arose among Supervisory Board members in relation to their activities as members of the Supervisory Board. The Supervisory Board approved the resolutions proposed by the Management Board after thorough examination.

Since the Supervisory Board only consists of three members, no committees were formed in the 2020 financial year.

The first conference call of the Supervisory Board in the 2020 financial year, held on January 15, 2020, dealt primarily with budget and liquidity planning for the new financial year, explained in detail by the Management Board. In addition, members of the Management Board answered a range of questions put to them by members of the Supervisory Board.

In the session on February 25, 2020, the Management Board ran through its preliminary annual figures for the financial year 2019. In this context, the recognition of license revenues with ACN and Wirecard was covered. In the light of the cash flow plan presented, the Management Board explained its past and future strategy.

In the balance sheet meeting on April 29, 2020, the finalized consolidated financial statements in accordance with IFRS and the annual accounts of CYAN AG in accordance with HGB were presented by the Management Board. The auditor of HLB Dr. Stückmann und

Partner mbB attended the detailed discussion of the financial statement documents and reported on the audit, the main points of the audit and the results of the audit. Following a detailed examination by the Supervisory Board, the annual accounts of CYAN AG in accordance with HGB and the consolidated financial statements in accordance with IFRS were signed off. This session also included a discussion with the Management Board of the possible impact of the COVID-19 pandemic – specific details of that impact were to be clarified at the following session on May 14, 2020.

Accordingly, the Supervisory Board session on May 14, 2020 dealt primarily with the ramifications of the COVID-19 crisis for the company and revisited the discussion from previous sessions in greater depth. Measures to reduce risk and to protect liquidity were discussed with the Management Board.

On May 19, 2020, the Chairman of the Supervisory Board arranged for a resolution to be adopted by telephone. The subject of the resolution was the compensation of the members of the Management Board.

The meeting on June 3, 2020 focused on the forecast for the following half-year, adjusted due to the COVID 19 pandemic and in accordance with previous Supervisory Board meetings.

On July 1, 2020, a resolution was passed by telephone. In this, the appointments of Markus Cserna and Michael Sieghart to the Management Board for the years 2021 to 2022 and the corresponding extension of their employment contracts were resolved.

By way of circular resolution, the personnel changes to the Management Board and Supervisory Board were decided on September 15, 2020. Frank von Seth was appointed to the Management Board succeeding Peter Arnoth as of January 1, 2021, and a corresponding employment contract was concluded. Furthermore, the resignation of Volker Rofalski from the Supervisory Board at the end of the year and the court appointment of Alexander Schütz to the Supervisory Board were resolved.

The Supervisory Board session on October 22, 2020, dealt with the published interim report, the concluded lines of credit and the budget forecast for the remainder of the year. In this regard, the Management Board explained the published half-year results as well as the forecast. The Management Board also reported on the status of changes to the corporate structure. The companies of the group cyan International Solutions GmbH, cyan Mobile Security GmbH, and cyan Networks Software GmbH were merged with cyan Security Group GmbH. In addition, I-New Unified Mobile Solutions GmbH was converted from an AG to a GmbH [from a corporation to a limited company]. Other structural measures such as the merger between Smartspace GmbH and I-New Unified Mobile Solutions GmbH were discussed.

The following session took place at the start of the next year.

Composition of the Supervisory Board and the Management Board

During the 2020 financial year, changes were agreed for the Management Board and for the Supervisory Board of CYAN AG were decided and these were announced in mid-September. At the end of the year, on December 31, 2020, Volker Rofalski, Deputy Chairman of the Supervisory Board, stepped down from the Supervisory Board. With the start of the following year, Alexander Schütz was formally appointed to the Supervisory Board. On the Management Board, Peter Arnoth, Chairman of the Management Board (CEO), relinquished his post at the end of the financial year. Frank von Seth was appointed as his successor.

We would like to thank Volker Rofalski and Peter Arnoth for their many years of service.

Annual Accounts and Consolidated Financial Statements

The auditor elected at the shareholder's meeting on July 2, 2020, and duly appointed by the Supervisory Board, the auditing company of HLB Dr. Stückmann und Partner mbB, Munich, examined the annual accounts of CYAN AG and the combined management report as well as the consolidated financial statements for the 2020 financial year and issued an unqualified audit opinion on this report. The auditor submitted a declaration of independence to the Supervisory Board.

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

Both the annual financial statements and the combined management report, as well as the auditor’s report were presented to all members of the Supervisory Board in a timely manner. The annual financial statement documents were discussed in depth at the balance sheet meeting of the Supervisory Board on April 27, 2021. The Supervisory Board examined the annual accounts and consolidated financial statements as well as the combined management report in thorough detail.

No objections were raises after completion of this review. The Supervisory Board agreed with the results of the audit and approved the financial statements submitted by the Management Board for the 2020 financial year. The annual financial statements have thus been adopted. The Supervisory Board endorsed the combined management report and the assessment of the further development of the Company.

With respect to the profit achieved by CYAN AG, due to the negative consolidated cashflow from operations, the profit generated by CYAN AG will be proposed to the Annual General Meeting on June 23, 2021 to be carried forward without dividend.

Acknowledgments

The Supervisory Board acknowledged its gratitude to the Management Board and to all company employees for their hard work under demanding conditions during the 2020 financial year, and expressed its recognition for their high level of commitment and performance.

Munich, April 2021

On behalf of the Supervisory Board,

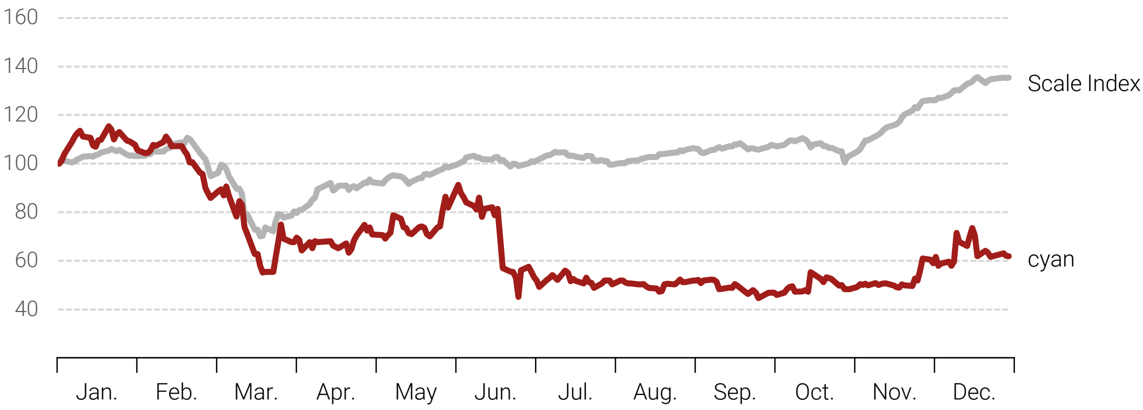
Alexander Schütz
Chairman of the Supervisory Board

cyan-Share

cyan-Share

Share Price

cyan share price development 1/1/2020 – 31/12/2020[a]



[a] XETRA closing price indexed to 100

CYAN AG has been listed in scale segment (Open Market) on the Frankfurt Stock Exchange since March 2018. The capital market experienced a volatile year in 2020. While the Corona pandemic and Brexit ratification had a negative impact on the markets at the beginning of the fiscal year, the stock market recovered noticeably in the second half of the year. On January 2, 2020 (first trading day on XETRA), the cyan share opened at EUR 20.70, and initially it progressed in step with the comparison index. At the end of June, the share price was severely affected by the insolvency of Wirecard AG and thereafter was only able to recover at a lower rate than the index, with cyan closing on December 30, 2020 (last trading day on XETRA) at EUR 12.80. In the 2020 financial year, the cyan share returned negative performance of 38.2 %. The Scale All Share Performance Index that covers the performance of all companies listed in the scale segment rose during the same period by 32.9 %, the DAX (Performance Index), by contrast, rose only by approximately 3 %. On January 20, 2020, the highest closing price (XETRA) in the year was achieved, at EUR 23.88. The lowest daily closing price was recorded on September 25 at EUR 9.25. The market capitalization based on the outstanding bearer shares of CYAN AG was EUR 125.1 million as of December 31, 2020.

Analyst Coverage

As of December 31, 2020, research coverage of the cyan share was being provided by a total of six research analysts. Three institutes issued a buy recommendation for cyan shares while two issued a hold recommendation; one did not issue any recommendation. The average value of the issued share price targets amounted to EUR 16.10.

Analyst	Date	Target Price (EUR)	Recommendation
Kepler Cheuvreux	18/12/2020	20.00	Buy
Bankhaus Lampe[a]	18/12/2020	16.00	Buy
Berenberg	17/12/2020	15.00	Hold
Edison Research	29/10/2020	-	-
Hauck & Aufhäuser	19/10/2020	14.50	Buy
Mainfirst	22/6/2020	15.00	Hold

[a] Coverage ended on December 31, 2020

Key Share Data

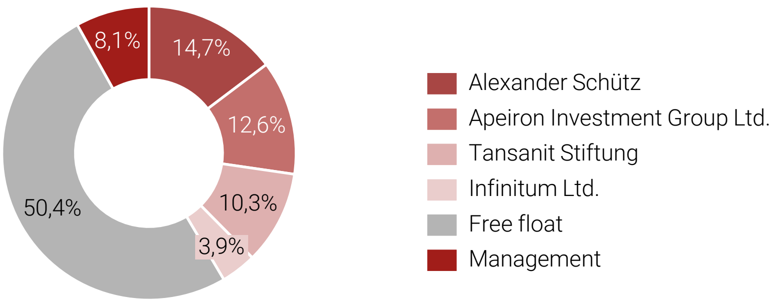
WKN (SIN)	A2E4SV
ISIN	DE000A2E4SV8
Stock symbol	CYR
Trading segment	Open Market (Scale)
Sector	Software
Exchange	XETRA und Frankfurt
Type of shares	Bearer shares
First trading day	28/3/2018
Initial issue price in EUR	23.00
Number of shares	9,774,538
Market capitalization 31/12/2020 (in EUR million)[a]	125.10
Closing price on 31/12/2020[a]	12.80
Percentage change since 1/1/2020[a]	-38.20 %
High during the period 2020[a]	23.88
Low during the period 2020[a]	9.25

[a] XETRA closing price

Shareholder Structure

The shareholder structure as of December 31, 2020, based on the votes registered at cyan's virtual Annual General Meeting, were as follows: Alexander Schütz 14.7 %, Apeiron Investment Group Ltd. 12.6 %, Tansanit Stiftung 10.3 %, cyan AG Management Board 8.1 % and Infinitum Ltd. 3.9 %. The free float totaled 50.4 %.

Shareholder structure as of 31/12/2020



[a] Based on the voting rights counted and apportionable at the shareholder's meeting in 2020, supplemented by updated information that was made available to the company.

With the change in the Management Board that took effect on January 1, 2021, Frank von Seth, Markus Cserna and Michael Sieghart accounted for 4.6 % and former member of the Management Board, Peter Arnoth, held 3.5 % of the shares. The Chairman of the Supervisory Board, Alexander Schütz, also reported a change in his positions in February 2021. In the first quarter, the shareholder structure was as follows: Apeiron Investment Group Ltd. 12.6 %, Tansanit Stiftung 10.3 %, Alexander Schütz 9.7 %, alex schütz familienstiftung 9.6 %, cyan AG Management Board 4.6 %, Peter Arnoth 3.5 %, and Infinitum Ltd. 1.0%. The free float accounted for a total of 48.7 %.

Investor Relations Activities

The global COVID-19 pandemic also had an impact on investor relations activities. International conferences and roadshows were either held as virtual events, or they were canceled on short notice by the event organizers. Nonetheless, the Management Board and Investor Relations were able to provide a vast array of stakeholders with information and to answer their questions, in some cases through virtual conferences and, last but not least, at the Annual General Meeting that was held virtually in 2020. Furthermore, the public was kept informed through quarterly financial reporting as well as by numerous news articles and ad hoc announcements about current developments within the group. A total of 27 capital market publications and news were published during the past year. At the end of the 2020 financial year, the company website, including its Investor Relations area, was revised with the aim of providing users with better and easier navigation.

The new website includes comprehensive information about the company, its technology and its products as well as IR information. This includes information on the share price, financial reports, presentations, the financial calendar, analyst coverage as well as information and documents relating to the shareholder's meeting.
ir.cyansecurity.com

Annual General Meeting

At the second Annual General Meeting on July 3, 2020, held in virtual format due to COVID-19, the Management Board and the Supervisory Board of cyan AG, received a high level of support from shareholders for the strategy and direction adopted by the company. The attendance quorum was 64.43 %. All points on the agenda requiring decisions were accepted with large majorities (in each case at least 80 %).

Alongside the discharge of Management Board and Supervisory Board and the election of HLB Dr. Stückmann und Partner mbB as the auditor for the 2020 financial year, it was also agreed to create new authorized capital as well as a corresponding change to the articles of association. In addition, the articles of association were adapted in line with the second shareholders rights directive (ARUG II). This defines the participation in and allocation of voting rights at a virtual shareholder’s meeting.

Details of the Annual General Meeting, including the voting results, are available on the Investor Relations section of the website.
ir.cyansecurity.com/de/news-events

Convertible Notes Funding Program (CNFP)

At the start of the financial year 2021, the Convertible Notes Funding Program (CNFP) was agreed, authorizing the issue of convertible notes to a total value of up to EUR 8.4 million. The exclusive investor for the program is the Swiss company Nice & Green SA, a specialist in equity mezzanine investments and financing of small to medium high-growth enterprises. The program includes eight consecutive tranches with a term of two years from issue date. The issue will be made excluding the subscription rights of existing shareholders. Further details of the program are provided in the supplementary report.

Financial Calendar

Once again in 2021, cyan AG will be informing the capital market on a quarterly basis about business performance in a consolidated form and will be represented at several international analyst and investor conferences.

Event	Date	Location
Goldman Sachs European Small and Mid Cap Symposium	4-7/5/2021	virtual
Equity Forum Spring Conference 2021	17-19/5/2021	virtual
Quarterly Statement Q1 2021	31/5/2021	-
3rd Annual General Meeting	23/6/2021	Munich/virtual
Berenberg & Goldman Sachs German Corporate Conference	20-22/9/2021	
Interim Report H1 2021	30/9/2021	-
CF&B 21. MidCap Event	12-13/10/2021	virtual
Deutsche Börse Equity Forum	22-24/11/2021	virtual
Quarterly Statement Q3 2021	30/11/2021	-

Current dates, upcoming events and news for 2021 will be posted on the website on an ongoing basis and updated continuously.
ir.cyansecurity.com/de/news-events

Appropriation of Profits

In its annual financial statement, prepared in accordance with HGB for the 2020 financial year, cyan AG posts a net profit. Due to the absence of a positive operational consolidated cashflow, the Management Board and the Supervisory Board propose at the shareholder's meeting of cyan AG on June 23, 2021 to carry forward the profit in cyan AG (see Economic Developments at cyan AG) entirely to new account without dividends. In this way, the Group will maintain the resources to continue on a path to growth.

Combined Management Report

Combined Management Report

Principles of the Group

Business Model

The cyan Group (XETR: CYR; hereinafter 'cyan') is a provider of intelligent IT security solutions and telecommunication services with more than 15 years of experience in the IT industry. The main business of the company involves cybersecurity solutions for the end customers of mobile and fixed-line internet providers (MNO, ISP), financial service providers, mobile virtual network operators (MVNO) as well as the convergent BSS/OSS platform (Business Support System and Operations Support System) as a mobile virtual network enabler (MVNE). The security solutions from cyan are integrated in the infrastructure of the business partner who then offers these in a B2B2C model to its own end users under its own brand. With the BSS/OSS business, services such as connection to the network operator, billing, provisioning, and similar services relating to the operational aspects of running an MVNO are offered.

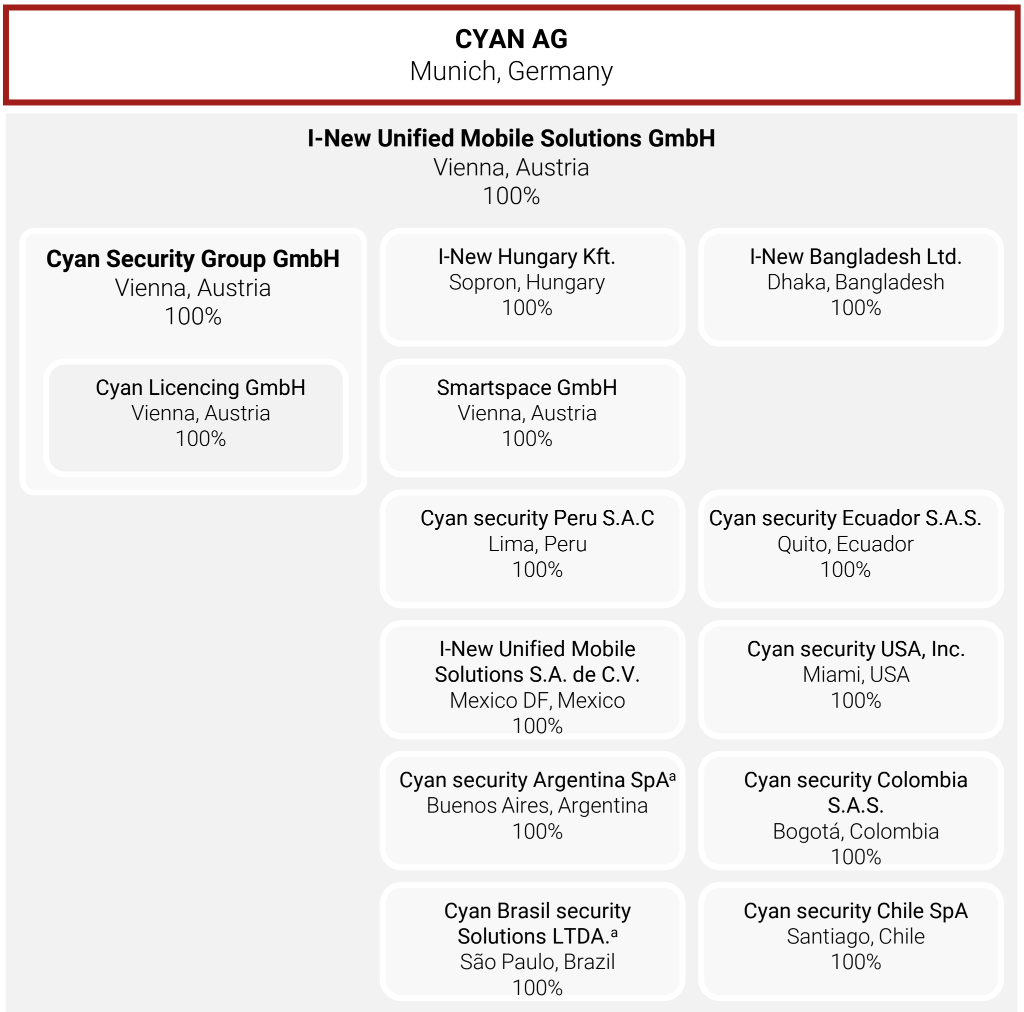
Today, the Group has a large number of international customers through whom cyan products are sold to millions of end users. cyan is able to offer products and services along the entire value-added chain, from the platform, data optimization, to cybersecurity. In addition, cyan runs its own research and development center with the aim of identifying trends in the industry at an early stage and developing optimal product solutions. In December 2018, cyan was able to secure a global Group contract with Orange through an international tender process. Alongside other existing major customers such as T-Mobile and Aon, cyan has been able to announce cooperation agreements with leading international MVNOs such as Flash Mobile or Virgin Mobile.

Group Structure

Within cyan Group, cyan AG based in Munich (Germany) acts as a holding company. The majority of its operational services are provided by its subsidiary I-New Unified Mobile Solutions GmbH ('i-new'; previously I-New Unified Mobile Solutions AG) as well as its subsidiary Cyan Security Group GmbH ('cyan GmbH'), both based in Vienna (Austria).

To make the corporate structure even more streamlined, several companies within the Group were merged during the second and third quarters (see graphic on the Group structure). Through these measures, it was possible to reduce the number of subsidiaries by three companies in the reporting period. The companies Cyan International Solutions GmbH, Cyan Mobile Security GmbH, and Cyan Networks Software GmbH were merged with Cyan Security Group GmbH. In addition, one company was deconsolidated, and a new company was included in the consolidated structure. For the 2021 financial year, as part of the strategy to strengthen the cyan brand, further company mergers are being planned. On the reporting date, cyan was thus represented in eleven countries by its own local subsidiaries. In addition, it operates worldwide sales and service hubs. Further information explaining the consolidated structure at the relevant reporting date is provided in the Notes to the Consolidated Financial Statements.

Group structure as of 31/12/2020



[a] In the process of formation

Organizational Structure

Strategic management of the Group is carried out at the Group holding's head office in Munich (Germany). cyan AG is listed in the scale segment (open market) at Deutsche Börse in Frankfurt am Main (Germany). This stock corporation, an 'Aktiengesellschaft' under German law, has a dual management structure consisting of Management Board and Supervisory Board. The Management Board comprising three members is responsible for the strategic and operational management of the Group. The Chairman of the Management Board (the Chief Executive Officer or CEO) is responsible for Sales, Marketing, and Partner Management. He is also responsible for regional management in South America. The responsibilities of the Chief Technology Officer (CTO) comprise Product and Engineering (Research, Development, Project Management, and Support) as well as Operations. The duties of the Chief Financial Officer (CFO) include Finance and Controlling, Human Resources, Legal & Compliance, and Investor Relations. The Supervisory Board appoints, advises and oversees the Management Board. It comprises three members. No committees are formed on the Supervisory Board. More information about the activities of the Supervisory Board can be found in the Report of the Supervisory Board.

In mid-September, a change was announced on the Management Board of cyan AG. Peter Arnoth, the CEO for many years, relinquished his post at the end of December 2020. Frank von Seth was appointed as his successor, taking up his position on January 1, 2021. Frank von Seth has held various leadership positions at the world's leading risk adviser Aon over the past ten years. Most recently, he was Chief Commercial Officer for Austria and Switzerland. There he was able to conclude many large contracts with multinational customers. Prior to that, Frank von Seth worked for QBE Insurance and Euler Hermes Kreditversicherungs AG, including around eight years in Japan and Australia.

There was also a change on the Supervisory Board. Volker Rofalski left this body on December 31, 2020. For the vacant position, the Supervisory Board nominated Alexander Schütz, who was appointed to the Supervisory Board by court order on January 5, 2021 and elected Chairman of the Supervisory Board at the first Supervisory Board meeting on January 25, 2021. Alexander Schütz is one of the main shareholders of cyan AG and has more than 20 years of management experience; he is founder and Executive Board member of the C-Quadrat Investment Group.

Segments of the Group

The business activities of the Group are divided into two segments that are used to manage the Group and form the basis for segment reporting: Cybersecurity and BSS/OSS. This structure is modeled on the type of solutions provided. Over the last few years, cyan has developed five product groups, that are offered to its customers individually and also as combined 'seamless' solutions – they are OnNet Security, OnDevice Security, Child Protection, Clean Pipe DNS, and MVNO Platform (BSS/OSS).

The Management Board decided in favor of this form of segmentation because it best reflects the opportunity and threat structure of the company. The distinctive nature of customer groups and the technical solutions and products used provide clear differentiation between the segments.

Cybersecurity

The cybersecurity segment comprises all services provided by cyan that are based on the use of technology developed by cyan for protection against threats from the Internet. In this segment, cyan delivers its services through the use of products such as OnNet Security, OnDevice Security, Child Protection, or Clean Pipe DNS. The security solutions from cyan are integrated in the infrastructure of the business partners who then offer the products in their own names ('white labeled') to their end users as a value-added service ('B2B2C'). Contracts in the cybersecurity segment usually feature a revenue share or software license model that generates recurring revenues.

