

Annual Report 2020

Turning Data into Value

Exasol's world-leading and fastest database for **data analytics** and **data warehousing** technology, helps companies and organizations to turn their ever-increasing data volumes into added value to make better operational and strategic decisions.

Exasol was established in 2000 as a result of a scientific project designed to solve tasks in the field of high-performance computing.

From day one, database systems and data analytics were rethought in a revolutionary way – in-memory technology, an MPP (massively parallel processing) architecture and self-optimization as a turbo for the data warehouse. Exasol uses the random

access memory (RAM) of computers and servers instead of hard drives to analyze the data. Processing power in the RAM is a factor of up to 100,000 faster than the speed on hard disks. Exasol's highly specific MPP architecture allows several RAMs to be connected into a kind of "supercomputer".

In the past financial year 2020, Exasol successfully completed its IPO and ushered in a new era of growth. At the end of the financial year, Exasol employed more than 220 people across its locations in the German-speaking countries, Great Britain and the USA.

Exasol has over 195 international customers such as Revolut, Zalando, Adidas and Piedmont Healthcare.

Content

A message from the Management Board	04	4. Forecast	41
Who we are and what we do	06	4.1 Macroeconomic environment and forecast	41
Report of the Supervisory Board	12	4.2 Industry-specific environment	42
Trust of our Customers	15	4.3 Company outlook and expected business performance	42
Exasol on the capital market	19	Corporate Social Responsibility	44
Group management report	22	Consolidated Financial Statements	49
1. General corporate information	22	Consolidated balance sheet Assets	50
1.1 Business activity	22	Consolidated balance sheet Equity and liabilities	51
1.2 Corporate structure and locations	23	Consolidated income statement for the period	52
1.3 Research and development	23	Consolidated statement of cash flows	53
2. Economic Report of the Exasol Group	24	Consolidated statement of changes in equity	54
2.1 Macroeconomic environment	24	Notes to the Consolidated Financial Statements	55
2.2 Industry environment	24	Appendix - Notes to the Consolidated Financial Statements	69
2.3 Business trend in financial year 2020	25	Movements in the Group's fixed assets	70
2.4 Financial and non-financial performance indicators	27	Responsibility Statement	72
2.5 Results of operation, financial and net asset position	27	Independent Auditor's Report	73
2.6 Overall assessment by the Executive Board	32	Financial Calendar	78
3. Opportunities and risk report	33		
3.1 Risk management objectives	33		
3.2 Exasol's Compliance and Risk Management System (CRMS)	33		
3.3 Risk report	34		
3.4 Opportunities report	39		

A message from the Management Board

Dear shareholders,

In a year in which the COVID-19 pandemic made the world go off kilter and caused massive economic distortions, Exasol underwent the biggest transformation in its 20-year history – organizationally, geographically, financially and perspective.

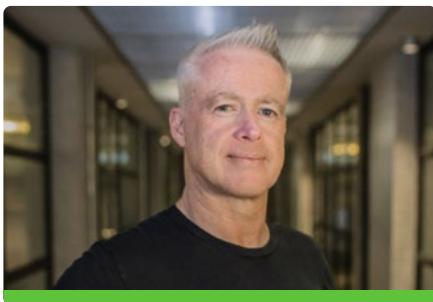
We have one of the fastest data analytics technologies – if not the fastest relational database technology currently available in the world – for complex analysis of very large amounts of data. Our successful listing on the Frankfurt Stock Exchange in May and our subsequent capital increase in December generated gross issue proceeds totaling

around EUR 92 million, which allows us, for the first time, to initiate a new era of internationalization and growth. Immediately after our successful IPO, we began investing in our locations and expanded the number of our highly specialized employees in German-speaking countries, the UK and the USA from around 150 at mid-year to over 220 by the end of 2020. At the same time, we launched processes to expand our marketing and sales structures, with the aim of significantly increasing our brand awareness and the reach of our sales activities.

We also made great progress in terms of innovation and products in the past financial year. We are about to launch our new cloud-native SaaS (Software-as-a-Service) solution in FY 2021. This product opens up the possibility for companies to

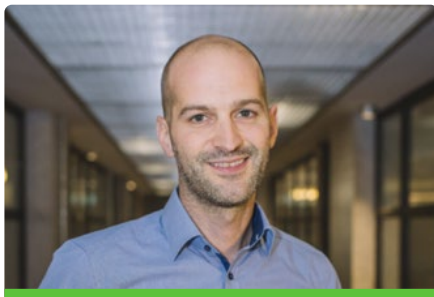
use our technology even more intuitively, flexibly, elastically and tailored to their individual needs. In addition, we acquired Yotilla's technology and its developers in the middle of the year and integrated them into Exasol. Together, we will thus make an innovative solution in the area of data warehouse (DWH) automation marketable, which will allow enterprises to empower their business units to create their own, customized data warehouse (Data Mart or Data Lakehouse) on an ad-hoc, automated basis, i.e. without special DWH knowledge.