The cybersecurity segment consists of the Group member Cyan Security Group GmbH and its subsidiaries. The growth prospects in this segment are viewed as very promising. At present, the geographical focus is primarily on Europe and South America but other regions (including North America, or Asia) are to be gradually supplied by cyan with cybersecurity solutions.

OnNet Security

OnNet Security is cyan's fully network-integrated cybersecurity solution, it is, for example, successfully implemented at Magenta Telekom (T-Mobile Austria GmbH), T-Mobile Poland and Orange. The DNS-based filter is integrated directly in the network infrastructure of the corresponding MNO so that the MNO can generate revenues with its end customers through additional packages (such as Magenta with additional package "Internet Protection" in Austria) and at the same time strengthen its own brand with cyan's white-label approach. For each active end user, cyan receives a monthly license fee for the provision of the cybersecurity solution, or derives a direct percentage of the relevant sales revenue.

OnDevice Security

cyans OnDevice Security (Endpoint Protection) forms an additional security layer that is installed directly on the end customer's device. End users protect their smartphones with an app which in addition to the cybersecurity filter offers features such as an identity and website check or virus scanner. These solutions are connected to the cyan filter system that is implemented in the infrastructure of cyan's partner. The app constitutes an additional offer and is usually sold as a premium expansion to the OnNet Security solution and based on the same model.

Child Protection

Using the Child Protection solution, parents are given the tool they need to provide their children with optimum protection against the dangers on the Internet and to manage activity online. In a central menu, personal profiles can be set up for each child. The app provides age-dependent default settings that are easy for parents to adapt to individual needs. This solution is sold primarily to telecommunications companies as a white label solution, which then offer it to their customers as an additional service (B2B2C).

Clean Pipe DNS

With Clean Pipe DNS, non-relevant and prohibited data packages are filtered out of the data flow, leading to significant cost savings for the MVNOs and can be required for the fulfillment of compliance stipulations. In particular, cyan technology blocks what are known as background trackers and advertising that loads in the background. This improves the surfing experience of the customer and reduces the volume of data consumed. Through the reduction in data achieved using the Clean Pipe DNS solution, MNOs are confronted with a lower number of network peak loads which means that network operators can postpone the need for investment in the network.

BSS/OSS

The BSS/OSS segment consists of the services offered as MVNE through provision of a dedicated MVNO platform. cyan is providing a modular product, the MVNO platform, as a one-stop shop for MVNOs. This involves offering MVNOs the entire range of products needed to operate a virtual mobile operator. In the BSS/OSS segment, licenses are typically sold on a monthly basis or in packages, and separate maintenance, support and implementation services are charged where applicable.

Originally, this segment results from the business by I-New Unified Mobile Solutions GmbH, acquired by cyan in 2018. The primary geographic focus of this segment is on South America – recently the customer base in Asia and Europe was also expanded. Here the strong market position of the company is to be enlarged through the acquisition of new customers and, at the same time, the range of services is to be constantly extended, in particular through the company's own cybersecurity products.

Seamless BSS/OSS (MVNO Platform)

On the convergent MVNO platform, all digital services and features needed to operate an MVNO are managed from a single source, a one-stop-shop, in a cloud-native service hub. The spectrum of services provided by cyan ranges from connection to the MNO network, the core network, service delivery, (online) charging, billing, rating and policy control through to customer and product management with tools for customer experience, customer management, PoS support, loyalty campaigns and more.

The solutions from the cybersecurity segment are also integrated in this dedicated platform as part of our Seamless promise. This makes cyan's MVNO platform the only one to offer fully integrated tools and security solutions from a single source to improve revenue opportunities and competitiveness. The platform is distributed to MVNOs as a white label solution.

Objectives and Strategy

For over 15 years, cyan's intelligent technology – cyan Threat Intelligence – has ensured that devices and people are protected from digital threats and dangers in their daily use of the Internet. Over the last few years, as a cybersecurity company with a focus on Web Security, cyan has evolved into a technological protective shield for the mass market through its white-label and B2B2C approach. The aim is to continue setting benchmarks for secure connectivity and internet usage into the future – regardless of how and where people access content on the internet. For this, cyan has defined four central areas, building on past successes, to define its future corporate strategy: Implementation strength and enhancement of the customer base, growth on new markets, the cyan brand as a technology leader, and the increasing of recurring revenues.

Implementation of Projects and Further Development of the Customer Base

In the past year, cyan was able to prove, despite the widespread restrictions imposed in response to the pandemic, that major customers such as MobiFone could be gained despite the COVID-19 pandemic and that implementation projects in complex infrastructures, such as at Orange France can be completed to a high level of customer satisfaction. The existing and newly acquired experience will be deployed in the next step to drive sustained growth on all three levels: existing customers, integration projects and the sales pipeline.

At the level of existing customers, this means to leverage of potential for cross-selling and up-selling within the existing customer base coupled with the building of customer loyalty through the creation of identifiable added value to customers and a high service level. Professional implementation and therefore a swift transition to monetarization constitutes an important aspect for customers and for cyan. Previous successes, an important reference for implementation strength and for monetization potential, are of significant benefit to the effective acquisition of new customers.

Growth of the Cybersecurity Segment in New Markets

Based on the motto of 'One Technology – Many Opportunities', cyan's medium-term focus for the cybersecurity segment is on other target groups, industries and regions in addition to the telecom industry. By expanding the base of its business and by addressing new markets, dependence on individual sectors is reduced, and the potential for cyan is increased substantially. With Aon, additional traction has already been obtained in the insurance sector. The plan is for cyan's cybersecurity solutions to complement insurance products. These provide insurance companies the opportunity to offer relevant premium features that also reduce cyber risk. Other future growth segments include the areas of Internet-of-Things and Connected Mobility. Furthermore, geographic expansion in regions with high ARPU and regions with high numbers of mobile internet users will also be pursued. In an ongoing process, the Management Board is reviewing potential growth options. The main factors and growth drivers are presented in the Industry-specific Developments and Opportunities sections of this report.

Strengthening of the cyan Brand as a Technology Leader in Cybersecurity

In the growth market for cybersecurity solutions, the significance of a brand that clearly represents technological leadership, product benefits and lasting added value to customers, also in the B2B2C business, is something that should not be underestimated. An approach focused on the target customer base with a coherent core message and clear positioning is needed. This means that the cyan brand will have to be more prominent reflecting the technology leadership for innovative cybersecurity for the mass market. This facilitates dialogue with partners in the sales process and also helps to boost recognition level with end users, which in turn helps to increase penetration rates and sales revenues with customers. Furthermore, the tangential benefit of a widespread level of recognition is also significant in relation to recruiting of highly skilled junior staff and key workers (employer branding). As part of the central branding strategy, the businesses of the BSS/OSS segment have already been combined under the cyan brand, the corporate structure has been made leaner (see Group structure) and, in the fourth quarter of 2020, a new website was launched.

Focus on Recurring Revenues

In previous financial years, Group sales were also characterized by one-off license revenues from the BSS/OSS segment. With the aforementioned objectives, especially the expansion of the cybersecurity recurring revenues as a further key financial indicator for Group management will be assuming a significant role. Both share of Group recurring sales and growth in recurring revenue are to be used as central control parameters (see also Management System and Forecast Report). With the focus on recurring revenues, cyan not only offers greater visibility of the growth strategy but can also benefit more from the scaling potential of the business and make new products and solutions available to customers more quickly.

Management System

The management system's aim is the targeted execution and monitoring of the corporate strategy. The system is implemented through regular strategic discussions and planning talks within the Management Board and with the staff responsible for the respective area. Value drivers are at the heart of Group management. These have a direct influence on the medium and long-term growth strategy of the Group. The aim is to detect deviations from strategy and planning based on defined key indicators in good time, to enable appropriate measures to be initiated. The Management Board reports to the Supervisory Board on a regular basis in relation to strategy, planning and related measures. The key indicators employed for management of the Group remain essentially unchanged in a comparison with the previous year.

The central key indicators for management of the Group were, in the most recent financial year and in the year prior to that, revenue, and EBITDA (significant financial performance indicators), as reported in the consolidated financial statements. As a growth company, attention is also paid to (operational) cashflow and further to that to the net liquidity of individual subsidiaries. As well as the financial performance indicators, non-financial indicators for management, in particular the number of employees, the addressable market and the development of the sales pipeline are all employed in the operational management system.

For both segments, Cybersecurity and BSS/OSS, as in the previous financial year, the same key indicators for management are used as at overall Group level. These indicators are also applied to internal reporting. As part of the strategy, starting with the 2021 financial year, performance indicators will be adjusted slightly. The existing key indicators are supplemented with the share of, and growth in, recurring revenues as significant performance indicators for the current business. Recurring revenues reflect the sustainability and stability of the cyan business model.

Research and Development

Research and development plays a major role in safeguarding the competitiveness and lasting success of the Group. In particular, the cybersecurity sector is one strongly characterized by innovations. Intensive exchange with research institutions is being fostered, collaborating on various topics associated with internet security, new approaches to threat detection, the use of artificial intelligence or also the application of cyan technology to new business sectors such as IoT, healthcare and automotive.

A significant part of executing development work also entails making continuous improvements to existing technology prepared against emerging potential threats from the cyberspace. In this way, cyan acknowledges the growing need for greater security combined with maximum convenience for the customer – cyan Seamless Security. In particular, the detection of threats on the internet through the continuous further development and optimization of the 25 proprietary or patented analysis methods continued to play a key role in 2020. The COVID-19 crisis and the global shift to home office work also increased criminal activity through phishing and ransomware, for example. As a consequence, a special focus of security research was on threats that make targeted use of the spread of the coronavirus pandemic. cyan was able to demonstrate its flexibility in research here in 2020 and respond quickly to these new threats.

Apart from customer-specific projects such as the publication of the Aon CySec app in the first half of the year, integration and implementation in the network of Orange and the bundling of Virgin Mobile services on the cyan MVNE platforms, significant innovations and new product developments were accomplished. The adaptation of the OnNet security technology for fixed-line networks was successfully completed, which significantly increases the potential reach for cyan. For the complementary solution on the cyan Seamless Security platform, OnDevice Security for PCs, a solution was developed that can be integrated seamlessly with the mobile world, and that also transitions the Seamless Security concept into the classic Windows world. To strengthen OnDevice solutions on mobile devices, the development of DNS-over-VPN was also started to facilitate a convergent solution between iOS (Apple) and Android (Google) devices. Furthermore, the second half of 2020 saw the completion of the integration and deployment of the Child Protection solution for MobiFone Vietnam, and also some development work for the partnership with Secure64 announced at the end of 2020.

By setting up a dedicated Cloud Proof-of-Concept environment (PoC environment), cyan was able to preempt the coronavirus pandemic. The development of this virtual platform, launched at the end of 2019, was completed on schedule and has in the meantime already been extended. For tests with potential partners, it now offers easy access to the cybersecurity solutions OnNet, OnDevice B2C, OnDevice B2B as well as Child Protection. The primary emphasis was placed on having a complete installation that functioned in almost exactly the same way to provide interested customers with a realistic insight into the final products. The PoC environment also serves for quality tests to Threat Intelligence and content classification engines, which are frequently required in the course of tenders.

As a result, the investments in innovation are also reflected in the development expenses which amounted to EUR 3.7 million which represents an increase of 48 % over the previous year (EUR 2.5 million). The development ratio (development expenses as a percentage of Group revenue) increased due to the increase in research activities coupled with slightly lower revenue to 17.4 % (2019: 9.2 %). If the requirements for capitalization of development costs pursuant to IAS 38 are met, they are recognized in the balance sheet under intangible assets. No development costs were capitalized in the 2020 financial year; scheduled amortization in the reporting period amounted to EUR 54 thousand. As a result, the development costs in assets declined slightly from EUR 945 thousand on December 31, 2019 to EUR 891 thousand on December 31, 2020. Research and development expenses were mainly incurred for the above-mentioned innovations. Further Notes to the recognition of intangible assets and development costs can be found in the Notes to the Consolidated Financial Statements.

	2020	**2019**
R&D expenses	3,704	2,482
Capitalized development costs	0	315

Personnel Development

For cyan, highly qualified employees constitute one of the most significant factors for sustainable business success. Great value is placed on the selection of the right employees and their further development. The aim is to retain these employees in the long term. The processes for recruiting and employee development already established for this purpose in 2019 were also able to withstand the COVID-19-related difficult situation. After most of 2019 was spent on the integration of i-new and the consistent expansion of the organization, 2020 began with targeted strengthening of the sales and business development areas, as well as the technology area. The aim of the Management Board is to continue to promote the diversity of employees in terms of gender, origin, age or other individual characteristics at all levels.

Like many other employers, cyan faced new challenges due to the COVID-19 pandemic. Utilization of the office premises in Vienna, extended just at the beginning of the year, was greatly reduced due to people working from home. Nonetheless, as a digital company, cyan was able to swiftly implement a seamless transition to working from home for a high proportion of its staff. Important areas, such as the monitoring of active system installations, were able to continue unhindered in compliance with all security and hygiene standards. For its employees, cyan is a strong employer, in that there were no waves of redundancy as a result of COVID-19, nor were any employees put on short-time work. Due to the current order situation, cyan will continue to expand important areas in the company.

As of December 31, 2020, cyan employed 160 people (this equates to 155 FTE) including 12 permanent freelancers. That represents an increase of 20 FTE compared to December 31, 2019. A significant proportion of the employees, almost 75 %, worked in operations, development, product management as well as research and development. At the same time, approximately 30 % of staff were employed outside the European Union. Globally, the proportion of women represents about one fifth of the staff, and is to increase in the future.

in FTE as of 31/12/2020	**Total**	**EU**	**Rest of world**
Personnel incl. Freelancers	156	121	35
Thereof in operations, development, research	*116*	*88*	*28*

Economic Report

Economic Environment

The global economy experienced a significant shock at the beginning of the year due to the spread of coronavirus (COVID-19) and market volatility increased due to the rising levels of uncertainty.[1] Together with the action taken to curb the spread of COVID-19, this led to a significant economic downturn in Europe.[2] In the summer months, there were initially some signs of a slight recovery but then in the fourth quarter, harsh measures were adopted to curb the spread of COVID-19 in many European countries. The prospects remain very uncertain.[3]

The impact of the pandemic continues to cloud global economic forecasts. In its base forecast in January 2021, the World Bank estimates a downturn in global BIP of 4.3 % for 2020, a slight improvement over its forecast in June – the deepest global recession for decades, despite exemplary political and fiscal support. After the downturn caused by the COVID-19-pandemic, the global economy is expected to grow by 4 % in 2021, but this will still be more than 5 % below the forecasts issued before then pandemic. For 2022, a weakening in global growth, down to 3.8 %, is being forecast, with the impact of the pandemic causing sustained impairment in potential growth.[4]

In the euro region, real GDP declined by 15 % in the first half of 2020, above all due to the strict lockdown measures that were adopted by most countries in the eurozone. Projected onto the 2020 financial year, the real BIP in the eurozone looks set to decline by 7.3 %, but in the following years 2021 and 2022, an average increase of 3.9 % and 4.2 % respectively is forecast – the scenarios range from virtually no recovery to a complete recovery in 2021. Together with the increased level of uncertainty and the worsening in labor market conditions, this will continue to have an adverse impact on the supply as well as the demand side, and on investment levels.[5]

In the United States of America (USA) the coronavirus pandemic translated into a drastic increase in unemployment of 10.3 percentage points, to 14.7 %.[6] there were signs of a significant recovery and stabilization at a high 6.7 %.[7] As a result, U.S. GDP is expected to contract by 3.6 % in 2020, but a recovery is also forecast in the U.S. in 2021 with a rebound to 3.5 %. The abrupt recession in the USA and China disrupted supply chains, and the sharp drop in global commodity prices hit Latin America, among others, particularly hard. Economic performance is expected to suffer a decline of 6.9 % in South America and the Caribbean. However, the outlook is extremely uncertain and is heavily dependent on the magnitude and duration of the pandemic. In 2021, a normalization in domestic and global conditions is expected to facilitate growth of 3.7 %.[8]

Given the major disruptions caused by the pandemic, growth in China is expected to slow sharply, from 6.1 % in 2019 to 2.0 % in 2020. Nevertheless, growth is expected to rebound in 2021, reaching 7.9 %, partly due to an early local recovery and stabilization of global

[1] ECB (2020), Economic Bulletin, Issue 2 / 2020.
[2] ECB (2020), Economic Bulletin, Issue 4 / 2020.
[3] ECB (2020), Economic Bulletin, Issue 1 / 2021.
[4] World Bank (2020), Global Economic Prospects – June 2020; World Bank (2021), Global Economic Prospects – January 2021.
[5] ECB (2020), Eurosystem staff macroeconomic projections for the euro area – June 2020; ECB (2020); Eurosystem staff macroeconomic projections for the euro area – September 2020; ECB (2020), Eurosystem staff macroeconomic projections for the euro area – December 2020.
[6] U.S. Bureau of Labor Statistics (2020), The Employment Situation — April 2020.
[7] U.S. Bureau of Labor Statistics (2020), The Employment Situation — December 2020.
[8] World Bank (2021), Global Economic Prospects – January 2021.

demand. The rest of the Asia-Pacific region (APAC) experienced the spread of COVID-19 and the associated countermeasures a little later. For the development markets in East Asia and Pacific as well as South East Asia, the forecast is for a substantial slowing in regional growth in 2020, declining to 2.0 % and -6,7 % respectively, which reflects the lock-downs due to the pandemic, the more stringent financial conditions and the sharp decline in exports. Although subject to considerable uncertainty, regional growth is expected to rebound to 7.9 % and 5.4 %, respectively, by 2021 as the pandemic subsides, global import demand recovers, and capital flows to the region normalize.[9]

Sector-specific Business Environment

While the overall economy contracted, in some cases drastically, due to the measures taken in connection with the fight against the COVID-19 pandemic, the pandemic gave additional stimulus to general digitization in society. The number of connected smartphones increased steadily in recent years, (mobile) data volumes rose and global network coverage with mobile internet improved; at the same time, cybercrime continued to rise significantly during the pandemic.

Analysis conducted by the GSM Alliance in the context of The State of Mobile Internet Connectivity Report 2020 indicate further improvement in network coverage of the world population with mobile internet. The coverage gap, those living in an area not covered by a mobile broadband network, is declining steadily and was in single digits for the first time in 2019 at just 7 %. At the same time, there was a continued increase in the number of people who had an active connection, at least on the basis of 3G, and who can therefore be called 'Connected' – the roll-out of 4G (LTE) already accounts for more than 50 %. Directly related to this is the further spread of smartphones as a means of communication, which represented over two-thirds of connections globally. This corresponds to a doubling in less than five years. In South Asia, the number even increased sixfold in the same period.[10] Nevertheless, the sales figures for smartphones to end customers declined last year, according to Gartner.[11]

Both factors, 4G and the adoption of internet-capable devices, play an important role in the further expansion of network coverage. At the end of 2019, commercial 5G services were available in 22 countries in Asia, Europe, the Middle East and North America. During the first half of 2020, 5G networks went into service in another 16 countries, including the first one in Africa, launched in South Africa.[12] The Ericsson Mobility Report in November 2020 forecast growth to 3.5 billion 5G subscriptions by 2026 – without IoT. In the forecasting period, it is expected that the roll-out of 5G contracts will take place much faster than that of 4G (LTE) following its launch in 2009. Net additions to mobile lines have recently been slightly lower. This is probably due to the pandemic and the associated restrictions on, among other things, the business premises of mobile communications companies. Still, the forecast for the number of 5G contracts at the end of 2020 has been increased to 220 million.[13]

Further developments at the level of the device chip sets needed for 5G that were announced for the next few years, including 5G carrier aggregation that makes it possible to combine two 5G frequency bands in the sub-6GHz range, not only increase transmission speeds but also facilitates greater coverage. In addition, for instance, the combination of frequency division duplex and time division duplex makes it possible for FR1 channels to combine low-band frequencies for uplink transmissions and the downlink at

---

[9] World Bank (2021), Global Economic Prospects – January 2021.
[10] GSMA (2020), The State of Mobile Internet Connectivity 2020.
[11] Gartner (2021), Market Share: PCs, Ultramobiles and Mobile Phones, All Countries, 4Q20 Update.
[12] GSMA (2020), The State of Mobile Internet Connectivity 2020.
[13] Ericsson (2020), Ericsson Mobility Report – November 2020.

the same time. In this way, the availability of fast 5G download speeds can be extended over large areas. In addition, dynamic spectrum sharing, which facilitates the parallel provision of 4G and 5G technologies on the same frequency range, enables mobile network operators to combine the spectrum already in use with a dedicated medium-band spectrum to deliver a better 5G service. This encompasses the full potential of 5G networks, including low latency times for critical kinds of infrastructure or mobile cloud gaming as well as network slicing for IoT and MVNOs.

The generally better network coverage with mobile internet, the increased range and faster connection speeds have contributed to the fact that mobile data traffic has been growing strongly for years. On a year-for-year comparison, the growth rate of data traffic volumes in each quarter (uplink and downlink) remained at an average level of about 50 %. Estimates suggest that the worldwide volume of mobile data traffic at the end of 2020 reached roughly 51 Exabytes (EB) per month and this volume is expected to have grown by a factor of 4.5 to 226 EB per month by 2026. Today, smartphones remain at the heart of this development because they today generate the bulk of all mobile data traffic – about 95 percent; a share that is expected to grow in the course of the full forecasting period. With an average expected market penetration of 54 % for 5G by 2026, the volume of data handled by each smartphone will grow significantly.[14]

Even before the COVID-19 crisis, a substantial proportion of daily working life relocated to the digital world, with 39 % of the risk experts surveyed viewing cyber threats as the most significant threat to business at the very top of the Allianz Risk Barometer in 2020. Comparing this to 2013, when it accounted for only 6 % of those answers occupying 15th place, it becomes apparent just how quickly awareness of the cyber threats has grown, driven by increasing dependence of companies on their data and their IT systems.[15] The Hiscox Cyber Readiness Report 2020 also shows that there are still substantial differences in terms of resource allocation. The experts believe that smaller and more susceptible companies will come into the firing line and that those less well prepared will pay the price.[16]

Opportunistic cybercriminals made use of this sudden change to society, working life and to everyday business. Traditional cybercrime activities such as phishing and cyber fraud quickly exploited the societal vulnerability, according to Europol Internet Organised Crime Threat Assessment 2020, as many individuals and businesses sought information, answers and sources of help during this time. Since cashless forms of payment are increasing as a result of online shopping, and with smartphone-based payments being propagated in brick and mortar as well, mobile threats such as mobile malware that targets cashless payment methods are continuing to flourish. Thanks to the availability of Cybercrime-as-a-Service for malware, ransomware, or phishing, for example, it has also become easier for criminals to conduct highly targeted attacks.[17]

MVNOs are operators who lease bandwidth and wireless frequencies from the mobile network operators and sell these on to consumers. This exchange benefits MNOs as well as consumers. The operating costs of MNOs in relation to billing, customer service, and marketing are reduced. Also, the customer base of the MNOs is extended indirectly to include niche customers by offering targeted, segment-oriented differentiation in products and prices to customers who fall outside the core customer base of traditional MNOs.

---

[14] Ericsson (2020), Ericsson Mobility Report – November 2020.

[15] Allianz Global Corporate & Specialty (2020), ALLIANZ RISK BAROMETER: Identifying The Major Business Risks For 2020.

[16] Hiscox (2020), Hiscox Cyber Readiness Report 2020.

[17] Europol (2020), Internet Organised Crime Threat Assessment (IOCTA) 2020.

Over the last few years, MVNOs have experienced strong growth and have transformed themselves from operators who only provide customers with basic services such as voice calls to comprehensive providers who can deliver a wide and diverse range of value-added and premium services. These extended services, such as roaming packages, data plans, media and entertainment content as well as cybersecurity, on the one hand help to retain customers and, on the other, also contribute to increased average revenues derived from each user (ARPU). The MVNO model is therefore an advantage for customers, MVNOs and MNOs and is becoming an increasingly dynamic force on the global telecommunications market. Consequently, in 2020, the number of active MVNOs is still continuing to rise globally. According to records by GSMA Intelligence, in South America, one of the strongest growth markets, ten new MVNOs began operations in 2020, and also in Europe no fewer than nine new MVNOs were launched.[18]

In Germany, according to a study by the sector association Bitkom, MVNOs and sub-brands already have a market share of about 20 % and cover a broad range of customer segments. Similar developments can be observed globally, for example also in Mexico, where a survey conducted by the national telecommunications authority Instituto Federal de Telecomunicaciones shows that the number of MVNO customers has doubled between 2015 and 2019.[19]

Positioning of the Group

Despite the generally difficult economic situation triggered most recently by the COVID-19-pandemic, cyan operates with both segments, Cybersecurity and BSS/OSS, in strong growth markets where the long-term impact of the crisis will only be felt to a very small degree. Nonetheless, the worldwide economic conditions as well as the structural and technological developments on the relevant markets will continue to have a significant influence on the business performance for cyan in the coming years. The competitive situation in the emerging cybersecurity sector, with its high margins and disruptive technologies, is different to that in the established and price-sensitive market for MVNO technology and services.

The technology of cybersecurity for mobile devices offered through the network-integrated approach is still relatively young, so competition in this new growth market is still just starting to emerge. Classic endpoint solutions are continuously getting replaced by contemporary alternatives that are better able to meet current challenges such as heterogeneity for terminal devices, and the performance and agility required for deployment. Most recently, cyan has been in competition mainly with providers of cloud-based solutions, traditional DNS providers with 'on-top' security products as well as with Deep Packet Inspection (DPI). The former, cloud providers, have the significant disadvantage that their traffic has to be directed in part or wholly via third-party data centers. This can lead to significant overhead and latencies but also presents problems in relation to data protection. Traditional DNS providers have the advantage of a partially existing customer base, but their products are often 'add-ons' and are not the primary focus of attention. Also, scaling in the fixed and mobile network with regard to 5G is often difficult or even impossible due to the old architectures involved. The latter, solutions based on deep packet inspection, are reaching their limits due to the required computing power combined with low latency as the data throughput surges, triggered among others by the expansion of 5G networks and the increasing proportion of encrypted data packets. Furthermore, the modern Scale-to-the-Customer approach on communications networks where service delivery should wherever possible occur in the geographic vicinity of the

[18] GMSA Intelligence (2021), MVNO List (Datenbankabfrage Januar 2021) [Database survey, January 2021].

[19] Bitkom & Tarifica (2020), Deutschlands Mobilfunkpreise im internationalen Vergleich [An international comparison of Germany's wireless prices]; Instituto Federal de Telecomunicaciones (2020), Anuario Estadístico 2020.

customer, is hard to reconcile with DPI approaches and the required roll-out of infrastructure.

Competition in the BSS/OSS and MVNO service market is much more pronounced because, in contrast to modern cybersecurity solutions, this market has already been in existence for decades, and is also characterized by higher levels of price-based competition. The BSS/OSS market is dominated by a small number of big players although their solutions are directed at the comprehensive needs of Tier-1 telecommunications companies and are correspondingly expensive and elaborate, both in terms of project implementation and of everyday operation. In many cases, these systems and services are not suitable for the requirements of a dynamic and cost-sensitive MVNO. In this respect, right from the outset, cyan has established itself on the market with a completely digital and therefore quick-to-implement, inexpensive convergent cloud-native platform. cyan is in competition with smaller and more agile providers who generally are not able to cover the entire product range including cybersecurity on a one-stop-shop basis like cyan’s Seamless BSS/OSS.

Course of Business

The 2020 financial year was significantly impacted by the worldwide COVID-19-pandemic. At our existing customers, the lockdown, home office, and short-time work caused bottlenecks in resources not only in sales, but also in the technology area and thus in ongoing integration projects. At the same time, due to the travel restrictions in place from March, business was somewhat slow in new customer projects – virtual customer contact did anything but speed up new contract signings. All of this, as well as the write-down of approximately EUR 5 million caused by the insolvency of Wirecard, meant that at the end of June the forecast target figures for revenues and EBITDA, in particular, could no longer be maintained. Accordingly, the forecasts for 2021 also had to be reduced. On the other hand, the pandemic led to a sharp increase in malware and phishing activity, as well as in the security needs of end customers in their home offices. The pipeline of prospects for cyan's solutions grew significantly during the financial year. The announced deals also ultimately underpin the positive demand for cyan's solutions.

At the end of February 2020, as a precursor to the coming lockdown, the important Mobile World Congress in Barcelona got canceled. As a consequence, the first ever worldwide presentation of our solution with Orange was not possible to take place as planned. By far the most important project for cyan remained the product launch with Orange in France. Following the handover of the software solution to Orange France in the beginning of 2020, the technical test phase was finalized during the fourth quarter and the next step with customers, the ‘friendly customer testing’ stage with several thousand customers, commenced. The go-live for the cybersecurity solution alongside the Child Protection product is planned initially for the B2B segment (launched in April 2021), then at a later date in the B2C segment. In addition, detailed discussions and negotiations were held with other national Orange companies and corresponding preparations were made for a roll-out in these countries. The network environment in most of these countries is less complex so faster implementation and, from day one, the inclusion of all customer groups as well as of the entire range of cyan cybersecurity products is envisaged.

In March 2020, a collaboration with Vara Technology, an Indian IT integrator with a broad range of digital services, was agreed. Vara Technology will offer cyan’s highly scalable security solutions to Indian mobile network operators (MNOs) and insurers. Vara Technology is another positive example of cyan’s strategy to enter new markets and access with selected integration partners in order to avoid start-up costs for own support and sales centers for the time being.

The technical integration at Aon was successfully done in the first quarter and completed at the end of April. The Aon CySec app has since been available for download in both the Google Play Store and the Apple App Store. The start of the marketing phase is planned for the first half of 2021. Here, the joint solution will initially be distributed in Austria and Switzerland, then throughout Europe.

In May, a contract was signed with MobiFone (Vietnam) for the implementation of child protection products. MobiFone is a fast-growing MNO with approximately 50 million customers and is regarded nationally as a highly innovative telecom company. The installation of our Child Protection app was completed for both Android and iOS before the end of the fourth quarter. The joint product is already being marketed. With MobiFone, cyan is still negotiating expansion of its business relations within the group and the introduction of further security solutions.

At the end of the first half year, cyan managed to conclude an important contract with Virgin Mobile covering more than 83 million end user licenses. Under the terms of this contract, cyan will provide all the technology needed to operate an MVNO, including security offers. The contract covers the countries of Mexico, Colombia and Chile and runs for a term of five years. Large parts of this license sales were already included in revenues in the second quarter of 2020.

The Wirecard accounting scandal unfortunately also affected cyan as a technology partner. A receivable against Wirecard in the amount of EUR 4.8 million was fully written-down due to the insolvency of Wirecard Technologies GmbH, which was registered at the beginning of July 2020.

With the expansion of cyan technology to the fixed-line customers of Magenta Austria, cyan was able to gain another end user segment. Here, cyan is at the implementation stage with this product. At the same time, Magenta was working on its marketing and product bundling strategy. The product launch is scheduled for the first half of 2021.

In mid-September, cyan AG announced changes on its Management Board and Supervisory Board. Peter Arnoth announced that he would be stepping down as Chairman of the Management Board (CEO) on December 31, 2020 and was succeeded by Frank von Seth who assumed his new position on January 1, 2021. On the Supervisory Board, following the departure of Volker Rofalski, Alexander Schütz was nominated for the vacated position and was formally appointed by court on January 5, 2021. Further details can be found in the section on Organizational structure.

To slim down the corporate structure even further, applications to merge several companies in the Group were submitted in September to the competent register court [*Registergericht*] and have since been implemented. Details of the target structure are explained in the section on the Company structure in the Management Report.

In December, a partnership with Secure64 to develop 360-degree security solutions in the DNS technology sector was announced. DNS infrastructure is an integral and important component for all mobile and fixed-line providers. Secure64, based in Fort Collins, USA, is one of the market leaders in the segment of DNS-based network solutions and its customer base includes many tier-1 telecommunications companies. The cyan software filter technology, in turn, is based precisely on the DNS node of the telecom network. With this shared approach, the expertise that both companies possess in various aspects of the DNS business can be bundled to generate the best possible range of products for major tier-1 operators. First projects have already been launched and some have already progressed to an advanced stage.

Also in December, cyan launched a partnership with SMARTEL with the aim of setting up an MVNO platform for a new generation of MVNOs in Central Europe. As a mobile virtual network enabler, cyan will create the technological infrastructure that will enable these innovative mobile operators to offer their services without their own network. Already in the second quarter of 2021, the first SMARTEL customer with a solid existing customer base in the five-digit range will launch on this MVNO platform, and further very promising projects are planned in the medium term. These new mobile wireless companies will focus on specific target groups, either consumers or corporate customers. A declared objective of SMARTEL is to bundle yet more MVNOs in central Europe on one technological platform and to facilitate a fast go-to-market through the complementary competencies of both companies.

Earnings, Asset and Financial Position

Earnings Position

Revenue

In 2020, total consolidated group revenue reached EUR 21.3 million (2019: EUR 26.8 million). Revenues in 2019, adjusted for the write-down caused by the insolvency of Wirecard, amounted to EUR 22.0 million. Consequently, cyan posted a slight downturn in revenue of 3.2 % compared to the adjusted revenue for the previous year. Although cyan continues to record increasing demand for cybersecurity products from existing customers, projects and contract negotiations stalled due to the impact of the pandemic on customers. On the one hand, the short-term working that was widespread among telecoms customers gave rise to resource bottlenecks, especially in relation to integration projects. On the other hand, almost all customer contact was virtual as a result of travel restrictions, this initially caused some delays in the process of getting contracts signed. The first signs of progress were first seen the beginning of the 2021 financial year, with a significant delay.

Segment revenues amounted to 85 % with EUR 18.2 million (2019: EUR18.4 million) attributable to the BSS/OSS segment and 15 % with EUR 3.1 million (2019: EUR 8.3 million) to the Cybersecurity segment. In the BSS/OSS segment, a multi-year license agreement was concluded with Virgin Mobile of which the majority of revenues were recognized in 2020. A similar license agreement was concluded in the fourth quarter of 2019 with ACN/Flash Mobile and its sales revenues were included back in 2019. Consequently, in the most recent financial year, this only contributed in small amount to the group revenue. In addition, in the BSS/OSS segment, project-related revenues from the contractual extension were achieved, including the platform upgrade with Grameenphone for the Skitto brand. The decrease in revenue in the Cybersecurity segment is attributable to the one-time license agreement concluded in 2019 with Wirecard, and the resulting increase in segment revenue in 2019. cyan achieved 68 % (2019: 58 %) of its Group revenue in the Americas region, 16 % (2019: 6 %) in the APAC region and 17 % (2019: 36 %) in the EMEA region. Most of the changes were due to the loss of revenue from Wirecard, sales from which in the previous year contributed to the result posted for the EMEA region.

In addition, other operating income of EUR 1.1 million (2019: EUR 2.1 million) was achieved; earnings from reversals of impairment of EUR 1.0 million (2019: EUR 0 million), and from change in inventories EUR 2.0 million (2019: EUR 3.6 million) were recorded. Other operating income includes a research grant of EUR 0.5 million that Cyan Security Group GmbH received in conjunction with a research initiative ‘WeProtectYou – Extended Phishing and Website Protection’. The changes in inventories are based primarily on contract costs in accordance with IFRS 15 amounting to EUR 2.0 million from the contract with Orange France. Consequently, the total earnings for the 2020 financial year amounted to EUR 25.4 million (2019: EUR 32.5 million).

EBITDA

In the 2020 financial year, due in part to one-offs, EBITDA amounted to EUR - 5.1 million (2019: EUR 11.7 million). This change in the 2020 financial year was caused in part by the changes in revenue explained above and in part by the exceptional expenses incurred, amounting to EUR 9.3 million in total: The occurrence of contractually agreed preconditions for waiving the receivable in favor of Virgin Mobile amounting to EUR 1.3 million; the earn-out of EUR 1.0 million on the agreed acquisition price resulting from the achievement of defined EBITDA thresholds in 2020 in respect of the purchase of I-New Unified Mobile Solutions AG (today: I-New Unified Mobile Solutions GmbH) agreed by CYAN AG, the adjustment (write-down of the receivable) as a result of the insolvent Wirecard of EUR 4.8 million and negative foreign exchange variances due to the strengthening of the Euro, amounting to EUR 2.2 million.

The expenses for materials and services procured rose only slightly in the last financial year to EUR 4.3 million (2019: EUR 3.9 million); in 2020, personnel expenses remained basically stable with an average number of employees of 145 (2019: 127) at EUR 11.1 million (2019: EUR 10.4 million). Due to the one-off factors listed above, value adjustments and other operating expenses amounted to a total figure of EUR 15.1 million (2019: EUR 6.6 million). As a result of exceptional events, operating expenses rose by 46 % from EUR 20.8 million in the 2019 financial year to EUR 30.3 million in the 2020 financial year.

The segment EBITDA for BSS/OSS amounted to EUR 8.4 million (2019: EUR 11.5 million) and EUR - 11.3 million for cybersecurity (2019: EUR 3.7 million). Development and implementation costs incurred were contrasted by initially low project revenues prior to market launch, primarily in the Cybersecurity segment. Earnings in this segment were also impacted by the insolvency of Wirecard. In the BSS/OSS segment, in addition to license revenues, project revenues were also increasingly recognized, which are associated with higher expenses.

EBIT und Net Income

The operating result (EBIT) amounted to EUR - 11.0 million (2019: EUR 5.5 million). The expenses associated with depreciation and amortization dropped slightly from EUR 6.1 million to EUR 6.0 million, of which EUR 4.9 million was incurred for intangible assets and EUR 1.1 million for the depreciation of tangible assets. Depreciation is mainly scheduled and includes depreciation expense in accordance with IFRS 16.

In the past year, a positive financial result in the amount of EUR 0.6 million was achieved, which mainly resulted from the interest income of the contract assets. Accordingly, the pre-tax profit (EBT) amounted to EUR - 10.5 million (2019: EUR 5.4 million). Due to deferred tax income, the annual losses amounted to EUR 9.3 million (2019: annual surplus EUR 4.5 million). Accordingly, the undiluted result per share was EUR - 0.95 (2019: EUR 0.49).

Asset Position and Capital Structure

Total assets as of December 31, 2020 amounted to EUR 96.3 million (2019: EUR 99.3 million). The non-current assets rose from EUR 82.7 million to EUR 85.4 million while the current assets fell from EUR 16.6 million to EUR 10.9 million. Equity amounted to EUR 72.7 million (2019: EUR 82.2 million), which equates to an equity ratio of 75 % (2019: 83 %). Compared to the previous year, non-current liabilities rose from EUR 10.3 million to EUR 14.4 million by EUR 4.1 million, of which EUR 3.4 million is attributable to the use of a line of credit that was agreed during the third quarter with an Austrian bank.

On December 31, 2020, net debt amounted to EUR 7.3 million (2019: EUR - 5.1 million), with the level of liquid assets (cash and cash equivalents) amounting to EUR 2.5 million

(2019: EUR 8.5 million). The change in debt was mainly related to the increase in leasing liabilities under IFRS 16 to EUR 6.2 million (2019: EUR 3.4 million) and the raising of financial liabilities amounting to EUR 3.7 million.

Financial Position

In the 2020 financial year, cash flow from operations amounted to EUR -8.7 million (2019: EUR -4.7 million). The license agreement with Virgin Mobile was only cash-effective to a minor extent in the reporting period but will provide recurring cash flows in the future. Cash flow from investing activities amounted to EUR -0.8 million (2019: EUR 0.5 million) and the cashflow from financing activity amounted to EUR 1.8 million (2019: EUR 11.8 million). The latter was exceptionally high in the financial year 2019 due to the capital increase and loan repayment carried out. In 2020, financing cash flow included borrowings of EUR 3.6 million, earn-out payments made to the former shareholders of i-new in the amount of EUR 0.5 million, and lease payments in connection with IFRS 16 in the amount of EUR 1.2 million. In total, there was a cash outflow of EUR 7.7 million in the financial year (2019: cash inflow of EUR 6.4 million).

Economic Developments at cyan AG

In contrast to the consolidated financial statements, the annual accounts of CYAN AG are not prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union, but in accordance with the rules defined in the German Commercial Code [Handelsgesetzbuch (HGB)]. In addition, the regulations of the German Stock Corporation Act [Aktiengesetz (AktG)] were observed.

Course of Business and Economic Environment

CYAN AG is a company headquartered in Munich. It is registered in the Commercial Register [Handelsregister] at the Munich District Court [Amtsgericht München] under HRB 232764. Within the Group, CYAN AG acts as a holding company. Strategic management of the corporation is based at the head office of the company in Munich. The majority of operational services are provided by the subsidiary I-New Unified Mobile Solutions GmbH and its subsidiaries, in particular cyan Security Group GmbH.

The key performance indicator for CYAN AG in both the financial year and the previous year was the annual result. In addition, in the form of regular reports, the Management Board monitors the cost structure of CYAN AG as well as the operational performance of its affiliated companies (based on the indicators listed in the consolidated financial statements). Also, the most important balance sheet indicators, such as equity, outside capital and net debt, are observed at reporting dates.

Earnings, Asset and Financial Position of cyan AG

As a holding company, CYAN AG does not generate any sales revenues itself. The development of results is determined on the one hand by the expenses incurred for legal and consulting services, administrative activities, and Management Board compensation, and on the other hand by interest income from the financing of the operating activities of the subsidiaries and income from holdings. CYAN AG handles all cash management and financing within the cyan Group on behalf of all of its subsidiaries. To service its debt properly and to finance integration and growth, CYAN AG is dependent upon the inflow of funds from its operational subsidiaries or from other financing resources.

Earnings position

in EUR thousand	**2020**	**2019**
Other operating income	1,342	24
Personnel expenses	-342	-1,010
Depreciation	-3	-3
Other operating expenses	-1,333	-2,400
Interest income	1,386	1,217
Interest expense	-6	-171
Taxes on income and earnings	-13	0
Net profit/-loss for the year	**1,032**	**-2,343**
Profit/loss carried forward	0	0
Withdrawals from capital reserve	0	2,343
Declared profit	**1,032**	**0**

Other operating income in the past fiscal year, 2020, amounted to EUR 1,343 thousand compared to EUR 24 thousand in the prior-year period. In 2018, cyan AG had acquired a shareholder loan with a nominal value of EUR 21,313 thousand at a purchase price of EUR 4,083 thousand as part of the acquisition of i-new. CYAN AG waived part of this recoverable receivable in 2020, resulting in other operating income of EUR 970 thousand. In addition to personnel expenses of EUR 342 thousand (2019: EUR 1,010 thousand), other operating expenses amounted to EUR 1,333 thousand (2019: EUR 2,400 thousand). Personnel expenses in fiscal year 2019 include provisions for variable compensation components based on the consolidated results achieved, which were significantly lower in the completed fiscal year due to the lower consolidated results. The financial result in the period amounted to EUR 1,380 thousand (2019: EUR 1,046 thousand) and consists of financial income in the amount of EUR 1,386 thousand (2019: EUR 1,217 thousand) and financial expenses of EUR 6 thousand (2019: EUR 171 thousand).

In financial year 2020, the annual result, which constitutes the most significant management parameter at the level of CYAN AG, amounted to EUR 1,032 thousand (2019: EUR 2,343 thousand). The 2020 forecast shown for the annual result, indicating a slightly negative outcome, has been outperformed by a significant margin. In overall terms, the Management Board views the financial year as a success. The previous year was characterized by exceptional levels of expenditure, especially as a result of the capital measures taken by CYAN AG.

In the absence of positive consolidated operating cash flow (see consolidated statement of cash flows), the Management Board proposes that the profit be carried forward without dividend.

Asset and Financial Position

in EUR thousand	**31/12/2020**	**31/12/2019**
Intangible assets	15	17
Tangible assets	0	1
Financial assets	49,340	47,119
Non-current assets	**49,356**	**47,138**
Receivables and other assets	27,093	22,109
Cash on hand, bank balances and checks	243	6,230
Current assets	**27,335**	**28,340**
Prepaid expenses	39	77
Assets	**76,730**	**75,554**

in EUR thousand	**31/12/2020**	**31/12/2019**
Subscribed capital	9,775	9,775
Capital reserve	63,448	63,448
Declared profit	1,032	0
Equity	**74,255**	**73,223**
Provisions	320	1,086
Liabilities	2,155	1,246
Liabilities	**2,475**	**2,332**
Equity and liabilities	**76,730**	**75,554**

On December 31, 2020, CYAN AG had a balance sheet total of EUR 76,730 million compared to EUR 75,554 thousand on the closing date of the previous year. Equity amounts to EUR 74,268 thousand (2019: EUR 73,222 thousand).

As of December 31, 2020, CYAN AG had a significant investment in the form of I-New Unified Mobile Solutions GmbH, which is reported as an investment in the balance sheet in the amount of EUR 49,340 thousand (2019: EUR 47,119 thousand). The increase results from the loan waiver and the earn-out.

Opportunities and Risks

The business performance of cyan AG is closely linked with the performance of its subsidiaries and is therefore indirectly subject to the same opportunities and risks as the Group. The opportunities and risks faced by the Group are listed under the heading of Opportunities and risks.

Forecast

In view of the current economic and industry forecasts, which continue to depend heavily on the development of the pandemic, and the existing sales pipeline of the subsidiaries, the Management Board is cautious but optimistic overall about the new fiscal year. For the financial year 2021, CYAN AG is expected to achieve an annual result at the level of the previous year.

Subsequent Events after the Balance Sheet Date

Convertible Notes Funding Program

In January 2021, to secure further liquidity for cyan at a decisive phase of its strategic growth, the Management Board decided, with the approval of the Supervisory Board, in favor of a Convertible Notes Funding Program (CNFP) that authorizes the issue of convertible notes with a total value of up to EUR 8.4 million. The exclusive investor for the CNFP is the Swiss company Nice & Green SA, a specialist in equity mezzanine investments and financing of small to medium high-growth enterprises.

This program consists of eight consecutive tranches, each with a total part value of EUR 1.05 million. Each tranche consists of 105 convertible notes, each with a par value of EUR 10,000. The term is 24 months from date of issue. The issue is carried out under exclusion of the subscription rights of existing shareholders. The interest rate is 0.0 %. The conversion price is defined as 95 % of the lowest daily volume-weighted average rate over the last six trading days (XETRA) before exercising of the conversion right. This amounts to at least EUR 10.47 and therefore at least 80 % of the value of the average closing price of the share on the ten trading days before the issuing of the bond. After the mandatory issuance of the first tranche, cyan AG has the right, but not the obligation, to issue the seven remaining tranches. At the same time, CYAN AG concluded an agreement with NICE & GREEN S.A., Switzerland, under which NICE & GREEN S.A. is obliged to subscribe to any tranches issued.

In this way, cyan can invest in long-term growth, including the strengthening of the cyan brand and further development of the technology. With a significantly expanded customer base, cyan's market position and visibility have been greatly improved. The proceeds from the program will also be used to take advantage of the momentum and digitalization push and to expand both geographically and in terms of products. The convertible bond gives the Group important financial leeway to take advantage of the growth opportunities in the market.

Significant Contracts

In addition, at the start of the 2021 financial year, the extension by at least further five years of the partnership with Grameenphone, the leading telecommunications service provider in Bangladesh, was announced. The partnership focuses on the dynamic product brand Skitto which is aimed at ‘digital natives’ in Bangladesh. Grameenphone is planning to double the number of end users of Skitto by the end of 2021. In addition, the aim is to establish a customer base in the double-digit millions over the next few years.