Needless to say, the upheavals caused by COVID-19 also presented our company with major challenges. For instance, we were initially forced to postpone the IPO originally planned for the end of the first quarter, put our expansion plans on hold and change our organization to working from home and remote processes. We are therefore all the more satisfied that we were nevertheless able to reach our financial targets for 2020. Our currently most important financial performance indicator – annual recurring revenue (ARR) – increased by 37% to EUR 24.1 million. To put this achievement into perspective, it should be noted that the proceeds from the IPO were available only as of mid-year, and given that sales cycles in our industry are usually longer than six months, the new financial strength thus gained played virtually no role for the result. I would like to take this opportunity to expressly thank our employees for their passion, commitment and great will in this extraordinary phase, without which the initiated transformation and growth would not have been possible.



Aaron Auld, CEO
Exasol AG

We are convinced that the best is yet to come. The market for high-quality data analytics is in a state of upheaval, and at the same time it is characterized by structural growth. Conventional database management systems can no longer keep up with organizations' demands on speed, complexity, performance, usability and scalability in data analytics. This is exactly where our strengths come into play, as our solution has been geared to these current requirements from day one. But our systems are superior not only to traditional applications. Various tests and studies



Mathias Golombek, CTO
Exasol AG

such as TPC-H, Dresner and BARC, but also customer benchmarks, show that we can clearly play to our strengths even against competing technologies of a newer type.

In addition, we are positioning ourselves in the market with the greatest possible degree of freedom for our customers in two respects. First, our technology can be flexibly deployed in cloud infrastructures, proprietary data centres or hybrid cloud / data centre architectures. Customers can choose between fixed price models and consumption-dependent price models. In the

case of fixed price models, they define a certain amount of data within their available data which they want to use for data analytics. If customers

prefer to be billed based on the actual amount of data used in each analysis, we agree elastic pricing models with them.

We expect our extensive investments in employees, locations, technologies and processes to take effect as early as 2021. Based on the assumption that ARR growth will accelerate, Exasol projects ARR of at least EUR 35 million for the FY 2021, which would correspond to an ARR growth rate of at least 45%.

The year 2021 will continue to be marked by our already initiated investment cycle. We plan to increase the headcount to at least 300 by the end of 2021.

We are convinced that we have laid excellent foundations in the past financial year to maintain and further accelerate our expected pace of growth in the medium term. We thus expect to generate ARR in excess of EUR 100 million in the course of 2024.

Dear shareholders, we thank you for your trust and your support in our achievements to date. We would be delighted if you would continue to accompany us on our journey.

Aaron Auld | CEO
Mathias Golombek | CTO
Michael Konrad | CFO & COO



Michael Konrad, CFO & COO
Exasol AG

Exasol

The analytics database



Turning Data into Value

Who we are and what we do

As economies recover from the COVID-19 pandemic and digital disruption accelerates, executives and decision-makers will understand even better that the creativity and strength of their organizations rely on data and their efficient analysis.

However, their data and data analyses are only as good as the technology used.

But what is happening at most companies today? Current studies show that 80% of the companies surveyed are dissatisfied with their data warehousing and that data analytics fail to achieve the desired results.

Traditional data warehouses are limited in three respects:

Insufficient speed:

For the analysis of business processes or complex and large data volumes, fraud and risk analysis, compliance reporting, and customer analytics, speed is of the essence. Delayed time to output can lead to risk exposure, fines, churn, wrong operational decisions – with sometimes disastrous consequences to a business.

Lack of access to data and data analytics:

Organizations want to make data more accessible to a larger employee group and enable them to use data analytics for their specific issues. But the insufficient performance of traditional database systems makes it difficult for companies to give more people access to data analytics. Without technology to support data democratization, you will find an analytics team spending more time tuning performance and chasing down requests than actually working with the data.

Limited analytics:

Due to the insufficient performance their current systems, analytics teams are forced to put projects on hold to support time-sensitive analytics workloads, resulting in more manual reconfiguration.

Data science:

For organizations, data science means generating information from large amounts of data and deriving recommendations for action that enable the company to work more efficiently. To do this, data analytics specialists use analytics and visualization tools and develop queries to derive valuable information from huge amounts of data. Despite the investment in machine learning, 85% of data science projects fail. Experts call this a “last mile” problem – getting machine learning algorithms into a place usable by an entire organization. But most data warehouses are not designed to facilitate the different stages of a data science project, forcing the analytics team to silo projects, slowing down deployment of models in production.