Opportunity and Risk Report

Opportunity and Risk Management System

Entrepreneurial activity serves to increase the value of the company by making use of identified opportunities. As a group operating internationally, cyan is exposed to various external and internal developments and events. The opportunity and risk management system used, serves to optimize the relationship between risk and opportunity in the interests of sustained business success. In order to ensure this, suitable instruments are in place by the Management Board which continually develops them further as needed.

The risk management of cyan concentrates on the early detection of risks with the aim of identifying all risks and opportunities that could or could not endanger the existence of the company, in order to derive appropriate strategic measures in good time. Risk management is conducted for the Group and for cyan AG in the same way, on a parallel basis. The internal control system (ICS) and the Information Security Management System constitute integral components of the risk management system used throughout the Group. The following section illustrates the risk management system and its principal components.

Group Risk Management

The risk management process implemented throughout the Group involves the use of risk protocols. These ensure comprehensive and largely uniform risk recording for central assessment and detailed monitoring of the risk situation by the Management Board in cooperation with the divisional management both at the level of the individual company and for the Group. The group-wide risk management system stipulates the recording of relevant risks, the ways to mitigate them and the resultant opportunities to enable these to be identified and used within the corporation and/or at Management Board level. The overriding risk principle is to safeguard the company's continued existence – no decision or action may give rise to a risk that could endanger the company's existence.

First and foremost, the risk management process tracks all market developments in order to derive appropriate decisions for the strategic management of the company. On a regular basis, the Management Board discusses any new risks that have occurred and takes appropriate remedial action. Risk assessment is subject to a regular check to monitor the long-term quality of this procedure. The risk management system at cyan is further developed and optimized continually.

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

Taking due account of the level of potential damage and the probability of occurrence, individual quantifiable risks are grouped together into risks of a similar nature. These risks are then analyzed and assessed based on their expected probability of occurrence, the potential level of damage, and the proposed countermeasures. The implications of opportunities and threats are offset against one another. Residual threats are then assessed once again and additional measures are drawn up. These risk groups are set in relation to the planned period result (EBITDA). Risks are classified in qualitative terms at three levels: ‘low’, ‘moderate’, and ‘high’. Based on this, risks at cyan are classified as:

- ‘low’ if the weighted potential risk is classified as being less than 10 percent of planned EBITDA,
- ‘moderate’ if the weighted potential risk is classified lies between 10 and 20 percent of the planned EBITDA, and
- ‘high’ which signifies a threat to continuing existence where the weighted potential risk is classified as more than 20 percent of the planned EBITDA.

Internal Control System (ICS)

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

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

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

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

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

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

Information Security Management System

As a European corporation, cyan places great value on the security of information and data. Back in 2019, significant steps had already been taken to prepare the existing internal security system for certification in accordance with ISO standard 27001. The international standard specifies and certifies the requirements for setting up, implementing, maintaining and continuously improving a documented information security management system. The aim of the certification is the standardization of internal security standards with the focus on measures within the company that are evaluated by independent auditors in accordance with a stringent procedure. In terms of content, ISO 27001 covers not only internal technical IT security but also organizational, personnel and physical aspects, starting with employee awareness and extending to fire protection.

The certification process, which includes a two-stage audit, has been delayed slightly due to the Coronavirus pandemic and will now be completed in 2021. The existing system is already largely based the requirements of the standard.

Risks

All risks at cyan are grouped into five categories; in an additional sixth category, COVID-specific risks are grouped together. These categories are based on the internal structure of risk recording in the divisions, as they are also maintained in the risk protocols of the responsible division managements.

Operational Risks

In the 2020 financial year, as a result of the pandemic, cyan faced a few operational challenges. Within a very short space of time, it had to adapt all procedures to reflect new conditions. At cyan, a digital company, this worked seamlessly, but the same was not true of a fair number of partners and potential customers. Due to restrictions, these faced substantial hurdles in the changeover in their workplace procedures. As a consequence, discussions and negotiations stalled and implementation projects had to be supported more strongly by cyan's own teams. However, through targeted recruitment of personnel in key areas, including operations and development, cyan was able to complete projects on schedule.

In operational terms, the pandemic made recruiting much harder. For any company in the entire technology and software sector, hiring and retaining highly skilled staff is a key success factor. Key workers, especially in the fields of cybersecurity research, development and operations as well as sales, are indispensable with their knowledge, abilities as well as contacts for the development, sales and deployment of solutions. Through greater marketing efforts, a strategic objective of the Management Board, it should be possible to raise the profile of cyan to direct customers, partners and end users, while also making it easier to attract personnel.

For cyan's solutions, failure-free (zero-downtime) operation is always the goal. In the event of a platform failure or software crash, this can lead to a complete shutdown of the business operations of MVNOs or unprotected end users which in turn can give rise to compensation claims against cyan if it is found to have been negligent. To prevent failures of this kind, cyan uses several data centers, a highly skilled operations team and continuous monitoring of the systems.

The Management Board assesses the operational risks as moderate.

Competition Risk

The market for cybersecurity is characterized by above-average growth that is forecast to continue into the foreseeable future. Despite the high barriers to entry, this makes new market entries for startups and established providers attractive. As technology leader for Seamless Security, cyan was able to position itself well at an early stage, and views itself as still being within a 'window of opportunity'. At the present time, no direct competitor has solutions on the market that combine OnNet and OnDevice Security in the form of a single in-house solution. As part of the new strategy, new markets are also being developed in which cyan, as a first mover, encounters little competition. The aim is to gain further major customers through the combination of its current technological edge over the competition coupled with intensified marketing efforts. Through targeted investments into research and development of products and the growth of the cybersecurity segment in new markets, the Management Board expects to be able to retain its competitive lead on this market, and therefore to reduce the level of competition risk.

The Management Board evaluates the competition risk as low.

Technological Risk

In the fight against cybercrime and threats on the internet, cyan faces a continuous race against cybercriminals. Among others, cyan is developing highly complex, network-integrated cybersecurity solutions for the detection of potential threats such as phishing, malware or identity theft for the users of smartphones and tablets. By using machine learning and artificial intelligence in its threat analysis processes, cyan can respond to new threats in a timely manner. Nonetheless there is a risk of cyan failing to respond in time to technological progress or to changing requirements in relation to cybersecurity products and services, or to changes in the entire cybersecurity market. Risks are also reduced through active research and development as well as the targeted expansion of the workforce.

In addition, products can become obsolescent or even obsolete as the result of amendments to existing standards, or to the appearance of new ones. On the one hand, significant changes in the MVNO market environment can have negative implications for cyan in the BSS/OSS segment and, on the other hand, software can develop faults and have vulnerabilities. For its own development and in its own products, cyan also uses third-party and open-source software components (e.g. libraries). Despite thorough checks, these can harbor a residual level of risk in relation to compatibility and security. In order not to fall behind technologically and to maintain the market position, further developments and optimizations of the products are constantly carried out, as well as investments in research and development. In addition, an extensive information security management system has been established that monitors the risks, above all in relation to data processing.

The Management Board considers the technological risk for the cybersecurity segment as well as for the BSS/OSS segment as low.

Reputation and Brand Risk

Most of cyan’s direct customers are international corporations that entrust cyan with the security of their and their end user’s data traffic, and also with the platform operation of the MVNO. For this, professional implementation and continuous operation are important criteria against which technology companies like cyan are measured. A significant contribution to the strong reputation of cyan was delivered by successful implementation of its products in the highly complex network of Orange France and its digital implementation with MobiFone. It offers its cybersecurity solutions as ‘white-labeled’. It is therefore vital to assure the best possible level of protection for mobile devices for end users because damage to the reputation of the partner among its end users ultimately falls back on cyan Reputational damage from a failure is also possible in the BSS/OSS segment, and this can be more severe due to the continuous nature of operation.

Part of the future strategy involves strengthening the cyan brand in the eyes of end users. Through intensified marketing cyan's strengths are to be further emphasized to direct partners and end customers, thereby supporting sales. Subsequently, increased awareness among end consumers should also increase penetration rates among existing customers. This results in a risk from the strategic orientation in building the brand and branding through the additional exposure to the general public.

In overall terms, the Management Board estimates the reputation risk to be low.

Risks in Connection to COVID-19

The impact of the COVID-19 pandemic presented unprecedented challenges to the global economy in 2020. The general economic and industry specific impact of COVID-19 remains difficult to assess because of recurring waves and associated restrictions. The impact of this crisis, especially in this sector, is multi-faceted. For example, on the one hand sales figures for smartphones have declined, while the activities of cybercriminals have risen, exploiting this situation with massive phishing attacks, for example.

Internally, cyan was able to adapt quickly to the new daily routine and complete integration projects, such as with MobiFone. Nevertheless, there were repeated delays on the customer side, as some partners affected by closures were confronted with an unprecedented situation. As a result, contract negotiations were delayed, in some cases considerably. The risk of sales losses due to the delays continues to exist. The financial and business consequences of the failures of receivables as a result of the pandemic look as though they will remain manageable since cyan has strong global partners and it operates in a crisis-resistant business sector.

The Management Board continues to assess the risks in connection with COVID-19 as at least moderate due to the consequences that are difficult to foresee.

Financial Risks

The main financial risks are the cluster and customer default risk, the liquidity risk, the interest rate risk, and the foreign exchange risk.

Cluster Risk and Risk of a Customer's Default

In the past financial year, further significant contracts have been concluded, including ones with Virgin Mobile and Grameenphone. The Management Board is committed to reducing this potential concentration of customer revenue streams, in particular, by signing contracts with new customers from other sectors such as insurers, and to derive its sales revenues from a broadened base. As already explained in the section on Objective and strategy, recurring revenue will represent significant metric for Group management in the future.

Regardless of the current economic situation, there is a risk of insolvency on the part of one or more customers. The debtor-side risk of receivables failure, in particular of the failure of a large receivable, is classified as moderate due to the diversified portfolio and experience from recent. Effective systems are employed to monitor creditworthiness.

Liquidity Risk

To determine its liquidity needs, cyan operates a rolling financial and liquidity planning scheme. Attention is paid to ensuring that sufficient liquid assets are always available to settle any liabilities that fall due in the companies. On December 31, 2020, the available liquid assets amounted to EUR 2.5 million and are kept in banks with very high credit ratings. The agreed credit lines can be drawn down until the following financial year 2021. Moreover, at the start of the 2021 financial year, a Convertible Note Funding Program (CNFP) was launched with a total volume of up to EUR 8.4 million. Further details on the program are explained in the Section on Subsequent events.

Nevertheless, there could be project delays, for example, as a result of which individual projects generate revenue only after a delay and thus generate a later cash flow, or there could be outright defaults by existing customers. A prolonged flattening of the economy (triggered by COVID-19, for example) may result in the company having to borrow money on the capital market or from financial institutions during the year. This risk is classified as moderate.

Interest Rate Risk

The interest rate risk is insignificant due to the fact that cyan had only fixed-interest financial liabilities of EUR 3.7 million outstanding as of the reporting date and that no contracts contain interest rate adjustment clauses.

Foreign Exchange Risks

In the financial year 2020, cyan recorded a negative effect from foreign currency differences in the Statement of Comprehensive Income, in particular due to the devaluation of the US dollar. The company's finance department constantly monitors these risks and in particular foreign currency rates in order to be able to react appropriately. Efforts are made to conclude contracts in stable international currencies and to hold more volatile currencies only to the extent necessary. To the degree that expenses and investments are not made in euros, exchange rate fluctuations may nevertheless impair the solvency of Group companies and have a negative impact on the Group's results or earnings. This risk is classified as medium.

Opportunities

Key drivers for growth and for the future development of cyan primarily constitute three factors: technological change, expansion into new markets, and increasing awareness. In this context, reference is also made to the section on Industry-specific developments.

Opportunities Arising from Technological Change

In an ever more connected world, the ability to use the internet safely plays an important role. Mobile devices have long since ceased only to be used for sending texts and for voice calls. Instead, they have been transformed into a key form of access to a seemingly limitless range of digital services. In the past year, the COVID-19 pandemic acted as an additional catalyst for innovation and digitalization. The improving network coverage, at minimum with 4G, and the widespread availability of internet-capable devices contributes to further growth in potential end users. At the same time, network operators are continuing to invest in expansion of 5G infrastructure, the advantage of which lies in high speeds and low latency levels. Together with the rise in encryption of traffic, this makes Deep Packet Inspection (DPI) more difficult, causing the focus to move onto DNS filter technology.

It is expected that not only the number of smartphones will increase, but also the number of other internet-connected devices, Internet-of-Things (IoT). This leads to further fragmentation of the system landscape because there is usually no uniform hardware and software and numerous devices, especially smaller ones, do not have the computing power to run complex endpoint solutions directly yet. Nevertheless, many smart TVs, smartwatches, home automation devices, and even vehicles (connected mobility) are constantly connected to each other and to the internet. Network-integrated solutions can also protect users in this area.

Opportunities Presented by New Markets

Over the last few years, cyan has been able to leverage the synergies from its acquisition of i-new and to expand into new geographical markets, especially in South America and Asia. Through successful combination of its businesses, cyan has not only managed to gain new products and customers but has also added new knowledge in relation to development, and to access to new markets. Through the cooperation with Vara Technology from India and with Secure64 from the USA, further steps were also taken in the past fiscal year to increase the international reach in key markets in Asia and America.

There is also significant potential by attracting more partners to the Cybersecurity B2B2C model. Another target group, insurance companies, is now being further addressed with the launch of Aon CySec in the last year. cyan's solutions are of particular importance as a digital value-added offering for insurance companies which want to offer contemporary products such as cybersecurity policies with corresponding risk control mechanisms. In order to achieve corresponding risk reduction, solutions such as cyan OnDevice Security are sought for as they require little effort for the end customer.

In addition, cyan is working continuously on new solutions to provide end users with the best possible level of protection. An important step has been made through further development of its Seamless Security platform to include an OnNet solution for PCs on the fixed-line internet, facilitating a broad range of reachable partners as well as potential scope for further upselling to existing customers.

Opportunities due to Increasing Levels of Awareness

In recent years, the consequences of increasing digitization, such as data protection and cybersecurity, have increasingly become the focus of public attention. The European Union established a first milestone with its General Data Protection Regulation that entered into force in 2018. Since then, numerous prominent IT security incidents have become known, the security of foreign telecom equipment has been highlighted in the media, and the population has experienced an unprecedented wave of digitalization triggered by the COVID-19 pandemic. As a consequence, security on the Internet for the general public at large as well as for national governments, including the European Union, has become an important topic. In this regard, the European Union published its own cybersecurity strategy in the fourth quarter of 2020 with the essential goal of technological sovereignty.[20] In view of the comparatively stringent European regulatory structure, European providers are viewed as trustworthy on the international stage. For cyan, this is an opportunity to benefit from the momentum this provides.

Opportunities & Risks Profile

As a growth company, cyan operates in a continuously evolving industry that is characterized by disruptive innovations. This gives rise to risks and opportunities that are influenced by various factors. In the opinion of the Management Board, the risk management system used at cyan is suitable for identifying, analyzing and quantifying the existing risks

[20] European Commission (2020), The EU's Cybersecurity Strategy in the Digital Decade (Factsheet, 16.12.2020).

in order to manage them effectively. The Management Board is committed to making the best possible use of opportunities, and to reducing risks as far as reasonably possible. Nevertheless, in view of the still unclear situation regarding the measures to contain the COVID-19 pandemic, future developments are difficult to forecast reliably. Changes in external and internal factors are therefore analyzed regularly and opportunistic measures are taken as required.

Based on the multi-year overall planning for cyan, which was prepared under the long-term assumption of a significant increase in sales, in particular through additional new customer business, the Management Board considers the financial risks to be moderate. The Management Board assesses the Group-wide risks as moderate on a consolidated basis and at the time of reporting, following appropriate countermeasures. There are no discernible risks that could jeopardize the continued existence of cyan. The Management Board classifies the risks described as manageable and sees very good opportunities for cyan to grow strongly in the future. cyan is in a solid position to successfully achieve the set objectives and realize the growth strategy.

Forecast Report

The unexpected impact of the COVID-19 pandemic has hit the global economy hard. Although the technology sector was able to benefit in part from a surge in digitization, non-urgent investment decisions were postponed in many areas, such as the telecoms industry. Consequently, in June 2020, as a precaution, the Management Board withdrew its previous forecast for 2021. Globally, COVID-19 still does not appear to be truly under control. The resulting regional and international measures to combat the pandemic are shaping and clouding the outlook.

Nonetheless, in overall terms, the Management Board is cautiously optimistic about the future. In addition to the installation at Orange France and MobiFone, both of which have already been successfully implemented, several other projects are about to be launched. This has significantly increased the number of directly addressable end users and the resulting revenue potential. These successful deployments represent a further important validation of the technology. On the other hand, under the motto 'One Technology – Many Opportunities', cyan is focusing not only on the telecom industry as a target group, but also on other solutions, industries and regions, thereby increasing the reach of the solutions in the market. The use of the internet in people's daily lives and the associated need for security solutions will increase, irrespective of economic forecasts. Despite the global slowdown in economic growth, the industry-specific conditions, especially for cybersecurity, are positive.

Also in regard to the current economic and industry forecasts, which continue to depend heavily on the development of the pandemic, as well as the existing sales pipeline, the Management Board is looking positively overall into the new financial year. For cyan, it is a high priority to realize the opportunities in the growth market for cybersecurity in a timely manner – with a particular focus on the growth of recurring revenues. In the BSS/OSS segment, multi-year contracts with large license volumes have been booked in recent years, which accordingly contribute only slightly to revenue growth in subsequent years. In terms of revenue, a significant increase in recurring revenue can be expected across the Group if the pandemic develops positively and sales by cyan's customers thus pick up again. Following the conclusion of a very large license agreement with Virgin Mobile in the previous year, which is unlikely to be repeated in 2021, the Management Board currently expects revenue for 2021 to be on a par with the previous year, albeit with a significantly increased share from the Cybersecurity segment. Due to the expenses associated with the further development of the organization, the Executive Board expects EBITDA to break even in 2021.

Takeover Disclosures

cyan AG is listed in the Open Market, Scale Segment of Deutsche Börse in Frankfurt am Main (Germany). The open market is not an organized market as defined in Section 2 (7) of the German Securities Acquisition and Takeover Act [Wertpapiererwerbs- and Übernahmegesetzes (WpÜG)]. This information is provided on a voluntary basis in the interests of the reader and is based on Sections 289a (1), and 315a (1) of the German Commercial Code [Handelsgesetzbuch (HGB)].

Composition of Subscribed Capital

The nominal capital (subscribed capital) on December 31, 2020 amounts to EUR 9,774,538 and consists of 9,774,538 bearer shares without a par value [Stückaktien] with a proportional contribution to the nominal capital of EUR 1.00 per share. The nominal capital is fully paid up. Every share carries one vote. The rights and obligations associated with them comply with relevant legislative provisions, in particular the German Stock Corporation Act (AktG), with due consideration of the stipulations in the Articles of Association of CYAN AG. No voting agreements among shareholders have been disclosed to the Management Board. On December 31, 2020, no treasury shares are being retained by the company.

The details regarding the development of nominal capital and capital reserves is shown in the Consolidated Statement of Changes in Equity and in the explanations in the Notes to the Consolidated Financial Statements.

Restrictions on Voting Rights and Transfers

The company is not aware of any agreements between shareholders of cyan AG that aim to restrict voting rights or the transfer of shares.

Capital Investments

To the knowledge of the Management Board, there were three direct or indirect shareholdings with more than ten percent of the voting rights in cyan AG as of the reporting date December 31, 2020.

Name	Shareholding[a]
Alexander Schütz	14.70 %
Apeiron Investment Group Ltd.	12.60 %
Tansanit Stiftung	10.30 %

[a] Counts based on voting rights determination at the shareholder's meeting in July 2020.

Shares with Special Rights

All shares carry identical rights. No shares grant special rights, in particular they do not confer any powers of control.

Voting Rights of Employee Shares

In cases where employees of cyan are shareholders of cyan AG, the Management Board is not aware of any special issues regarding the exercising of voting rights. Neither the rights-based communities of employees nor allied voting agreements between employee shareholders are known.

Appointment and Dismissal of Directors, Changes to the Articles of Association

Appointment and dismissal of members of the Management Board are based upon Sections 84, 85 of the German Stock Corporation Act (AktG) and Section 31 of the Codetermination Act [Mitbestimmungsgesetz (MitbestG)]. Section 84 AktG defines that Management Board members are appointed by the Supervisory Board for a period in office of no more than five years. In accordance with the Articles of Association of cyan AG, the Management Board can comprise one or more people. The number of members is stipulated by the Supervisory Board. The Articles of Association also provide no special regulations for the appointment and dismissal of individual members – or of all members – of the Management Board.

Section 179 of AktG stipulates that changes to the Articles of Association require a decision at the shareholder's meeting whereby amendments that only relate to the version can be, and also were, transferred to the Supervisory Board in accordance with Section 15 of the Articles of Association of cyan AG. Any such amendment becomes valid once recorded in the register of companies. In accordance with Section 18 of the Articles of Association of cyan AG, any decisions taken at the shareholder's meeting require a simple majority of the votes cast, unless otherwise stipulated in the Articles of Association or by enforceable legislative stipulations.

Powers of the Management Board to Issue or to Buy Back Shares

At the Annual General Meeting 2020, a new authorized capital 'Authorized Capital 2020' was created in the Articles of Association of cyan AG. The Management Board is authorized, with the approval of the Supervisory Board, to increase the company's nominal capital on one or more occasions by up to a total of EUR 4,887,269.00 by July 1, 2025 by issuing up to 4,887,269 new no-par value bearer shares in return for cash and/or non-cash contributions. In principle, shareholders are to be granted subscription rights; the statutory subscription right may also be granted in such a way that the new shares are underwritten by a bank or an equivalent institution pursuant to Section 186 (5) sentence 1 of the German Stock Corporation Act (AktG) with the obligation to offer them for subscription to the shareholders of the company. However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right of shareholders to the extent necessary to compensate for fractional amounts; if, in the case of a capital increase against contributions in kind, the shares are granted for the purpose of acquiring companies, parts of companies or interests in companies (including increasing existing interests) or for the purpose of acquiring receivables from the company; if a capital increase against cash contributions does not exceed 10 % of the capital stock and the issue price of the new shares is not significantly lower than the stock market price (Section 186 (3) sentence 4 AktG) – when exercising this authorization under exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG, the exclusion of subscription rights on the basis of other authorizations in accordance with Section 186 (3) sentence 4 AktG must be taken into account; to the extent necessary to grant the holders of option and/or convertible bonds issued by the company subscription rights to new shares to the extent to which they would be entitled after exercising their option or conversion rights. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation. The Supervisory Board is authorized to amend the wording of the Articles of Association in accordance with the scope of the implementation of the capital increase from authorized capital.

Agreements Subject to the Condition of a Change of Control

The financing contracts concluded with the main bank partners include market-standard Change-of-Control regulations; under certain conditions, these can trigger a redefinition of existing credit agreements. Furthermore, these are no agreements between cyan AG and third parties that are conditional upon a change of control following a takeover bid and that could have implications of this nature solely or in their totality.

Compensation Agreements

No agreements have been made with members of the Management Board in the event of a takeover bid which could lead to compensation or other payments by the company.

Munich, April 2021

The Management Board

Consolidated Financial Statements

Consolidated Financial Statements

Statement of Comprehensive Income

Statement of Profit and Loss

in EUR thousand	**Notes**	**2020**	**2019**
Revenues	1	21,293	26,754
Other operating income	2	2,076	2,138
Change in inventories and capitalized own work	2	2,011	3,615
Cost of materials and services procured	3	-4,274	-3,874
Personnel expenses	4	-11,108	-10,387
Value adjustments[a]	5	-6,096	-1,029
Other expenses	6	-8,958	-5,547
EBITDA		**-5,058**	**11,670**
Depreciation	7	-5,981	-6,141
Operating result (EBIT)		**-11,039**	**5,529**
Financial income	8	704	132
Financial expenses	8	-143	-222
Earnings before taxes		**-10,478**	**5,438**
Taxes on income and earnings	9	1,210	-909
Net profit/-loss for the year		**-9,268**	**4,530**

[a] Value adjustments of trade receivables and contract assets

Other Comprehensive Income (OCI)

in EUR thousand	**Notes**	**2020**	**2019**
Actuarial results[a]		-0	-1
Gains (losses) from exchange rate differences[b]		-209	69
Total result for the fiscal year		**-9,477**	**4,598**

[a] Not recyclable
[b] Recyclable

Earnings per Share

in EUR per share	**Notes**	**2020**	**2019**
Undiluted result per share		-0.95	0.49
Diluted result per share		-0.95	0.49

Consolidated Statement of Financial Position

Assets

in EUR thousand	**Notes**	**31/12/2020**	**31/12/2019**
Intangible assets		58,864	63,744
Patents, customer relationships and similar rights	10	*12,894*	*14,520*
Software	10	*14,300*	*17,499*
Development costs	10	*891*	*945*
Goodwill	10	*30,779*	*30,779*
Tangible assets		5,999	2,916
Land and buildings	11	*5,321*	*2,207*
Machines and other equipment	11	*89*	*60*
Business and office equipment	11	*589*	*649*
Other receivables	13	41	397
Financial receivables	14, 15	572	374
Contract costs	12	5,118	3,038
Contract assets	12	14,588	11,771
Deferred tax assets	13	192	432
Non-current assets		**85,373**	**82,670**
Trade receivables and other receivables	15	3,149	3,898
Contract assets	12	2,934	1,888
Inventories		10	13
Tax receivables	15	548	470
Other receivables and assets	15	1,502	1,640
Financial receivables	14, 15	272	164
Cash and cash equivalents	16	2,490	8,512
Current assets		**10,905**	**16,585**
Total assets		**96,278**	**99,255**

Equity and Liabilities

in EUR thousand	Notes	31/12/2020	31/12/2019
Nominal capital	17	9,775	9,775
Reserves		62,905	72,382
Capital reserves		*68,269*	*68,269*
Other reserves		*-66*	*143*
Reserves according to IAS 19		*-1*	*-1*
Profit/loss carried forward		*-5,297*	*3,971*
Equity		**72,680**	**82,157**
Provisions	20	7	7
Contract liabilities	12	230	-
Leasing liabilities	14, 18	4,970	2,812
Other financial liabilities[a]	14, 18	3,650	-
Other non-current liabilities	14, 19	206	300
Deferred tax liabilities	13	5,311	7,160
Non-current liabilities		**14,374**	**10,278**
Trade payables and other liabilities	19	4,887	3,409
Provisions	20	1,903	2,328
Financial liabilities	14, 18	6	9
Leasing liabilities	14, 18	1,180	635
Contract liabilities	12	-	-
Tax liabilities		1,248	439
Current liabilities		**9,224**	**6,820**
Total liabilities		**23,599**	**17,098**
Total equity and liabilities		**96,278**	**99,255**

[a] In 2019, financial liabilities were reported under other non-current liabilities

Consolidated Statement of Cash Flows

in EUR thousand	Notes	2020	2019
Result before tax from continuing operations		-10,478	5,438
Result before tax from discontinued operations		-	-
Earnings before tax		**-10,478**	**5,438**
Adjustments to reconcile profit before tax to net cash flows			
Profit/loss from the decrease in assets		13	1,258
Depreciation of intangible and tangible assets		5,981	6,141
Change in provisions		-424	-2,438
Share-based remuneration			657
Financial income		-704	-77
Financial expenses		143	222
Other expenses/income with no influence on liquid funds		-8,814	-414
		-14,284	**10,788**
Working capital adjustments			
Change in inventories		4	0
Change in contract assets and contract costs		2,505	-16,536
Change in receivables trade receivables and other receivables		480	923
Change in trade payables and other liabilities		2,246	172
Change in contract liabilities		230	-
Net cash flow from earnings before taxes		**-8,820**	**-4,653**
Income taxes paid		109	-1,180
Cash flow from operating activities	**21**	**-8,711**	**-5,834**

in EUR thousand	Notes	2020	2019
Purchases of intangible and tangible assets		-1,044	-326
Purchase of financial assets		274	20
Disposal of tangible and intangible assets			1,005
Interest received		7	76
Development expenses			-315
Cash flow from investing activities	**22**	**-763**	**460**
Proceeds from the issue of shares			23,781
Cash receipts from taking out loans		3,558	-
Repayments of financial liabilites		-5	-11,693
Repayments of participation rights		-545	414
Change in non-controlling interests		-1,164	-515
Interest paid		-71	-191
Cash flow from financing activities	**23**	**1,773**	**11,797**
Change in cash and cash equivalents		**-7,701**	**6,422**
Cash and cash equivalents at the beginning of the fiscal year		8,512	1,942
Cash and cash equivalents at the end of the period		2,490	8,512
Net foreign exchange difference/Effect of movements in exchange rates on cash held		*1,679*	*147*

Consolidated Statement of Changes in Equity

in EUR thousand	Nominal capital	Capital reserves	Currency reserve	Reserves according to IAS 19	Profit / loss carried forward	Total
1/1/2019	**8,765**	**42,086**	**74**	**-**	**-558**	**50,366**
Net loss /profit for the year					4,530	4,530
Changes in the scope of consolidation						-
Miscellaneous result after taxation			69	-1		68
Total result for the financial year	**-**	**-**	**69**	**-1**	**4,530**	**4,598**
Share-based remuneration		657				657
Capital increase	1,010	25,526				26,535
31/12/2019	**9,775**	**68,269**	**143**	**-1**	**3,971**	**82,157**
Net loss /profit for the year					-9,268	-9,268
Changes in the scope of consolidation						-
Miscellaneous result after taxation			-209	0		-209
Total result for the financial year	**-**	**-**	**-209**	**0**	**-9,268**	**-9,477**
Share-based remuneration						
Capital increase						
31/12/2020	**9,775**	**68,269**	**-66**	**-1**	**-5,297**	**72,680**

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Information About the Company

CYAN AG, headquartered in Munich (Theatinerstrasse 11, 80333 Munich) is a corporation, registered in Commercial Register B [Handelsregister] of the Munich District Court [Amtsgericht München] under HRB 232764. Since March 2018, CYAN AG has been listed on the German stock market in the Scale Segment of the Open Market. CYAN AG operates within cyan as a holding company. Operational services are provided by the Austrian subsidiary I-New Unified Mobile Solutions GmbH (previously I-New Unified Mobile Solutions AG) and its subsidiaries, in particular CYAN Security Group GmbH. CYAN Security Group GmbH provides cybersecurity solutions to end-customers of Mobile Network Operators (MNOs), Mobile Virtual Network Operators (MVNOs) and financial service providers. I-New Unified Mobile Solutions GmbH operates as a Mobile Virtual Network Enabler (MVNE).

Accounting Principles

The following section presents the main accounting and valuation methods used for these consolidated financial statements. These principles – unless otherwise indicated – were used for all of the years presented.

The consolidated financial statements comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the Notes to the Consolidated Financial Statements.

The Management Board of CYAN AG has approved the consolidated financial statements and their submission to the Supervisory Board on April 19, 2021.

Basis of Preparation

The consolidated financial statements for the fiscal year ended December 31, 2020 were prepared on a voluntary basis exercising the option defined in Section 315e German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) applicable on the reporting date, as applied in the EU. The designation IFRS comprises the International Accounting Standards (IAS) which remain valid, the International Financial Reporting Standards (IFRS) as well as interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC). The valuation was based on the assumption that the corporate group will continue as a going concern.

The layout of the statement of comprehensive income is based on the total cost method. Individual items in the statement of comprehensive income and the balance sheet are grouped together for ease of understanding or due to their lack of material significance. In accordance with IAS 1, capital assets and liabilities are classified on the basis of maturity. These items are classified as current if they fall due within one year. Otherwise, they are classified as non-current.

The Accounting and Valuation Methods were applied consistently to the consolidated financial statements and to figures from the previous year.

Consequences Arising From COVID-19

Further to comments in the combined management report, the coronavirus pandemic has developed into a global economic crisis. In this regard, cyan is affected primarily by delays in the completion of projects and by postponements in the signing of contracts. At least in part, cyan has managed to mitigate the impact on financial results through cost-saving measures, in particular in relation to travel costs and the expenditure for trade fairs.

In conjunction with COVID-19, cyan has also evaluated whether there are sufficient grounds for an impairment of assets in accordance with IFRS 9. Based on the assumption that investment in protection against cybercrime will increase given that the lockdown has prompted a big move towards digitalization and a rise in the level of home office activity across all sectors, cyan further assumes that the widespread economic downturn will not affect the telecommunications sector, home to cyan's main customers and, for this reason, has not made adjustments to reflect the anticipated loss rates.

Another evaluation was performed to establish whether the outbreak of the COVID-19 pandemic constitutes sufficient grounds for an impairment in accordance with IAS 36. Due to the observable change in market interest rates, an evaluation of recoverability was performed again. For this, the Weighted Average Capital Costs (WACC) were adjusted. The analysis showed that the values-in-use of the assets remain higher than their book values, demonstrating that there is no requirement for an impairment.

Functional Currency

The consolidated financial statements of CYAN AG are shown in thousand euro. The totalization of rounded figures can give rise to rounding variances caused by the use of automatic computing tools.

The management team takes the considered view that the consolidated statement of accounts includes all necessary adjustments required to provide a fair view of the assets, financial positions and profit and loss.

The annual accounts of subsidiaries whose functional currency is other than the euro are translated in accordance with the functional currency principle. For balance sheet items, this conversion takes place at the period-end exchange rate (the current rate method). Income and expense items are converted at the annual average rate. Resulting translation variances are recognized under Other Comprehensive Income (OCI) and are disclosed in the currency conversion provision as equity until the subsidiary is sold.

Conversion rate variances arising from fluctuations in the exchange rate between the date the transaction was posted and its impact on cashflow or its valuation on balance sheet date are recorded in terms of their impact on net income, as well as in the operating result.

The following table shows the foreign currency rates of all foreign currencies in which CYAN AG and its subsidiaries transact their business.

	Average rate		Closing rate	
	2020	2019	**31/12/2020**	31/12/2019
Bangladeshi Taka (BDT)	97.098	94.424	103.874	94.889
Chilean Peso (CLP)	905.061	792.242	870.660	832.350
Colombian Peso (COP)	4,272.080	3,693.019	4,212.021	3,666.792
Mexican Peso (MXN)	24.512	21.557	24.291	21.264
Peruvian Sol (PEN)	4.079	3.761	4.676	3.765
Hungarian Forint (HUF)	351.205	325.231	359.020	330.710
US Dollar (USD)	1.141	1.120	1.217	1.111

Estimates and Assumptions

The preparation of the consolidated financial statements requires estimates and assumptions that affect the figures reported in the consolidated financial statements. The actual results may diverge from these estimates. The estimates and their underlying assumptions are subject to continuous review. Amendments of balance sheet estimates are recorded in the period in which the estimate was changed, and in all later periods of time. IFRS-based valuations performed by the management that have a substantial impact on the consolidated financial statements and estimates that carry a substantial risk of a major adjustment in the following year are explained in the respective items.

Impairment of Assets

The assessment of recoverability of intangible assets, goodwill and tangible assets, is based on assumptions for the future. The assumptions employed for the impairment tests of goodwill are explained in the explanations to the consolidated statement of financial position in section 10, Intangible Assets. The determination of the useful life of assets involves estimates.

Receivables

Impairments of receivables are accounted for on the basis of assumptions about the probability of default in accordance with the model of expected credit losses.

Other Provisions

Other provisions are set up in response to current liabilities resulting from events in the past that give rise to an outflow of resources with an economic benefit, employing a figure that most probably reflects that value, based on reliable estimates. Details of provisions can be found in the explanations to the consolidated statement of financial position in section 20, Provisions.

Taxes on Income

The application and subsequence valuation of actual as well as deferred taxes are subject to uncertainties arising from complex taxation legislation in the different national jurisdictions, and that are also subject to regular amendments. Furthermore, the valuation of losses carried forward is contingent upon future results. Management assumes that it has come to a reasonable estimate of the uncertainties surrounding taxation and of future results. However, due to the existing uncertainties surrounding taxation and in relation to the estimation of future results, there is a risk of variances arising between actual results and the assumptions made in relation to the impact of these on the tax liabilities and deferred taxes. The following sections on the taxation of income explain tax-related details in greater depth.

Revenue from Contracts with Customers

The assessment of contracts with customers by the criteria of IFRS 15 is based on the estimates and assumptions in relation to the identification of separate performance-related obligations within a contract and the distribution of the transaction price to these in accordance with their individual selling prices. More detailed explanations are provided in the Accounting and Valuation Methods under 'Revenue from Contracts with Customers'.

Leasing

Substantial estimates as lessee and lessor were required for the calculation of rights-of-use and their associated leasing liabilities and receivables respectively. These are explained in greater detail in the Leasing part of the Accounting and Valuation Methods section.

Scope of Consolidation and Consolidation Method

The scope of consolidation is defined in accordance with IFRS provisions. As well as the annual accounts of CYAN AG, the consolidated financial statements also include the final accounts of companies (and their subsidiaries) in which CYAN AG has a controlling interest.

Subsidiaries are companies in which the corporation holds a controlling interest. A controlling interest exists when cyan can exercise control over the associated company, is exposed to fluctuating returns on its investment, and can influence returns in terms of their size due to the power to control. The annual accounts of subsidiaries are included in the consolidated financial statements from the time when cyan acquires a controlling interest in those subsidiaries, up to the time when this control by cyan ends.

The scope of consolidation to December 31, 2020 is as follows:

Company	Registered office	Share	Fully consolidated since
CYAN AG	**Germany**		
CYAN International Solutions GmbH[a]	Austria	100 %	1/1/2018 - 30/6/2020
CYAN Licencing GmbH	Austria	100 %	1/1/2018
CYAN Mobile Security GmbH[a]	Austria	100 %	1/1/2018 - 30/6/2020
CYAN Networks Software Gesellschaft mbH[a]	Austria	100 %	1/1/2018 - 30/6/2020
CYAN research and development s.r.o.[b]	Czech Republic	100 %	1/1/2018 - 28/6/2019
cyan security Chile S.p.A	Chile	100 %	31/7/2018
cyan security Colombia S.A.S.	Colombia	100 %	31/7/2018
cyan security Ecuador SAS[c]	Ecuador	100 %	31/12/2020
CYAN Security Group GmbH	Austria	100 %	1/1/2018
Cyan security Peru S.A.C.	Peru	100 %	31/7/2018
Cyan security USA, Inc.	USA	100 %	31/7/2018
I-New Bangladesh Ltd.	Bangladesh	100 %	31/7/2018
I-New Hungary Kft.	Hungary	100 %	31/7/2018
I-New Unified Mobile Solutions GmbH	Austria	100 %	31/7/2018
I-New Unified Mobile Solutions, S.A. de C.V.	Mexico	100 %	31/7/2018
Say:Hola! S.A.S.[d]	Colombia	100 %	31/7/2018 - 31/3/2020
smartspace GmbH	Austria	100 %	31/7/2018

[a] With the merger contracts on August 20, 2020, and August 28, 2020, the companies were merged with the parent company through an up-stream merger process.
[b] On finalization of the balance sheet on June 28, 2019, the liquidation of Cyan research and development s.r.o. was concluded, which is why it was deconsolidated in 2019.
[c] In 2020, cyan security Ecuador SAS was founded.
[d] On finalization of the balance sheet on March 31, the liquidation of Say: Hola! S.A.S. was concluded, which is why it was deconsolidated in 2020.

The consolidated financial statements were produced on the premise that CYAN AG is the parent company of cyan. The consolidated financial statements include all companies over which the parent company has a controlling influence ('control') through full consolidation.

The following table shows the changes in the basis of consolidation:

	Full consolidation		At-equity	
	31/12/2020	31/12/2019	**31/12/2020**	31/12/2019
Balance at the beginning of the reporting period	**16**	**17**	**0**	**0**
Included for the first time	1	0	0	0
Deconsolidation due to mergers	3	0	0	0
Deconsolidated	1	1	0	0
Balance at the end of the reporting period	**13**	**16**	**0**	**0**

New and Amended Accounting Rules to be Applied

For the first time, application of the following amended standards is mandatory:

Standard	Content	Effective
Framework Concept, Amendment	Revision of Framework Concept for Financial Reporting	1/1/2020
IFRS 3, Amendment	Definition of a Business	1/1/2020
IAS 1 and IAS8, Amendment	Definition of Materiality	1/1/2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform I	1/1/2020

These amendments had no significant impact on the asset, financial and earnings position of cyan.

Application of the following amendments or new editions of standards and interpretations is not mandatory or applicable or have not yet been adopted by the EU:

Standard	Content	Effective
IFRS 17	Insurance Contracts	1/1/2023
IAS 1	Classification of liabilities as current or non-current	1/1/2023
Miscellaneous	Improvements to IFRS, Cycle 2018-2022	1/1/2022
IFRS 3	Amendments to References to the Framework Concept in the IFRS	1/1/2022
IAS 16	Tangible assets	1/1/2022
IAS 37	Provisions, contingent liabilities and contingent receivables	1/1/2022
IFRS 16	COVID-19-related Amendments to Rental Franchises	1/6/2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase II	1/1/2021
IFRS 4	Insurance contracts - prorogation of IFRS 9	1/1/2021

The standards listed above – unless adopted by the EU – will not be applied prematurely. From a current perspective, cyan does not anticipate any significant impacts on its asset, financial and earnings position arising from these amendments to and new editions of standards and interpretations.

Accounting and Valuation Methods

Revenues from Contracts with Customers

cyan has applied IFRS 15 Revenues from Contracts with Customers. Further to IFRS 15, the time when the transfer of title to goods and services takes place, and the point where the customer can make use of them, is decisive in relation to the time when revenue is generated. To this end, cyan has applied the 5-step model for quantifying the extent and timing of the revenue recognition:

- Identification of the contract
- Identification of performance-related obligations
- Determination of the transaction price
- Distribution of the transaction price across the performance-related obligations
- Recognize revenue either Over time or at point of time

In its customer contracts, cyan has identified the following performance-related obligations: Granting of Licenses, Technical Support and Maintenance as well as Updates.

Granting of Licenses

During the process of selling licenses by cyan, the customer acquires the right to use intellectual property and thus revenue is recognized when the license is sold. Critical to the timing of this is the point from which the customer is able to use the license and therefore to derive benefit from it. One example of this involves the licenses for using the cybersecurity software developed by cyan. Another involves the licenses for using the BSS/OSS software solution developed by i-new.

Technical Support and Maintenance

During the term of the contract, further services are to be delivered, for example in the form of technical support and maintenance. In this case it is assumed that an obligation to provide such services exists in accordance with IFRS 15.26 e) and therefore revenue is recognized over the specified period of time.

In the context of technical support for the BSS/OSS solution, provision of as well as support and maintenance for the technical platform, used for connection to the MNO, is included. The services delivered in the BSS/OSS segment are not hosting services because these do not become the property of customers when they use the solution transferred to them but can instead also be used at the same time by other customers.

Updates

Irregular updates occur with the BSS/OSS software solution. However, unrestricted use can still be made of the software solution originally provided, even without updates.

For customer contracts in the cybersecurity segment, ongoing updates of databases may be provided. These are fully automated and involve the use of self-learning algorithms. The original version of the software provided, installed on customer systems, remains functionally capable and can still be used effectively, even without updates, to provide end customers with a corresponding level of cybersecurity. While updates can improve quality and topicality, neither of these is critical in terms of software functionality because these updates only relate to part of the functional scope and are not essential for the ability of customers to use the software and/or the licenses. Therefore, these updates are also based upon the premise of an obligation to provide said services in accordance with IFRS 15.26 e) and therefore on the recognition of revenue over a specific period of time.

Revenues are recognized at the transaction price. The transaction price is the consideration in exchange for the anticipated level of performance delivered. Anticipated discounts and cash discounts as well as amounts obtained on behalf of third parties (sales tax) are deducted from this. If the service and the payment take place within a one-year period, no adjustment needs to be made in terms of applying any interest charges.

The transaction prices should be regarded as fixed, particularly with regard to the point in time at which revenue is recognized (sales quantity x unit price). In relation to contracts that include longer payment terms, it is assumed that a significant financing component exists for those revenues that are allocated to services that are already provided at the beginning of the contract. The transaction price assigned to this service is therefore discounted and then an interest component is added to it.

The over-time recognition of revenue is based on the elapsed contractual term as a proportion of the full term of the contract in question. The management has reached the considered view that the proportion of time that has elapsed at closing date in relation to the total time anticipated for delivery of a service represents a reasonable measure for the level of completion of these performance obligations as defined in IFRS 15.

The usual target payment period for cyan is 30 days.

Agreements to take back purchases are only included on a 'best effort' basis and therefore have no impact on the allocation of the transaction price or the recognition of revenue.

In cases where a service is delivered before consideration is received, contract assets are capitalized.

Trade receivables are disclosed if there is a direct entitlement to receive payment.

Wherever additional costs are incurred when concluding a contract and where its associated sales revenues are generated over a one-year period, these costs must be recognized as assets and then written down progressively as actual sales revenues are generated.

Taxes on Income

Income tax expenses (or tax income) for the period is the amount of tax payable on the taxable income of the current period based on the applicable rate of tax on earnings (reconciled to include changes in deferred taxation claims and liabilities arising from temporary variances and, where applicable, any unused tax losses).

Deferred taxes on income (expenses or income) result from temporary variances between the book value of an asset or a debt on the balance sheet and its tax value. In accordance with IAS 12 (taxes on earnings), the deferred tax assets and deferred taxes reflect all temporary valuation and balance sheet variances between the tax balance sheet and the IFRS final accounts. Moreover, deferred taxes are formed on the basis of tax losses carried forward.

At CYAN AG, the trade tax loss carried forward amounts to approximately EUR 7 million (2019: EUR 8 million) and a corporation income tax loss carried forward amounts to roughly EUR 7 million (2019: EUR 8 million). In future, since it will be improbable to carry forward unused losses, no provision is being set up for deferred taxation.

In relation to the consolidated tax-sharing agreement of December 18, 2014, CYAN Security Group GmbH as group leader forms a tax corporation with CYAN Networks Software GmbH in accordance with Section 9 of the Austrian Corporate Income Tax Code (öKStG). Over the last few years, this fiscal group of companies has been extended to include several group members. The core concept for taxation of the group involves grouping together the tax results of financially affiliated entities with the group leader. All companies that belong to the group calculate their respective revenues separately. The resultant taxation charge is then charged to the group leader (standalone method) in the form of distributions of the tax burden. The results of all companies are unified with the group leader and taxation is levied accordingly.

With a contribution and contribution in kind contract dated Jul 5, 2019, CYAN AG has contributed its entire holding in CYAN Security Group GmbH to its subsidiary I-New Unified Mobile Solutions GmbH as an investment in kind. As a result of restructuring, the existing group was dissolved and a new group was set up, with I-New Unified Mobile Solutions GmbH as group leader and with CYAN Security Group GmbH, CYAN Mobile Security GmbH, CYAN Networks Software GmbH, CYAN International Solutions GmbH, CYAN Licencing GmbH, and smartspace GmbH as group members.

Since in 2020 a retroactive merger was agreed, whereby CYAN Mobile Security Group GmbH, CYAN Networks Software GmbH, and CYAN International GmbH merged with CYAN Security Group GmbH, in 2020 only I-New Unified Mobile Solutions GmbH, CYAN Security Group GmbH, CYAN Licencing GmbH, and smartspace GmbH are now included in the group.

For following years, pre-group losses amounting to about EUR 24 million are available. Without any time limit, these can be offset to the extent of 75 % against future profits.