This is the Exasol difference.

Performance

For eleven consecutive years, Exasol has been the undisputed leader for fast analytics of large and complex amounts of data, raw performance and price/performance in the TPC-H benchmark, the independent, gold standard of database performance benchmarks. Exasol's unmatched performance not only enables enterprises to address their most performance-demanding workloads, but also allows BI teams to deliver analytics to more people than ever before.

- » **Fastest Database Technology**
- » **Linear Performance Scalability**
- » **Operationalize Data Science**

Freedom of choice

Exasol turbocharges enterprise analytics regardless of where data is located: on-premises, in the cloud, or in a hybrid environment.

- » **High-Impact Analytics Anywhere**
- » **High-Performance plus Elasticity**
- » **Flexible Pricing Models**

Ease of use

Exasol delivers query optimization without human intervention. By automating time-consuming tasks within the analytics workflow, analytics teams can break free from labor-intensive, non-value-added tasks, and instead work on innovative projects. And because Exasol supports the BI tools and solutions enterprises already use, they save time on learning and managing a new system.

- » **Self-Learning & Auto-Tuning**
- » **Ultra-fast Data Ingestion**
- » **Access to customized Analyses**



Mission

Accelerate insights from
the world's data.

Vision

Be the analytics platform
trusted by the world's most
ambitious organizations.

We have set ourselves five important strategic goals for the financial year 2021.

Our strategy for 2021

Continue to build a stronger organization and enter a new era of growth

01 Deliver extraordinary customer experiences

02 Drive product performance and innovation

03 Build out our global go-to-market machine

04 Establish a unique & compelling global brand

05 Live our values, every day



Live our values, every day



Extraordinary
Customer Experience



Every Voice Counts



Bring it!



Hearts and Minds



Always Learning



All for One,
One for All

Report of the Supervisory Board

Dear Shareholders,

The present Supervisory Board report is designed to inform you about the activity of the Supervisory Board in the financial year 2020 as well as about the result of the audit of the separate and the consolidated financial statements for 2020.

Activity of the Supervisory Board

In the year under review, the Supervisory Board conscientiously performed the duties incumbent upon it under the law, the Articles of Association and the Rules of Procedure. The Supervisory Board continuously assisted the Management Board in the management of the company, regularly advised it and monitored its activities. Monitoring was based on the lawfulness, regularity, expediency and efficiency of the actions of the Management Board. The cooperation was characterized by openness and trust. Whenever decisions of fundamental and strategic importance for the company were taken – in the reporting year, this included not least decisions in connection with the IPO and the capital increases – the Supervisory Board was involved in a timely and appropriate manner. Transactions and other matters requiring approval were correctly presented by the Management Board. The Supervisory Board was continuously informed by the Management Board about all measures and events that were important for the company at the regular Supervisory Board meetings as well as in written, telephone and personal exchanges. As a result, the Supervisory Board was always up to date on the company's business situation, business developments, material budgeting and planning aspects, including investment, financial and HR planning, as well as on the results of operations, organizational measures and the overall situation of the Group. The information exchange also included regular reports on the financial position as well as on the risk position and risk management. Deviations from the plans and targets were explained by the Management Board if and when applicable and reviewed by the Supervisory Board.

Focus of the Supervisory Board's deliberations

In the reporting year, eight meetings were held, most of them by video or phone conference because of the COVID-19 pandemic. At the meeting on 13 February 2020, the contracts of the Management Board members were discussed and revised. The main items on the agendas of the meetings on 13 May 2020 and 19 May 2020 were the approval of the capital increases from au-

thorized capital, the exact size of the capital increase and the fixing of the placement price. The following agenda items were addressed at the meeting on 4 June 2020: approval and adoption of the 2019 financial statements; approval of the consolidated financial statements for 2018 and 2019; report of the Supervisory Board; achievement of Board objectives in 2019; current business trend; strategic positioning of the Group; Board objectives for 2020; Annual General Meeting 2020 including resolution proposals and employee participation programme. Topics addressed at the two-day meeting on 23 and 24 October 2020 included the upcoming reshuffle of the Supervisory Board in 2021 as well as an analysis of the adequacy of the current Supervisory Board remuneration, the report of the Management Board on the situation / business performance, an open discussion about a potential capital increase, the adjustment of the stock appreciation rights of the Management Board members, a fundamental analysis of the competitor Snowflake as well as the risk portfolio and risk management of the Group. On 2 December 2020, two telephone conferences were held several hours apart, in which the Supervisory Board approved the partial utilization of the authorized capital and the determination of the size and placement price of the capital increase. Items on the agenda of the final Supervisory Board meeting in the reporting year on 14 December 2020 included the report of the Management Board on the situation / business performance, the budget for 2021 as well as the installation of a Corporate Office of the Supervisory Board to serve as an interface with the company. In addition, at this meeting the Supervisory Board once again assured itself of the efficiency of the Group-wide Compliance and Risk Management System as part of its activities in the financial year. The most significant risks to the development of the Groupe were discussed, but – as in the entire financial year – none of them was classified as going concern risk.