For the fully consolidated companies, the following rates of income tax were applied:

Company	2020	2019
CYAN AG	32.975%	30.0%
CYAN International Solutions GmbH	-[a]	25.0%
CYAN Licencing GmbH	25.0%	25.0%
CYAN Mobile Security GmbH	-[a]	25.0%
CYAN Networks Software Gesellschaft mbH	-[a]	25.0%
cyan security Chile S.p.A	27.0%	27.0%
cyan security Colombia S.A.S.	32.0%	33.0%
cyan security Ecuador SAS	25.0%	25.0%
CYAN Security Group GmbH	25.0%	25.0%
Cyan security Peru S.A.C.	29.5%	29.5%
Cyan security USA, Inc.	26,5%[b]	26,5%[b]
I-New Bangladesh Ltd.	-[c]	-[c]
I-New Hungary Kft.	9.0%	9.0%
I-New Unified Mobile Solutions GmbH	25.0%	25.0%
I-New Unified Mobile Solutions, S.A. de C.V.	30.0%	30.0%
Say:Hola! S.A.S.	-[d]	33.0%
smartspace GmbH	25.0%	25.0%

[a] Merged
[b] 21% + 5.5%
[c] Tax exempt
[d] Deconsolidated

Intangible Assets and Goodwill

Purchased intangible assets are valued in accordance with IAS 38 at acquisition costs or costs of production and any applicable impairments less scheduled pro-rata temporis depreciation. Extraordinary depreciation is applied if circumstances exist that justify an impairment.

Software licenses acquired are capitalized as assets on the basis of acquisition costs and commissioning of the software. These costs are amortized over the estimated useful life, which is between 3 and 5 years.

Since the period of time during which brand rights are expected to generate cashflows cannot be estimated, these are not amortized of a defined timeframe. Instead, they are written down when impairment occurs.

Research expenses are expensed as incurred. Development expenses are capitalized as assets whenever the corresponding criteria for IAS 38 are satisfied. Capitalized development expenses are carried at cost of production, less depreciation and impairment, assuming a depreciation period of between 3 and 10 years.

Intangible assets acquired in the context of a corporate merger are recognized separately from goodwill and are measured at fair value at the time of acquisition.

During the subsequent periods, intangible assets acquired in the context of a corporate merger as well as individually acquired intangible assets are valued on the basis of their acquisition costs less cumulative impairment and any cumulative depreciation charges.

Goodwill arises in the course of corporate acquisitions from the associated consideration paid and the total of all non-controlling interests in the company acquired less the balance of identifiable assets and debt taken on measured at fair value. If the difference is negative, the calculation for the consideration transferred and the purchase price allocation needs to be reexamined. If a further examination yields a negative difference, this is recorded on the statement of consolidated income. If the variance figure is positive, goodwill is recognized.

During the acquisition of CYAN Security Group GmbH and its subsidiaries, goodwill, technologies and customer relationships were capitalized. Goodwill is not subject to scheduled depreciation. IAS 36 requires an impairment test to be carried out once a year. If any indication for an impairment is discovered, such impairment test is to be conducted immediately.

The technologies are depreciated on a straight-line basis over their useful life (7 years). The customer relationships are amortized over the estimated useful life (9 to 12 years).

Tangible Assets

Tangible assets (property, plant and equipment) are carried in the balance sheet as assets at their acquisition costs less cumulative depreciation. Acquisition costs comprise the purchase price, ancillary costs and subsequent acquisition costs less any deductions they may contain on the purchase price.

Subsequent costs are included in the book value of an asset or may if necessary be recorded as a separate asset figure, but only if it is probable that the company will obtain a future economic benefit from the asset and if the costs of that asset can be established reliably. The book value of any part that is replaced is derecognized. All other repair and maintenance costs are recorded to the statement of comprehensive income for the reporting period in which they are incurred.

Tangible assets are depreciated using the straight-line method over their estimated useful life. When defining the estimated useful life, due account is taken of the expected economic and technical service life. The estimated useful life for tangible assets: 3 to 5 years for IT equipment, 4 to 10 years for other business and office equipment and 33.33 years for buildings. The recoverability of book values and periods of use for assets is examined on every balance sheet date and is adjusted as and when necessary. Whenever assets are sold, decommissioned or scrapped, the difference between the net proceeds and the net book value of the asset is recorded as a profit or a loss in other operating income or expenditure.

Investment grants are recorded under equity and liabilities, as part of other liabilities, using the gross method without affecting net income. Investment grants are recognized as other income in the consolidated statement of comprehensive income over the useful life of the assets for which they were obtained for.

Impairment and Impairment Test

An impairment test, as defined in IAS 36, must be conducted at least once a year for goodwill, intangible assets with an indefinite useful life and intangible assets that are not yet available for use. The recoverability of book values for all other assets, with the exception of ones that are valued at their fair value in the statement of profit and loss, or that are subject to special regulations from a different standard governing the checking of recoverability, only needs to be checked if there are indications for an impairment.

Since corresponding data for carrying out an impairment test at the level of individual assets frequently do not exist, cash generating units are formed for the purposes of an impairment check. These are defined as the smallest identifiable group of assets that generate cash inflows that are almost entirely independent of the cash inflows from other assets or from other groups of assets. For the purposes of the impairment test, a goodwill figure is established at the time of acquisition and is allocated by cyan to those cash-generating units (or groups of them) that are expected to deliver a benefit resulting from the synergies of the merger. Cash-generating units to which a proportion of that goodwill was assigned need to be examined on an annual basis for impairment. If indications of impairment are found to exist for a unit, it may be necessary to conduct impairment tests more frequently. If the achievable amount of a cash-generating unit is less than the book value of the unit, the cost of impairment must first be allocated to the book value of each goodwill figure and then proportionally to other assets on the basis of the book value of each of those assets, as a proportion of total book value of assets within that unit. Here, the achievable amount is the higher figure from value-in-use and associated fair value less disposal costs.

The impairment test is conducted using the Value-in-Use concept, the achievable figure is established on the basis of the value-in-use.

Any resulting impairment loss is recognized in the statement of profit and loss, hence with an effect on earnings. If the reason for an impairment ceases to exist in a subsequent period, the impairment loss is reversed affecting earnings. Any impairment loss relating to goodwill cannot be reversed in future periods.

Leasing

A decisive factor for recognition on the balance sheet in accordance with IFRS 16 is whether the leased object constitutes an identifiable asset where the lessee can determine the form of use and is entitled to the economic benefits from the asset. For each lease, the lessee records a liability for future lease payments to be made. At the same time, a right-of-use asset is capitalized at the present value of the future lease payments and is subsequently depreciated on a straight-line basis. This standard affects cyan particularly in conjunction with the leasing of office premises, server rooms, data lines and vehicles.

The valuation of a leasing liability is based on the present value of the future lease payments. Leasing payments are discounted using the incremental borrowing rate. The rights of use corresponding to the leasing liability are adjusted to reflect any advance or deferred lease payments.

The incremental borrowing rate used to discount lease liabilities was derived from the interest rate on German federal bonds taking due account of the markup for the credit rating, the sovereign risk and the inflation differential. The average weighted incremental borrowing rate applied by cyan is 1.28 % (2019: 1.14 %).

The leasing liability features the following maturities:

in EUR thousand	31/12/2020	31/12/2019
Leasing liabilities	**6,150**	**3,447**
Thereof non-current	*4,970*	*2,812*
Thereof current	*1,180*	*635*

IFRS 16 mandates estimates that influence the valuation of the usage rights as well as the leasing liabilities. These include the contract duration and the applied incremental borrowing rate to discount future leasing payment obligations.

The following table shows the impact of lease contracts in the statement of profit and loss.

in EUR thousand	31/12/2020	31/12/2019
Depreciation of buildings	671	388
Depreciation of other equipment, operating and office equipment	104	98
Interest expense	71	32
Income from subleasing of rights of use in connection with buildings	274	0
Interest income	5	1

The total lease payments in 2020 amounted to EUR 1,164 thousand (2019: EUR 515 thousand).

cyan leases various office premises, server rooms, vehicles and fiber-optic cables. Lease contracts for buildings usually run for 10 years or for an indefinite period, 5 years for colocation sevices, 5 years for vehicles and 5 years for fiber-optic cables.

In 2019, a shortage of space prompted the leasing of a larger office, and the office used previously was sub-let starting November 2019. The term of that subletting contract is the same as the term of the lease contract. For this, the usage rights were derecognized, and a leasing receivable was set up. As a result of the sub-lease to a customer, a leasing receivable was capitalized in 2020.

Extension & Termination Option

A number of cyan's property and plant lease contracts include extension and termination options. Contractual terms of this kind are used to assure cyan of maximum operational flexibility in relation to the assets used by the group. The majority of existing extension and termination options can only be exercised by the group and by its respective lessors.

The application of IFRS 16 at cyan in 2020 has a positive impact of EUR 1,164 thousand on EBITDA because in conjunction with IFRS 16, no rental cost is incurred. Since in relation to sub-leases associated with IFRS 16 no lease revenue is recorded, this has a negative impact on EBITDA amounting to EUR 274 thousand. Due to the adjustment of the lease contract of the former office building (on which no usage right is now available), the EBITDA was reduced by EUR 8 thousand. Through a sub-lease with a customer, the EBITDA was increased by EUR 57 thousand. In addition, with CYAN Peru, CYAN Chile and CYAN Colombia, foreign exchange gains to the value of EUR 75 thousand were obtained, as a result of contracts denominated in USD. These are set against depreciation amounting to EUR 775 thousand that reduce the EBIT. After interest expenses of EUR 71 thousand and interest income of EUR 5 thousand, an effect from IFRS 16 applies to the period result, to the amount of EUR 173 thousand. Interest incurred is disclosed in the financial results.

The following table shows the receivables from financial leasing arrangements:

in EUR thousand	31/12/2020	31/12/2019
Due in one year	274	156
Due between 1 and 2 years	274	156
Due between 2 and 3 years	183	156
Due between 3 and 4 years	118	65
Due between 4 and 5 years	-	-
Due in more than five years	-	-
Total undiscounted leasing payments	**849**	**533**
Non-guaranteed residual values	-	-
Depreciation of other equipment, operating and office equipment	-6	-6
Present value of lease payments to be received	**843**	**527**
Impairment for uncollectible lease payments	-	-
Net investment value from leases	**843**	**527**

Undiscounted leasing payments:

in EUR thousand	31/12/2020	31/12/2019
Due within one year	274	156
Due in more than one year	575	377

Net investment value from leasing:

in EUR thousand	31/12/2020	31/12/2019
Due within one year	271	153
Due in more than one year	572	374

The options pursuant to IFRS 16.5 for short-term leasing arrangements with a term of up to one year and for leasing arrangements where the underlying asset is a low value good (less than EUR 5,000) have been adopted. The associated lease payments are recorded as expense in a straight-line fashion over the term of the lease arrangement. A total of EUR 203 thousand was incurred for short-term lease arrangements, and EUR 28 thousand for low-value lease arrangements.

Financial Instruments

IFRS 9 contains three valuation categories which represent valuation at amortized acquisition costs, valuation at fair value with changes recognized through the statement of profit and loss and valuations at the fair value with changes in value recognized through other comprehensive income.

At this time, and for the following reasons, at cyan only the valuation at amortized acquisition costs is being applied.

Fundamentally, the fair values for financial instruments do not differ from their book values because the interest-related receivables and liabilities either virtually correspond to current market rates, or the instruments are current.

In the case of trade receivables (receivables from goods and services), other receivables, cash and cash equivalents as well as the trade payables (liabilities from goods and services) and other liabilities, due to the predominantly short-term nature of these items, their book values by and large match their associated fair values. Variable rates of interest are applied to financial liabilities so no difference to the associated fair value exists, or the associated fair values virtually correspond to their book values at fixed rates of interest.

Impairments must be conducted in relation to financial assets that are valued on the basis of amortized cost, and to contract assets.

cyan makes use of the simplified procedure for trade receivables, which under certain conditions for the assessment of impairment for these financial assets allows to always take place at the level of the expected credit loss using a distribution matrix.

As a basis for estimated, expected credit losses, experience-based values are derived from actual historical credit losses from the previous 3 years. In relation to receivables and leasing receivables with an impaired credit rating ('Level 3') and for contract assets, specific provisions for bad debt are set up.

Inventories

Inventories are valued at the lower figure from purchase costs or manufacturing costs and the net disposal value. The net disposal value is the estimated proceeds from a sale, less the estimated costs of completion and the sale transaction. Purchase costs or manufacturing costs are established on the basis of the moving average price procedure.

Provisions for Severance Payments

Provisions for performance-based liabilities are set up to cover the legal entitlement of employees. Employees are entitled to a severance payment when they reach retirement age and when the employer terminates their employment. The level of these claims is determined by the number of years of service and by the salary level at the severance date. Calculated in accordance with actuarial principles based on the projected unit credit method. Contribution-oriented liabilities exist for salaried staff in Austria whose employment relationship began after December 31, 2002. These severance payment liabilities are covered by the ongoing payment of corresponding contributions to an employee social security fund held in an account of the employee.

Liquid Assets

Cash and cash equivalents are classified as cash in hand and as credit balances in banks and may include other short-term highly liquid capital assets with an original term of up to three months. They are recorded at nominal value.

Financial Liabilities

In accordance with IFRS 9, financial liabilities are recognized initially at the associated fair value less any transaction costs incurred. The following assessment is based on amortized cost. The difference between the cash-inflow (after deduction of transaction costs) and the repayment figure is recorded in the statement of comprehensive income over the term of the financial liabilities, applying the effective interest method.

Trade payables are liabilities from the payment of goods or services that were acquired from suppliers in the course of normal business activity. Trade payables are classified as short-term liabilities if payment falls due within one year or sooner. Initially, trade payables are recorded at their fair value, and are then valued as amortized costs by applying the effective interest method.

The book value of other liabilities corresponds to the associated fair value, as they are mainly current.

Provisions

Provisions are set up if the company as the result of a past event incurs a current (legal or factual) liability for which it is probable that the company will be obliged to fulfill it, and where a reliable estimate of the value of that liability can be performed. The valuation of provisions is based on the present value of the best possible estimate by the management expenses required at the end of the reporting period to fulfill the current liability. The expenses for a provision are recorded in the statement of comprehensive income.

Corporate Acquisitions/Acquisitions of Other Business Units

No corporate acquisitions took place in 2020 and 2019.

When I-New Unified Mobile Solutions GmbH was acquired by CYAN AG in 2018, an earn-out clause was agreed with the former shareholders which provides for a results-based supplement to the purchase price when defined EBITDA thresholds are achieved in the following years of 2019 to 2021. Due to a one-off license deal, the EBITDA threshold was exceeded in 2019.

To determine the supplement to the purchase price, a consolidated balance sheet and income statement were set up for the original I-New Group (elimination of inclusion of Cyan Security Group GmbH) including explanatory details. In 2019, the original I-New group achieved an EBITDA of EUR 11,525 thousand which led to the recognition of a liability amounting to EUR 817 thousand for the earn-out payment to former shareholders. In 2020 the EBITDA was EUR 8,040 thousand so a liability of EUR 1,021 thousand was recognized. The current budget figures for the I-New Group envisage an EBITDA for the forthcoming 2021 financial year that is below the EBITDA threshold provided for in the share purchase contract.

Accordingly, the fair value calculated for earn-out components for the 2021 financial year amounts to zero. The associated fair value of the conditional purchase price liabilities for the I-New companies is based on the discounted cashflow method (Level 3). The valuation model takes into account the cash value of the expected payment based on the EBITDA forecast for the next two years, with interest levied at a risk-adjusted rate. The associated fair value on the balance sheet date is EUR 0.00.

Segment Reporting

Reporting across the business segments takes place in a way that coincides with the internal reporting body to the Management Board that acts as the main decision-making body (Management Approach). Accordingly, the Management Board is responsible for the allocation of company resources for both segments.

cyan has two segments that are used to manage the company: Cybersecurity and BSS/OSS, oriented on the type of products they offer. The Management Board decided in favor of this form of segmentation because it best reflects the opportunity & risk structure of the company. The distinctive nature of customer groups and the technical solutions and products used provide clear separation between the segments.

Cybersecurity

This segment includes all the services delivered by cyan that are based on application of the filter technology used in B2B2C business. In this segment, cyan delivers its services in conjunction with products such as OnNet Security, OnDevice Security, Child Protection or Clean Pipe. The growth prospects in this segment are viewed in a very favorable light. In the OnNet sector especially, an independent study conducted by an international strategy consultancy company anticipates annual growth of 50 % by 2023.

At present, the geographical focus is primarily on Europe, but other regions (such as North America, Asia and Africa) are to be supplied by cyan with cybersecurity gradually.

BSS/OSS

In this segment, MVNOs are offered the entire range of products needed to operate a virtual mobile operator. The array of solutions offered by cyan includes connection to the network of an MNO, billing, the management of credit balances, provisioning, etc.

The primary geographic focus of this segment is on South America. Here the strong market position of the company is to be expanded through the acquisition of new customers and, at the same time, the range of services is to be extended continuously. However, cyan is also endeavoring to establish a foothold in EMEA with its BSS/OSS solution.

Segment Reporting

Segment reporting, in accordance with IFRS 8, is to be based on internal control and reporting (Management Approach). The line of separation between the business segments and their corresponding report contents are therefore based, as mentioned previously, on the reporting structure within cyan, with the Management Board as the main decision-making body.

Accordingly, operational segments with mandatory reporting requirements are defined as the 'Cybersecurity' segment (consisting of Cyan Security Group GmbH and its subsidiary), and the 'BSS/OSS' segment (consisting of I-New Unified Mobile Solutions GmbH and its subsidiaries with the exception of the subsidiaries assigned to the 'Cybersecurity' division). Both segments are constituent parts of the corporation that conduct business activities that give rise to sales revenues and expenditures, the results of which are monitored by the Management Board of CYAN AG for the purposes of measuring success and resource allocation, with separate financial information available for each. While both segments operate in the technology and software sector, each offers distinctive products and services, which is why each is monitored separately by the Management Board of CYAN AG.

Both business segments outperform the quantitative threshold values. No further business segments exist beyond these two. The 'Transition' column includes the activities of CYAN AG that have not been allocated to either of these two segments and to consolidations performed at group level.

	BSS/OSS		Cybersecurity		Transition		Total	
in EUR thousand	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Segment total earnings[a]	**19,673**	20,381	**5,707**	11,712	**-**	414	**25,379**	32,507
Segment revenues	18,180	18,406	3,113	8,348	-	-	21,293	26,754
Thereof with external customers	*18,180*	*18,406*	*3,113*	*8,348*	-	-	*21,293*	*26,754*
Thereof with other segments	-	-	-	-	-	-	-	-
EBITDA	**8,437**	11,512	**-11,327**	3,650	**-2,167**	-3,493	**-5,058**	11,670

[a] Total of revenue, other operating income and changes in inventories

	BSS/OSS		Cybersecurity		Transition		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Employees (FTE)	83	91	66	36	0	0	149	127

	BSS/OSS		Cybersecurity		Transition		Total	
in EUR thousand	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Impairment	-229	-431	-	-	-	-	-229	-431

The following table shows how the long-term tangible assets, the intangible assets and the deferred tax assets of cyan reflecting the region of origin of the company.

	BSS/OSS		Cybersecurity		Transition		Total	
in EUR thousand	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Americas	1,625	976	-	-	-	-	1,625	976
APAC	23	1	-	-	-	-	23	1
EMEA	15,974	18,664	47,386	47,431	47	18	63,407	66,114
Non-current tangible assets, intangible assets and deferred tax assets	**17,622**	**19,641**	**47,386**	**47,431**	**47**	**18**	**65,055**	**67,091**

The countries of their respective customers or companies that were assigned to these regions.

- Americas: Chile, Ecuador, Colombia, Mexico, Peru, USA
- APAC (Asia and Pacific): Bangladesh, New Zealand
- EMEA (Europe, Middle East and Africa): Germany, Ireland, Austria, Poland, Switzerland, Slovenia, Hungary, Cyprus

The following table shows how the additions of long-term tangible assets and intangible assets reflecting the region of origin of the company.

	BSS/OSS		Cybersecurity		Transition		Total	
in EUR thousand	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Americas	1,261	66	-	-	-	-	1,261	66
APAC	75	-	-	-	-	-	75	-
EMEA	223	66	2,668	2,544	40	-	2,931	2,610
Additions to non-current tangible assets, intangible assets	**1,559**	**132**	**2,668**	**2,544**	**40**	**-**	**4,267**	**2,676**

The accounting and valuation methods of the reporting segments match the group's accounting and valuation methods described above.

Notes to the Statement Comprehensive Income

[1] Revenues

All revenues result exclusively from contracts with customers as defined in IFRS 15 and include all earnings that result from the ordinary business activity of cyan. In this financial year, cyan was able to sign new customer contracts and to extend contracts with existing customers. There have been no significant changes in revenue levels.

The following table shows the sales revenues of cyan, split by region of origin of each business partner.

in EUR thousand	BSS/OSS 2020	BSS/OSS 2019	Cybersecurity 2020	Cybersecurity 2019	Total 2020	Total 2019
Americas	14,433	15,627	-	-	14,433	15,627
Thereof Colombia	*1,040*	*4,192*			*1,040*	*4,192*
Thereof Mexico	*12,883*	*1,511*	-		*12,883*	*1,511*
Thereof other countries	*510*	*9,924*			*510*	*9,924*
APAC	3,343	1,545	-	-	3,343	1,545
Thereof Bangladesh	*2,075*	*417*			*2,075*	*417*
Thereof New Zealand	*1,268*	*1,127*			*1,268*	*1,127*
EMEA	404	1,234	3,113	8,348	3,517	9,582
Thereof Austria	*118*	*385*	*2,824*	*3,408*	*2,941*	*3,793*
Thereof other countries	*286*	*849*	*290*	*4,940*	*576*	*5,789*
Revenues	**18,180**	**18,406**	**3,113**	**8,348**	**21,293**	**26,754**

In the cybersecurity segment, the revenues from two customers amount to EUR 2,860 thousand (2019: EUR 7,875 thousand). In the BSS/OSS segment, revenues from three customers amount to EUR 16,752 thousand (2019: EUR 11,906 thousand).

At the end of the reporting period, EUR 21,458 thousand are attributable to the allocated transaction prices of performance obligations not yet settled.

The following table shows the allocated transaction prices of performance obligations that have not yet been fulfilled split by due date.

in EUR thousand	Up to 1 year	2 - 5 years	5 years
Transaction prices	4,076	17,382	-

[2] Other Operating Income, Income from Reversals of Impairment Losses and Changes in Inventories

The other operating income, income from reversals of impairment losses and changes in inventories and capitalized own work comprise the following items:

in EUR thousand	2020	2019
Change in inventories and capitalized own work	2,011	3,615
Income from subsidies/research grants	762	499
Income from reversal of impairment losses	983	-
Exchange rate gains	164	267
Other	167	1,372
Other income, income from reversals of impairment losses and changes in inventories	**4,086**	**5,753**

The changes in inventories relate to contract costs associated with the fulfillment of customer contracts as a result of IFRS 15, as well as to development costs capitalized in accordance with IAS 38 (2019). The research grant is a form of financial support for the costs incurred by research and development and is paid out by the Austrian tax authorities. In 2019, income from reversals of impairment losses of EUR 591 thousand were included in other income and not shown as separate item.

[3] Cost of Materials and Services Procured

The cost of materials and services procured as shown in the statement of profit and loss and in the statement of comprehensive income constitute:

in EUR thousand	**2020**	**2019**
Cost of materials	-386	-457
Cost of services procured	-3,888	-3,417
Cost of materials and services procured	**-4,274**	**-3,874**

The services procured relate primarily to third-party services and to miscellaneous services in the domestic market, in the EU, in third countries and to IT consultancy support.

[4] Personnel Expenses

Personnel costs include the following items:

in EUR thousand	**2020**	**2019**
Salaries	-8,755	-8,938
Expenses for social security contributions and payroll taxes	-1,984	-1,554
Other personnel expenses	-370	105
Personnel expenses	**-11,108**	**-10,387**

The decline in salaries shown in personnel costs, despite an increase in the number of employees compared to the previous year results from changes in the levels of variable remuneration. The positive balance of Other personnel expenses in 2019 results from changes to bonus payments and from changes to vacation provisions. The average number of employees is 149 (2019: 127). These are divided as follows on the basis of geographical features:

	2020	**2019**
European Union (excl. Austria)	31	30
Austria	84	67
South America	29	26
Asia	5	4
Rest of the world	-	-
Average number of employees	**149**	**127**

[5] Impairment of Trade Receivables, and Contract Assets

In 2020, the impairment expenses of trade receivables, and contract assets primarily affects the impairment of contract assets amounting to EUR 4,785 thousand following bankruptcy filing by Wirecard. The contract with Virgin Mobile also entails a write-down to the value of EUR 565 thousand. The remaining EUR 746 thousand are provisions for bad debt. In 2019, EUR 435 thousand are due to the write-downs of three receivables, EUR 303 thousand from lump-sum impairments in accordance with IFRS 9, and EUR 291 thousand from provisions for bad debt.

[6] Other Expenses

Other expenses include the following items (type of expenditure item):

in EUR thousand	2020	2019
Fees	-195	-250
Rental expenses	-365	-387
Consulting fees	-2,494	-2,881
Insurance	-242	-187
Travel expenses	-221	-655
Advertising expenses	-913	-376
Research and development	-330	-132
Exchange rate differences	-2,166	-
Other	-2,032	-679
Other expenses	**-8,958**	**-5,547**

The consultancy costs include expenditure on technical, legal and tax advice, and other consultancy services. Other expenses include administration costs, financial transaction charges and contributions as well as the earn-out payments in relation to I-New Unified Mobile Solutions GmbH. In the previous year, the foreign exchange differences amounting to EUR 131 thousand were recognized in Other expenses.

[7] Depreciation

In the statement of comprehensive income, the following charges for depreciation are included:

in EUR thousand	2020	2019
Amortization of intangible assets	-4,889	-5,149
Depreciation on property, plant and equipment	-1,092	-992
Depreciation and amortization	**-5,981**	**-6,141**

More details about depreciation can also be found under sections 10 and 11 as well as in the Accounting and Valuation Methods under the section concerning Intangible Assets, Tangible Assets and Leasing.

[8] Financial Income and Financial Expenses

in EUR thousand	2020	2019
Interest income		
Loans	0	0
Other	704	131
Financial income	**704**	**132**
Interest and similar expenses		
Leasing liabilities	-71	-32
Interest on loans	-11	-172
Other	-61	-18
Financial expenses	**- 143**	**- 222**
Financial result	**561**	**- 91**

The majority of financial income results from the interest charged on contract assets. Interest expenses are due to third-party financing (e.g., bank loans and other loans).

[9] Taxes on Income

Actual tax refund claims and tax liabilities are netted if the company has an enforceable right to offsetting and if it intends to achieve a net basis settlement or to offset claims against liabilities simultaneously.

in EUR thousand	2020	2019
Expenses for current income taxes	-489	-1,091
Tax credits/back payments for previous years	31	-18
Change in deferred income taxes	1,669	200
Income taxes	**1,210**	**- 909**

Tax Transition Account

The group tax rate is defined as the ratio of recorded income tax expenses to the earnings before taxes. The cost of tax is calculated at the applicable tax rates in the various jurisdictions. In accordance with IAS 12, the tax rate to be applied is the most suitable one for the information interests of the final account addressees. In most cases, this is the tax rate in the country in which the company is headquartered. Since CYAN AG, a company based in Germany, operates solely as a holding company while the majority of its operational subsidiaries have their head offices in Austria, Austrian corporation tax is applied at the rate of 25 % (2019: 25 %) when the tax transition account is created.

Transition of the computed tax on income at the recorded cost of tax on revenues is presented as follows:

in EUR thousand	**2020**	**2019**
Income before income taxes	-10,478	5,438
Income tax expense based on the austrian corporate income tax rate	2,619	-1,360
Differences due to different tax rates	-3	170
Tax-free income	842	116
Non-deductible expenses	-577	-669
Taxes from previous periods	31	-18
Losses of the current year - for which no deferred tax asset was recognised	-1,638	-769
Recognition of tax effects of previously unrecognised loss carryforwards	349	1,099
Foreign taxes	-408	-
Changes in estimates from previous years	-	612
Other differences	-6	-91
Effective group tax expense	**1,210**	**-909**

Notes to the Statement of Financial Position

[10] Intangible Assets

The following table shows the development of intangible assets:

in EUR thousand	Patents, customer relations & similar rights	Software	Development costs	Goodwill	Total
As of 1/1/2019					
Acquisition costs	17,678	22,147	651	30,779	71,256
Accumulated depreciation	-1,111	-1,765	-	-	-2,876
Book value	**16,566**	**20,382**	**651**	**30,779**	**68,379**
Financial year 31/12/2019					
Initial book value	16,566	20,382	651	30,779	68,379
Additions - purchases	11	96	-	-	107
Additions - internal development	-	-	315	-	315
Reclassifications		4			4
Disposals	-	-1	-	-	-1
Depreciation	-2,057	-2,983	-21	-	-5,061
Thereof impairment	*-431*	-	-	-	*-431*
Book value	**14,520**	**17,499**	**945**	**30,779**	**63,744**
As of 1/1/2020					
Acquisition costs	17,689	22,247	966	30,779	71,681
Accumulated depreciation	-3,168	-4,748	-21	-	-7,937
Book value	**14,520**	**17,499**	**945**	**30,779**	**63,744**
Financial year 31/12/2020					
Initial book value	14,520	17,499	945	30,779	63,744
Additions - purchases	-	43	-	-	43
Additions - internal development	-	-	-	-	-
Reclassifications	-	-	-	-	-
Disposals acquisition costs	-0	-1,716	-	-	-1,716
Disposals accumulated depreciation	0	1,705	-	-	1,705
Depreciation	-1,626	-3,234	-54	-	-4,914
Thereof impairment	-	*-229*	-	-	*-229*
Currency difference depreciation	-	4	-	-	4
Book value	**12,894**	**14,301**	**891**	**30,779**	**58,865**
As of 31/12/2020					
Currency translation acquisition costs	-	-1	-	-	-1
Currency translation accumulated depreciation	-	0	-	-	0
Acquisition costs	17,688	20,572	966	30,779	70,006
Accumulated depreciation	-4,794	-6,273	-75	-	-11,142
Book value	**12,894**	**14,299**	**891**	**30,779**	**58,863**

The depreciation in the statement of profit and loss also includes the depreciation of contract costs amounting to EUR -11 thousand (2019: EUR -91 thousand).

The development costs capitalized amount to EUR 891 thousand (2019: EUR 945 thousand) and primarily comprise personnel costs.

With customer relationships, the loss of a customer in August 2019 gave rise to a depreciation requirement (impairments) amounting to EUR 435 thousand. Then, in 2020, the impairment of a software product required an extraordinary write-down to the amount of EUR 229 thousand.

Brand rights which have an unlimited useful life and that are disclosed under Patents, customer relationships & other rights, are recognized with a book value of EUR 32 thousand (2019: EUR 32 thousand).

In the consolidated financial statements, goodwill to the amount of EUR 30,779 thousand is disclosed. This results from the acquisition of the CYAN Security Group GmbH by CYAN AG as part of the stock market flotation in 2018. Goodwill was therefore assigned entirely to the cash-generating unit (CGU) of Cybersecurity which already existed from cyan companies even prior to acquisition of the holding in I-New Unified Mobile Solutions GmbH in July 2018 and that at the same time constitutes a business segment in accordance with IFRS 8. For CGU Cybersecurity, an impairment test was therefore a mandatory requirement.

In addition, the achievable amount of the CGU must be set alongside its book value. The achievable amount is the higher of the two figures from the fair value less sale costs and value-in-use. In accordance with the evaluation hierarchy in IFRS 13, the fair values need to be established primarily on the basis of market prices, and can for example be linked to existing binding purchase offers, secondary pricing on active markets or comparable transactions within the sector at similar times. If it is not possible to apply the market price-based method, capital value-based methods such as the discounted cashflow method used in this case can be applied.

As an achievable amount for CGU, its value-in-use is determined by means of a discounted cashflow calculation. This involves deriving cashflows from the business plan including the cashflow plan that is approved by the Management Board and that is updated on a regular basis. Future expansion investments and restructuring costs are only included in the determination of value-in-use to the extent that an official obligation to do so exists because the value-in-use must always correspond to the asset value or to the group of asset values in their current condition. The discounting rate takes the form of a post-tax rate of interest that reflects current market estimates, the fair value of the money and the specific risks to the asset value and/or the CGU. The corresponding pre-tax rate of interest is based on an iterative process. To determine quantifiable amounts using capital value-based methods, the weighted average capital cost (WACC) is used. The WACC, the planned sales revenues and the growth rate for the perpetual annuities constitute the most important planning assumptions and it is to these that the achievable figure reacts most sensitively.

The interest applied to equity is defined using the Capital Asset Pricing Model (CAPM) which comprises the basic rate of interest, a market risk premium and a beta factor. The rate of interest debt corresponds to the risk premium on corporate loans for comparable companies. To disclose sovereign risk appropriately, due account is taken of corresponding cash inflows. On this basis, the WACC is defined as approximately 7.4 %. Due to the volatile financial market environment, the development of capital costs (and in particular the sovereign risk premiums) are monitored continually. Financial surpluses anticipated after the detailed planning period of six years are incorporated using a terminal value calculation, based on the assumption of an infinite growth rate of 3 %. The annual rate of growth from the business plan based upon the impairment tests indicates a growth in sales over the planning period of about 50 % for the CGU being tested. This figure can also be substantiated for the OnNet sector by means of an independent market study by an internationally renowned consultancy company.

The impairment test did not give rise to any need for value adjustment.

cyan has conducted an analysis into the sensitivity of the impairment tests against amendments to the key assumptions upon which a determination of the achievable figure for the Cybersecurity CGU is based. The view of the management is that every possible amendment to those key assumptions that can be viewed as reasonable and upon which the achievable figure for the CGU is based, would not give rise to a situation where the total book value exceeds the recoverable total value.

[11] Tangible assets

The development of tangible assets can be depicted as follows:

in EUR thousand	Building equipment	Machinery and similar equipment	Other equipment/ office equipment	Total
As of 1/1/2019				
Acquisition costs	3,625	972	1,009	5,606
Accumulated depreciation	-818	-105	-209	-1,132
Book value	**2,807**	**867**	**800**	**4,474**
Financial year 31/12/2019				
Initial book value	2,807	867	797	4,471
Additions	1,949	20	285	2,254
Disposals	-2,128	-520	-141	-2,789
Depreciation	-407	-288	-294	-989
Currency difference	-16	16	2	2
Book value	**2,205**	**95**	**649**	**2,949**
As of 1/1/2020				
Acquisition costs	3,452	371	1,144	4,967
Accumulated depreciation	-1,245	-311	-495	-2,051
Book value	**2,207**	**60**	**649**	**2,916**
Financial year 31/12/2020				
Initial book value	2,207	60	649	2,916
Additions	3,896	50	279	4,225
Rebooking of acquisition costs	-	5	-5	-
Rebooking of accumulated depreciation	-	-0	0	-
Disposals acquisition costs	-700	-351	-254	-1,305
Disposals accumulated depreciation	688	351	247	1,286
Depreciation	-715	-23	-317	-1,056
Currency difference	7	1	2	10
Book value	**5,382**	**92**	**601**	**6,076**
As of 31/12/2020				
Currency translation acquisition costs	-85	52	-14	-48
Currency translation accumulated depreciation	24	-55	2	-29
Acquisition costs	6,562	127	1,132	7,821
Accumulated depreciation	-1,242	-38	-542	-1,822
Book value	**5,321**	**89**	**589**	**5,999**

This table also includes the rights-of-use that arise as a consequence of IFRS 16. The disposals in 2019 include a platform owned by the Chilean subsidiary with a value of EUR 520 thousand that was disposed of because there was no further scope for using it. The office building in Mattersburg was sold in 2019 for EUR 1,000 thousand. Since the book value on the date of sale was EUR 1,525 thousand, this disposal entailed a loss of EUR 525 thousand that was recognized under Other expenses.

The following table shows the development of rights-of-use in the Tangible assets section of the balance sheet.

in EUR thousand	Buildings	Vehicles	Fibre Optic	Total
As of 1/1/2019				
Acquisition costs	1,480	155	272	1,907
Accumulated depreciation	-149	-16	-23	-188
Book value	**1,331**	**140**	**249**	**1,720**
Financial year 31/12/2019				-
Initial book value	1,331	140	249	1,720
Additions	1,940	18	15	1,973
Disposals	-717	-	-	-717
Depreciation	-373	-39	-57	-469
Currency difference	4	-	2	6
Book value	**2,185**	**118**	**209**	**2,512**
As of 1/1/2020				-
Acquisition costs	2,707	173	289	3,169
Accumulated depreciation	-522	-55	-80	-657
Book value	**2,185**	**118**	**209**	**2,512**
Financial year 31/12/2020				-
Initial book value	2,185	118	209	2,512
Currency translation acquisition costs	-80	-	-9	-89
Currency translation accumulated depreciation	21	-	3	24
Initial book value after translation	2,127	118	203	2,448
Additions	3,162	35	2	3,199
Disposals acquisition costs	-9	-18	-	-27
Disposals accumulated depreciation	-	18	-	18
Depreciation	-671	-45	-58	-775
Currency difference	7		2	9
Book value	**4,616**	**108**	**148**	**4,872**
As of 31/12/2020				-
Acquisition costs	5,781	190	282	6,253
Accumulated depreciation	-1,165	-82	-134	-1,381
Book value	**4,616**	**108**	**148**	**4,872**

[12] Contract Assets, Contract Costs and Contract Liabilities from Contracts with Customers

The following table shows the amount of contract costs (costs of initiating a contract and contract performance costs), receivables, contract assets and contract liabilities from contracts with customers in accordance with IFRS 15:

in EUR thousand	31/12/2020	31/12/2019
Costs of initiating a contract	57	69
Thereof non-current	*57*	*69*
Thereof current	-	
Contract performance costs	5,061	2,969
Thereof non-current	*5,061*	*2,969*
Thereof current	-	
Trade receivables	3,149	3,897
Thereof non-current	-	
Thereof current	*3,149*	*3,897*
Contract assets	17,522	13,659
Thereof non-current	*14,588*	*11,771*
Thereof current	*2,934*	*1,888*
Contract liabilities	230	-
Thereof non-current	*230*	-
Thereof current	-	-

The costs of initiating a contract include special bonuses for concluding customer contracts. These are posted to assets and are then written down over the term of the contract. They are disclosed in the balance sheet as long-term assets because the contract term is longer than 1 year. Contract performance costs primarily comprise personnel costs, services procured and travel costs. These are written down using a schedule contingent on how the goods or services to which those costs relate are transferred to the customer. Since the performance obligations agreed in the contracts have not yet been fulfilled, these costs constitute long-term contract costs. Due to the conclusion of new contracts, in particular the comprehensive contract with Virgin Mobile, contract assets have increased. In conjunction with Wirecard Technologies GmbH filing for bankruptcy, the contract assets that were included in balance sheet in 2019 as a result of the Wirecard contract have been written down 100 % (i.e., EUR 4,785 thousand). Some of the contract assets are current while others are non-current, divided up in accordance with the stipulations of IAS 1.

The contract liabilities are based on services already billed from the Orange contract that have not yet been delivered and that therefore cannot yet be posted as earnings.

[13] Deferred Taxes

The tax effects of temporary differences, tax losses carried forward and tax credits that give rise to deferred tax assets and to deferred tax liabilities are as follows. Deferred tax claims and deferred tax liabilities are offset in each country provided that defined requirements are satisfied. These requirements are satisfied if an actionable right exists to offset current tax refund claims against current tax liabilities, if these relate to income taxes that are levied by the same tax authority and cyan intends to settle its tax claims and tax liabilities as a net figure.

in EUR thousand	31/12/2020	31/12/2019
Deferred tax assets		
Non-current assets	17	0
Current assets	686	303
Non-current provisions and liabilities	-	101
Current provisions and liabilities	82	22
Losses carried forward	45	45
Other (asset items, cash procurement costs)	-	-
Deferred tax liabilities		
Non-current assets	3	20
Current assets	55	-
Non-current provisions and liabilities	0	-
Current provisions and liabilities	582	20
Other (asset items, cash procurement costs)	0	-
Net deferred tax assets	**192**	**432**

Due to tax planning, future profits are anticipated against which deferred tax assets can be offset.

in EUR thousand	31/12/2020	31/12/2019
Deferred tax assets		
Non-current assets	92	14
Current assets	8,899	3,545
Non-current provisions and liabilities	1,031	568
Current provisions and liabilities	489	279
Losses carried forward	6,269	5,916
Other (asset items, cash procurement costs)	19	-
Deferred tax liabilities		
Non-current assets	12,112	10,896
Current assets	251	1,478
Non-current provisions and liabilities	-	5,051
Current provisions and liabilities	7,488	56
Other (asset items, cash procurement costs)	-	-
Net deferred tax liabilities	**5,311**	**7,160**

Deferred taxes are netted off in each country. The deferred tax liabilities originate from companies in Austria and Germany. The deferred tax assets originate from the other countries.

The development of deferred taxes and the breakdown of changes into components that do and do not have an effect on earnings are shown in the table below:

in EUR thousand	Deferred tax assets	Deferred tax liabilities	Currency difference
Balance as at 1/1/2019	**906**	**-7,849**	
Changes affecting net income	-474	690	-16
Changes not affecting net income	-	-	
Balance at 31/12/2019	**432**	**-7,160**	
Balance as at 1/1/2020	**432**	**-7,160**	
Changes affecting net income	-240	1,848	-60
Changes not affecting net income	-	-	
Balance at 31/12/2020	**192**	**-5,311**	

[14] Financial Instruments

in EUR thousand	IFRS 9[a]	Level	Book values 31/12/2020	Book values 31/12/2019
Assets				
Leasing receivables (non-current)	AC	n/a	572	374
Leasing receivables (current)	AC	n/a	272	164
Cash and cash equivalents	AC	n/a	2,490	8,512
Trade receivables and other receivables	AC	n/a	3,149	3,897
Other receivables	AC	n/a	41	397
Other receivables and assets	AC	n/a	1,502	1,640
Liabilities				
Leasing liabilities (non-current)	AC	n/a	4,970	2,812
Leasing liabilities (current)	AC	n/a	1,180	635
Financial liabilities	AC	n/a	6	9
Trade payables and other liabilities	AC	n/a	4,887	3,409
Other non-current financial liabilities	AC	n/a	3,650	-
Other non-current liabilities	AC	n/a	206	300

[a] Classification in accordance with IFRS 9 (AC = Accumulated Cost, Acquisition Costs Carried Forward)

A Level 2 fair value valuation (net present value) of leasing receivables yielded a fair value of EUR 719 thousand on December 31, 2020.

The non-current financial liabilities include fixed-interest loans by the Austrian research promotion agency, the Forschungsförderungsgesellschaft (FFG) as well as a fixed-interest loan from Erste Bank der oesterreichischen Sparkassen AG (short form 'Erste Bank'). The FFG loans are valued under acquisition costs carried forward and have a book value on December 31, 2020 of EUR 305 thousand. A Level 2 fair value valuation (capital value-based) yielded a fair value of EUR 310 thousand on December 31, 2020. The fixed-interest loan from Erste Bank is also valued under acquisition costs carried forward and has a book value on December 31, 2020 of EUR 3,345 thousand. A Level 2 fair value valuation (capital value-based) yielded a Fair Value of EUR 3,427 thousand on December 31, 2020.

In the case of trade receivables, other receivables, cash and cash equivalents as well as the trade payables and other liabilities, due to the predominantly current nature of these items, their book values by and large match their associated fair values.

[15] Receivables

The receivables are broken down by maturity date, as follows:

in EUR thousand	31/12/2020	31/12/2019
Other receivables	41	397
Financial receivables	572	374
Non-current receivables	**613**	**771**
Trade receivables and other receivables	3,149	3,897
Tax receivables	548	470
Accruals and deferred income	590	902
Other receivables and assets	1,184	903
Current receivables	**5,471**	**6,172**
Receivables	**6,084**	**6,942**

The majority of the non-current other receivables consist of damage deposits. None of them was overdue nor impaired.

From the trade receivables, contract assets and leasing receivables, provisions were deducted for bad debt amounting to EUR 7,401 thousand (2019: EUR 291 thousand) and for impairments in accordance with IFRS 9 amounting to EUR 176 thousand (2019: EUR 1,315 thousand).

The other receivables primarily comprise leasing receivables, deferred items, tax receivables and research grants.

The following table shows the performance of impairments from goods and services, contract assets and leasing receivables:

in EUR thousand	2020
Impairment losses 1/1/2020	**1,315**
Allocation	-
Reversal of impairment losses	-983
Currency difference	22
Foreign currency valuation	-177
Impairment losses 31/12/2020	**176**

The following table shows the performance of impairments from financial assets, the creditworthiness of which is impaired on the reporting date:

in EUR thousand	2020
Impairment losses 1/1/2020	**291**
Impairment losses recognized for the first time Jan. 1	1,014
Allocation	7,094
Reversal of impairment losses	-583
Utilization	-413
Currency difference	-3
Foreign currency valuation	-
Impairment losses 31/12/2020	**7,401**

The reversal of this impairment originates from the reversal of the impairment loss set up in 2019 in relation to máz tiempo in Mexico. Most of the allocations and utilizations result from impairments concerning the contract with Virgin Mobile, and from the impairment relating to the filing for bankruptcy by Wirecard.

Assignment for Security

cyan has assigned trade receivables to the Erste Bank der oesterreichischen Sparkassen AG (short form 'Erste Bank') as security for all receivables and other claims by Erste Bank in relation to the lines of credit and loans it has already extended to CYAN Security Group GmbH. Erste Bank has provided cyan with no advance against a receivable. These receivables were derecognized because a right of recourse means that all threats and opportunities, first among this being the risk of business failure, lie with cyan. The third-party debtors (garnishees) have been advised of this assignment. In accordance with an agreement with the Bank, customers settle their liabilities by making payment to an account specially set up at the Bank for this purpose, to which cyan has the power of disposition over the paid-in funds. The receivables are held in a business model for the collection of payment flows, consistent with the carry-forward approach to receivables. The book value for trade receivables at year-end, transferred but not posted to expenses, amounts to EUR 3,345 thousand. The book value of the secured credit at year-end also amounts to EUR 3,345 thousand.

[16] Cash and Cash Equivalents

The following table includes details of cash and cash equivalents:

in EUR thousand	31/12/2020	31/12/2019
Cash on hand	2	1
Deposits with credit institutions	2,487	8,510
Cash and cash equivalents	**2,490**	**8,512**

[17] Equity

On December 31, 2020, the nominal capital has a value of EUR 9,774,538 (2019: EUR 9,774,538) and is fully paid-up. The performance of nominal capital and capital reserves is shown in the consolidated statement of changes in equity.

On the reporting date, 9,774,538 shares were outstanding (December 31, 2019: 9,774,538 shares) with a par value of EUR 1.00 per share (December 31, 2019: EUR 1.00). Further details are explained in the 'cyan share' chapter.

Following a capital increase of EUR 121,021 in March 2019, the authorized capital of EUR 3,300,000 approved by the Annual General Meeting ('AGM') on January 19, 2018 amounted to EUR 2,628.979 in the financial year 2019 after a partial utilisation, and was cancelled by resolution at the AGM on July 3, 2019. At the same time, the AGM decided on new authorized capital of EUR 4,442,972. Further to that, a capital increase of EUR 888,594 took place on July 11, 2019. During the AGM on July 3, 2019, it was also decided to create contingent capital of EUR 4,442,972.

The Management Board is authorized by a resolution at the AGM of July 2, 2020 to increase the nominal capital further after approval of the Supervisory Board by EUR 4,887,269.00 up until July 1, 2025 by an injection of cash and/or assets over one or more occasions, and the subscription rights of the shareholders can be excluded (Authorized Capital).

The following tables explain the weighted average of shares outstanding for the calculation of earnings per share.

Calculation of the Weighted Average of Shares Outstanding in 2020

Transaction date	Shares outstanding	Treasury shares	Total shares	Weighting (days)	Weight. avg. of shares outstanding
31/12/2019	9,774,538	-	9,774,538	365	9,287,219
31/12/2020	**9,744,538**	**-**	**9,774,538**		**9,774,538**

Calculation of the Weighted Average of Shares Outstanding in 2019

Transaction date	Shares outstanding	Treasury shares	Total shares	Weighting (days)	Weight. avg. of shares outstanding
31/12/2018	8,764,923	-	8,764,923	365	8,764,923
1/3/2019	121,021	-	121,021	305	101,127
11/7/2019	888,594	-	888,594	173	421,169
31/12/2019	**9,774,538**	**-**	**9,774,538**	**-**	**9,287,219**

The capital reserves result from payments made by the shareholders and correspond to those of the annual accounts of CYAN AG. The other reserves include IAS 19 accruals and foreign currency reserves. The reserve made in accordance with IAS 19 originates from amendments to actuarial assumptions relating to a provision for severance pay the effects of which are disclosed in Other comprehensive income. The other reserves relate to currency differences arising from exchange rate differences from translation of the annual accounts of foreign subsidiaries.

[18] Financial Liabilities

The non-current financial liabilities primarily comprise leasing liabilities, and also consist of a recently obtained line of credit. Interest has been applied to leasing liabilities at the incremental borrowing rate over the appropriate contractual term. A fixed rate of interest of 1.00 % was applied to this line of credit.

[19] Trade Payables and Other Liabilities

Other liabilities are broken down by maturity date, as follows:

in EUR thousand	**31/12/2020**	**31/12/2019**
Advance payments made	31	7
Trade payables	2,076	1,643
Trade payables	**2,107**	**1,651**
Liabilities to employees	124	180
Social security contributions	1,068	172
Accruals and deferred income	129	330
Loans	-	-
Investment grant	-	-
Other	1,459	1,077
Other current liabilities	**2,780**	**1,759**
Trade accounts payable and other current liabilities	**4,887**	**3,409**
Non-current liabilities	206	300
Trade payables and other liabilities	**5,093**	**3,709**

Trade payables were all due within one year. Trade payables are not secured and are usually settled within 30 days of being recorded.

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

[20] Provisions

The provisions include the following items:

in EUR thousand	Personnel expenses	Consulting expenses	Other	Total
Book value at 1/1/2019	**1,683**	**156**	**2,930**	**4,769**
Utilization/reversal	1,347	150	2,883	4,380
Allocations to provisions	1,359	446	135	1,939
Book value at 31/12/2019	**1,694**	**452**	**182**	**2,328**
Utilization/reversal	1,271	594	174	2,039
Allocations to provisions	960	373	281	1,614
Book value at 31/12/2020	**1,384**	**231**	**289**	**1,903**

For the most part, the other provisions include expected expenses for various cases of damages as well as claims by employees, which are only current. The non-current provisions only relate to the following provision for severance pay:

in EUR thousand	31/12/2020	31/12/2019
Present value of the severance payment obligation as of 1 January	**6**	**4**
Service cost for the period	1	1
Interest expense	-	-
Severance payments	-	-
Revaluations from experience adjustments	0	-2
Revaluations from changes in demographic assumptions	-	-
Revaluation from changes in financial assumptions	-	3
Present value of severance payment obligations as of 31 December	**7**	**7**

The provision for severance pay was established from actuarial calculations and involved assumptions about the discount rates applied, future increases in salary and mortality. No further information on actuarial assumptions is provided due to the immateriality of the provision. Future deviations from the assumptions taken can give rise to changes to the value of the provision. Due to the amount of the provision, since this would only have a very slight impact, a sensitivity analysis was waived.

Notes to the Consolidated Cash Flow Statement

The cash flow statement was produced using the indirect method. It shows changes in cash and cash equivalents that arise from the inflow and outflow of funds during the reporting period and that distinguishes between payment flows from business, investment and financing activity. The funds disclosed in the cash flow statement are cash and cash equivalents.

[21] Cashflow from Operating Activities

Cashflow from operating activities is reflected by the payment flows from the provision and acceptance of services during the reporting period and includes changes in current assets.

[22] Cashflow from Investment Activities

Cashflow from investment activities primarily involves cash outflows for the purchase of tangible assets and intangible assets.

[23] Cashflow from Financing Activities

Cashflow from financing activities comprises the taking out of a loan and the deduction of interest charges. In addition, cash outflows for leasing arrangements are included.

The following table shows the changes in liabilities from financing activity:

in EUR thousand	1/1/2020	Cash flows	Foreign exchange difference	New leasing contracts	Other	31/12/2020
Current interest-bearing loans	9	-3				6
Non-current interest-bearing loans	94	3,556				3,650
Leasing liabilities	3,447	-1,164	-151	3,947	71	6,150
Financial liabilities	**3,550**	**2,389**	**-151**	**3,947**	**71**	**9,806**

in EUR thousand	1/1/2019	Cash flows	Foreign exchange difference	New leasing contracts	Other	31/12/2019
Current interest-bearing loans	11,406	-11,338			-59	9
Non-current interest-bearing loans	-	35			59	94
Leasing liabilities	1,737	-515	6	2,187	32	3,447
Financial liabilities	**13,143**	**-11,818**	**6**	**2,187**	**32**	**3,550**

Financial Instruments and Risk Management

General Information

The main financial instruments used by cyan are deposits, trade receivables, leasing liabilities, financing liabilities and trade payables. cyan does not use any derivative financial instruments.

cyan has to take account of the following risks:

- Liquidity Risk
- Credit / Solvency Risk
- Foreign Exchange Risk
- Change of Interest Rate Risk

Liquidity Risk

The liquidity risk designates the risk of being unable to meet payment commitments through a lack of funds. Diligent liquidity risk management means having sufficient funds and an appropriate level of approved lines of credit in order to settle liabilities that fall due and to close market positions.

At the end of the reporting period, cyan held immediately available deposits with credit institutions of EUR 2,490 thousand (31.12.2019: EUR 8,512 thousand) that are expected to be able to generate funding to manage liquidity risk at any time.

Liquidity at cyan depends primarily on payments from customers. Since the majority of cyan's customers have settled their payment obligations in the past, and since there are no indications that this is going to change in future, cyan does not view its liquidity as being under threat. Through the acquisition of new customers, cyan assumes that its liquidity position will improve, hence the risk of cyan becoming unable to honor its payment obligations can be viewed as very low.

An analysis of the maturity of all liabilities existing on balance sheet date is shown below, which also illustrates the liquidity risk of cyan:

in EUR thousand	**Up to 1 year**	**2- 5 years**	**5 years**
31/12/2020			
Bank liabilities	6	3,650	-
Trade payables	2,107	-	-
Leasing liabilities	1,180	3,521	1,449
Other financial liabilities	-	-	-
31/12/2019			
Bank liabilities	9	-	-
Trade payables	7	-	-
Leasing liabilities	635	1,990	916
Other financial liabilities	-	-	-

The bank liabilities of CYAN AG were repaid in 2019 before they reached their term. In 2020 another line of credit was taken out with Erste Bank.

Credit & Solvency Risk

The solvency risk designates asset losses resulting from the non-fulfillment of contractual obligations by the business partners. Management of the solvency risk of investment transactions is performed by the Management Board.

The cash and cash equivalents are primarily held at banks with a good credit rating. Balances are kept in current bank accounts. The credit risk is therefore low.

The contract assets and contract costs for the total amount of EUR 22.6 million relate to three customers (ACN/Flash Mobile, Virgin Mobile, and Orange) which represent a cluster risk that is not collateralized. In 2020, as a consequence of the balance sheet scandal surrounding Wirecard, a 100 % write-down of contract assets was applied because cyan anticipates no payment of funds from its registered claim in the context of insolvency proceedings. The full contract assets from the Wirecard contract amount to EUR 5,000 thousand. This event was not foreseeable and the Management Board estimates the risk of failure for ACN/Flash Mobile, Virgin Mobile, and Orange as little.

Receivables are classified as financial assets with impaired creditworthiness in cases where specific indications for an impairment exist (in particular serious financial difficulties on the part of the debtor, failure to pay or delayed payment, increased risk of insolvency). In cases where payments become overdue by more than 180 days, a provision is considered. Depreciation (a write-down) takes place when an inability to pay (insolvency) is established, or when a receivable is judged to be irredeemable for other reasons. In cases where the reasons for impairment cease to apply, a reversal takes place, up to the level of acquisition costs carried forward.

The maximum theoretical risk of failure equates to the receivables itemized in the balance sheet.

Since defaults varied greatly from one country to another, it has been decided not to view this situation in a group-based format. The following table contains information about the risk of default and the recorded and expected credit losses for financial instruments, classified by geographical region:

Chile

in EUR thousand	Loss rate	Gross book value	Value adjustment
2020			
Not overdue	13.05%	37	5
1 -30 days overdue	15.55%	71	11
31 -60 days overdue	33.53%	-	-
61 -90 days overdue	34.30%	-	-
More than 90 days overdue	34.30%	58	19
2019			
Not overdue	15.21%	81	13
1 -30 days overdue	18.14%	85	16
31 -60 days overdue	39.10%	47	19
61 -90 days overdue	40.00%	-	-
More than 90 days overdue	40.00%	-	-

Peru

in EUR thousand	Loss rate	Gross book value	Value adjustment
2020			
Not overdue	16.66%	2	0
1 -30 days overdue	20.08%	-	-
31 -60 days overdue	21.57%	-	-
61 -90 days overdue	21.57%	-	-
More than 90 days overdue	21.57%	327	81
2019			
Not overdue	17.14%	-	-
1 -30 days overdue	20.65%	18	4
31 -60 days overdue	22.19%	18	4
61 -90 days overdue	22.19%	-	-
More than 90 days overdue	22.19%	442	98

Colombia

in EUR thousand	Loss rate	Gross book value	Value adjustment
2020			
Not overdue	1.34%	89	1
1 -30 days overdue	1.54%	-	-
31 -60 days overdue	7.83%	-	-
61 -90 days overdue	19.83%	-	-
More than 90 days overdue	21.74%	197	42
2019			
Not overdue	1.67%	616	10
1 -30 days overdue	1.95%	3	0
31 -60 days overdue	12.81%	74	9
61 -90 days overdue	46.61%	-	-
More than 90 days overdue	48.52%	470	227

Mexico

in EUR thousand	Loss rate	Gross book value	Value adjustment
2020			
Not overdue	17.64%	48	8
1 -30 days overdue	19.70%	13	3
31 -60 days overdue	36.92%	-	-
61 -90 days overdue	42.54%	15	6
More than 90 days overdue	50.10%	5	2
2019			
Not overdue	24.60%	85	21
1 -30 days overdue	27.79%	36	10
31 -60 days overdue	36.38%	27	10
61 -90 days overdue	47.29%	35	16
More than 90 days overdue	67.66%	1,115	744

Austria

in EUR thousand	Loss rate	Gross book value	Value adjustment
2020			
Not overdue	1.71 %	154	3
1 -30 days overdue	2.43 %	28	1
31 -60 days overdue	4.51 %	5	0
61 -90 days overdue	6.76 %	-	-
More than 90 days overdue	8.65 %	22	2
2019			
Not overdue	1.66 %	1,639	27
1 -30 days overdue	2.85 %	682	19
31 -60 days overdue	5.15 %	42	2
61 -90 days overdue	7.60 %	60	5
More than 90 days overdue	11.51 %	430	49

The loss rates take into account forward-looking aspects (such as macroeconomic changes) with a percentage markup.

Segments

The following table shows the value adjustments from trade receivables, contract assets and leasing receivables arranged by segment:

in EUR thousand	BSS/OSS 2020	BSS/OSS 2019	Cybersecurity 2020	Cybersecurity 2019
Value adjustment IFRS 9	-983	325	-	-
Currency difference		-22		-
Other specific allowances	746	291	4,785	-
Write-offs of accounts receivable	565	433	-	2
Value adjustments	**328**	**1,027**	**4,785**	**2**

Value adjustments as defined in IFRS 9 have performed as follows in the 2020 balance sheet:

in EUR thousand	BSS/OSS	Cybersecurity
Value adjustments 1/1/2019	**966**	**-**
Allocation	466	-
Reversal	-160	-
Currency difference	42	
Value adjustments 31/12/2019	**1,315**	**-**
Value adjustments 1/1/2019	**1,315**	**-**
Allocation	-	-
Reversal	-983	-
Currency difference	22	-
Foreign currency valuation	-177	-
Value adjustments 31/12/2020	**176**	**-**

In 2020, contract assets have changed as follows:

in EUR thousand	BSS/OSS	Cybersecurity
Contract asset value 1/1/2019	**-**	**-**
Allocation	8,907	4,751
Reversal	-	-
Contract asset value 31/12/2019	**8,907**	**4,751**
Contract asset value 1/1/2020	**8,907**	**4,751**
Allocation	12,798	34
Reversal	-4,184	-4,785
Contract asset value 31/12/2020	**17,522**	**-**

Foreign Exchange Risk

Foreign exchange risk is defined as the potential loss resulting from fluctuating exchange rates. Because of the international nature of its business, cyan is exposed to certain foreign exchange risks. The finance department of the company constantly monitors these risks, and in particular the foreign exchange risks, to enable it to respond appropriately. In the event of a substantial foreign exchange risk arising at short notice, this could have adverse implications for the asset, financial and earnings position of cyan.

On the reporting date, cyan holds contract assets to the value of USD 21.3 million (2019: USD 9.8 million) that are subject to a foreign exchange risk. Changes to the exchange rate can have an impact, positive or negative, on earnings. A change in the value of the USD of 5 % that the management views as a reasonable possible change in the exchange rate has an impact on earnings to the value of EUR 0.8 million (2019: EUR 0.4 million).

Wherever expenditure items and investment items are not denominated in euro, fluctuations in exchange rates can impair cyan's ability to meet its financial obligations and/or can adversely affect the earnings position of cyan. In summary, due to the low level of expenditure in non-euro currencies, this risk can be classified as limited, and it is therefore not quantified.

Change of Interest Rate Risk

The interest rate risk is defined as the risk of interest charges and/or earnings changing in an adverse manner. In 2019, the loan (non-current financial liability) from previous years was fully paid off, so on the balance sheet date of December 31, 2019, there is no change of interest rate risk to report. All loans have fixed interest rates so the change of interest rate risk can be classified as minimal, and no sensitivity analysis was conducted.

Capital management

Information relating to the earnings, financial and asset position (capital management) of cyan is provided in the combined management report.

Other Explanations

Related Companies and People

Since all subsidiaries are fully consolidated, this means that transactions are eliminated, so there are no transactions to report with regard to related companies and people.

Share-based Remuneration

In August 2017, the former board directors of CYAN Security Group GmbH, Markus Cserna and Peter Arnoth, received share options for their future Management Board activity in CYAN AG, commencing in January 2018, by the shareholder of CYAN AG, Alexander Schütz.

Each of these board members was assigned the right to purchase 337,249 shares in CYAN AG for an acquisition price of EUR 2.4 million. These options could be exercised to one third after December 31, 2020, a further third after December 31, 2021 and the final third after December 31, 2022 and were tied to continuity of service with the company. In an agreement on the exercising of options on June 4, 2019, both parties agreed to prematurely exercise of these options in full by July 19, 2019. As these are share based forms of remuneration in accordance with IFRS 2 with compensation through equity instruments, a corresponding increase in equity is shown and the fair value of the option rights determined at the time of granting in the total amount of EUR 882 thousand based on the exercise provision is recognized under personnel expenses over the respective vesting periods.

The Black-Scholes Formula is applied to determining the associated fair value of those share options on the date that they were granted. The anticipated volatility was derived from options in corresponding peer companies and/or from the historical volatility records for the share prices of peer companies, and amounted in the 1st tranche to 29.30 %, in the 2nd tranche to 29.24 %, and in the 3rd tranche to 29.21 %. The anticipated terms of these three tranches used in the model were based on the best possible estimate of management and are based on the assumptions that the members of the Management Board exercise their options in full and that all share options, to the extent that they are actionable, are taken in full at the exercise price of EUR 7.24 per share. The actual share price on the date the option was exercised was EUR 24.39 per share. The expected dividend return was taken to be 0 % and, as a zero-risk interest rate, the 6-month EURIBOR was taken, based on the swap curve on the date the options were granted (1st tranche: -0.047 %, 2nd tranche: 0.075 %, 3rd tranche: 0.205 %).

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

Within the scope of its legislative competences, the Supervisory Board shall work towards the Management Board and Supervisory Board having a share option scheme to present at and to be voted upon at the company's ordinary AGM in 2021. In accordance with share-related legislation, this scheme must not exceed the maximum permitted volume amounting to 10 % of nominal capital. Accordingly, Frank von Seth is to receive up to 5 % of the share options through this scheme. Based on the current nominal capital of EUR 9,774,538, this represents outstanding shares for up to 488,727 share options. The exercise price for these options should be EUR 22.00 per share for up to 3 % of the options and EUR 80.00 per share for up to a further 2 % of the options. The success target and therefore the criterion for exercising these options is a share price movement to EUR 40.00 per share for 3 % and a share price movement to EUR 150.00 for the other 2 %. Legislation (Stock Corporation Act, AktG) stipulates that options cannot be exercised any earlier than four years of their issue date.

Information on the Compensation of the Management Board and the Supervisory Board

Remuneration of the Management Board members

On December 31, 2020, the Management Board of CYAN AG comprises three members:

- Peter Arnoth (until December 31, 2020)
- Markus Cserna
- Michael Sieghart
- Frank von Seth (from January 1, 2021)

The compensation of members of the Management Board of CYAN AG comprise the following components.

in EUR thousand	**2020**			**2019**		
	Current fixed compensation	**Current variable compensation**	**Total**	**Current fixed compensation**	**Current variable compensation**	**Total**
Peter Arnoth	73	-	73	73	143	216
Markus Cserna	67	50	117	67	143	210
Michael Sieghart	101	50	151	157	67	223
Compensation	**241**	**100**	**341**	**297**	**353**	**649**

[a] Due to Wirecard's insolvency filing, the members of the Management Board waived 50 % of their variable compensation from 2019 in July 2020. The table has been adjusted accordingly for 2019.

The compensation of the Management Board comprise fixed salaries and one-off bonuses. These bonus payments amount to 2.45 % of the Group EBITDA for Peter Arnoth. For Markus Cserna, the bonus payments in 2019 amounted to 2.45 % of Group EBITDA and for Michael Sieghart 2.45 % of Group EBT. However, in 2020, due to contractual amendments, a target bonus of EUR 250.000 was agreed for Markus Cserna, and a target bonus of EUR 200.000 was agreed for Michael Sieghart, both bonuses being contingent on achieving precisely defined targets (linked to EBITDA and operational cashflow).

No advance payments or loans to entities were made.

The members of the Management Board also receive compensation from subsidiaries that are not included in the details provided above. The compensation of members of the Management Board of CYAN AG which originate from subsidiaries comprise the following components.

in EUR thousand	2020			2019		
	Current fixed compensation	Current variable compensation	Total	Current fixed compensation	Current variable compensation	Total
Peter Arnoth	291	-	291	291	-	291
Markus Cserna	269	-	269	269	-	269
Michael Sieghart	235	-	235	179	-	179
Compensation	**795**	**-**	**795**	**739**	**-**	**739**

As well as the current fixed compensation, they also receive remuneration in kind to the total value of EUR 32 thousand (2019: EUR 27 thousand) as well as an expenses account for the total amount of EUR 12 thousand (2019: EUR 3 thousand). The preceding tables do not include the share-based remuneration recognized under personnel expenses (refer to previous section for further explanations). The severance agreement with Mr. Peter Arnoth entitles him to termination pay of EUR 291 thousand.

Compensation of Supervisory Board members

The following people are on the Supervisory Board of CYAN AG.

- Stefan Schütze
- Volker Rofalski (until December 31, 2020)
- Lucas Prunbauer
- Alexander Schütz (from January 5, 2021)

In September 2020, a decision was taken to appoint Mr. Alexander Schütz to the Supervisory Board, from January 1, 2021. The previous member, Volker Rofalski, will leave the Board at this time. The appointment by the competent courts happened on January 5, 2021.

The members of the Supervisory Board of CYAN AG were compensated as follows:

in EUR thousand	Period of appointment	2020	2019
Stefan Schütze	1/1/2018 - 31/12/2022	40	40
Volker Rofalski	1/1/2018 - 31/12/2020	30	30
Lucas Prunbauer	30/11/2018 - 31/12/2022	35	30
Alexander Schütz	from 5/1/2021	-	-

Details on Employees

The average number of employees during the 2020 fiscal year was 149 (2019: 127).

A breakdown of personnel-related expenses can be found in Section 4, Personnel expenses.

Contingent Liabilities

Contingent liabilities include guarantees for rental damage deposits and credit cards, and on the balance sheet date these amounted to EUR 1,552 thousand (2019: EUR 859 thousand).

Audit Fees

The expenses of the group auditor for the financial year are itemized as follows:

in EUR thousand	**2020**	**2019**
Expenses for audit services	117	140
Thereof from previous years	-	*38*
Expenses for other certification services	-	-

Subsequent Events after the Balance Sheet Date

The financial statements were approved by the Management Board in accordance with IAS 10.17 on April 19, 2021. These consolidated financial statements are subject to approval by the Supervisory Board (Section 171 (2) AktG). Between the balance sheet date on December 31, 2020 and approval a few events have occurred, including the appointment of a new Management Board and a new Supervisory Board, and an option was created for issuing convertible notes. A precise analysis of the implications of these events is included in the combined management report.

Frank von Seth
CEO

Markus Cserna
CTO

Michael Sieghart
CFO

Assurance by the Legal Representatives

Assurance by the Legal Representatives

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

Munich, April 2021

Management Board of cyan AG

Frank von Seth
CEO

Markus Cserna
CTO

Michael Sieghart
CFO

Independent Auditor's Report

Independent Auditor's Report

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

To the CYAN AG, Munich,

[Audit] Opinions

We have audited the consolidated financial statements of CYAN AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 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 CYAN AG, which is combined with the management report of CYAN AG („combined management report"), for the financial year from 1 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the [Audit] Opinions

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

Other Information

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

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

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined 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 combined management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our [audit] opinions on the consolidated financial statements and on the combined management report.

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

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

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

position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express [audit] opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our [audit] opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the management board members in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate [audit] opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Bielefeld, 20 April 2021

Dr. Stückmann und Partner mbB
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Teipel) (Schröder)

Wirtschaftsprüfer Wirtschaftsprüfer

[German Public Auditor]

Further Information

Further Information

Disclaimer

Statements on future events and developments

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

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

Note on rounding

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

Gender-neutral formulation

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

English translation

The interim report is also available translated in English. In case of deviations, the German version prevails. The interim report is available for downloading in both languages in the Investor Relations section of the website.

Imprint

Publisher

cyan AG
Theatinerstraße 11
80333 Munich
Germany

VAT ID: DE315591576
HR Munich: HRB 232764

cyansecurity.com

Investor relations

cyan AG
Investor Relations
ir@cyansecurity.com

ir.cyansecurity.com

Graphic design / layout

cyan AG Inhouse mit firesys

#digitalsecurity

cyan

cyan AG

Fünf Höfe, Theatinerstraße 11
80333 Munich, Germany

www.cyansecurity.com