Resolutions were passed at the meetings as well as by way of written vote. The meetings of the Supervisory Board were attended by all members, except for one meeting at which one member was excused.

Composition of the Management Board and Supervisory Board

There were no personnel changes on the Management Board and the Supervisory Board of the company during the reporting period. As the Supervisory Board consists of only four members, no committees were formed in the financial year.

Annual and consolidated financial statements

The separate and the consolidated financial statements for the period ended 31 December 2020 and the Group management report for the financial year 2020 were prepared by the Management Board and audited by the independent auditor, KPMG AG, Wirtschaftsprüfungsgesellschaft, Nuremberg, appointed by the Annual General Meeting on 22 July 2020, and each received an unqualified audit opinion.

The Supervisory Board reviewed the separate and the consolidated financial statements for the period ended 31 December 2020 as well as the Group management report for the financial year 2020, taking into account the auditor's reports, which were made available to the members of the Supervisory Board in good time prior to the meeting.

At the annual accounts supervisory board meeting held as a video conference on 10 May 2021, the Management Board explained the separate and the consolidated financial statements for the period ended 31 December 2020 as well as the Group management report for the financial year 2020. At this Supervisory Board meeting, the auditor in charge reported on the most important results and principles of his audit and was then available to answer the questions of the Supervisory Board members.

After thorough examination, the Supervisory Board approved the separate and the consolidated financial statements prepared by the Management Board for the period ended 31 December 2021 at the above meeting. The financial statements of Exasol AG have thus been adopted in accordance with section 172 sentence 1 of the German Stock Corporation Act (AktG).

Thank you

The entire Supervisory Board would like to sincerely thank the Management Board and all Exasol Group employees for their work during a successful 2020, especially for their combined efforts to realize the IPO. The Supervisory Board's thanks also go to our shareholders for their interest and confidence in our company.

Nuremberg, 10 May 2021

For the Supervisory Board

Jochen Tschunke

Chairman of the Supervisory Board

Trusted by the world's most ambitious organizations

Exasol has more than 195 customers worldwide, among them leading brands across our key industries:

Financial Services & Insurance
Retail & E-Commerce
Healthcare
Utilities

Exasol dominates its peer groups in BARC's The Data Management Survey 2020
#1 in 18 of 24 categories, with 100% recommendation rate, across data warehouse technologies and analytical database products.

Barc Data Management Survey 2020



#1 ranked in 18 categories plus leadership in 4 categories in peer groups



All respondents - 100% - stated that they would recommend Exasol without hesitation



Exasol Support – rated at 9.9/10



About the BARC Data Management Survey 2020

The Data Management Survey 2020 was conducted by BARC from December 2019 to March 2020. Altogether, 634 respondents worldwide answered a series of questions about their data management software. The survey offers a comparison of 12 leading data management tools across 12 criteria (KPIs) including developer efficiency, recommendation, time to market and product satisfaction. For more information, go to www.bi-survey.com.

Exasol rated best-in-class across 10 measures in Dresner's ADI Report 2021

For the fourth consecutive year, Exasol, the analytics database, has been named a customer experience and a vendor credibility 'Overall Leader' in the Dresner Advisory Services Wisdom of Crowds® 2021 Analytical Data Infrastructure (ADI) Report. Exasol also achieved a perfect recommend score again – 100% of Exasol's customers who participated in the report would recommend its analytics database.

Dresner 2021 Analytical Data Infrastructure (ADI) Market Study



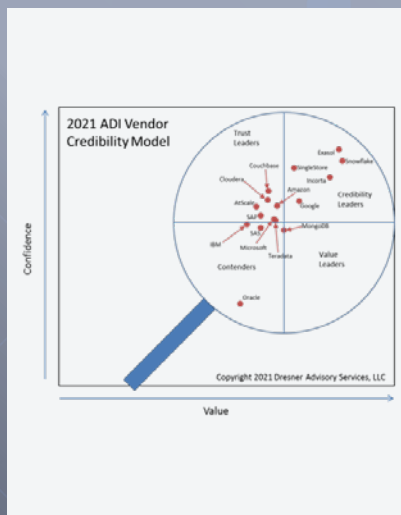
Best in class for reliability of technology, product robustness and technical support



100% of our customers would recommend us – for fourth consecutive year



Ranked as the leader for both customer experience and vendor credibility alongside Snowflake



About the ADI Market Study

The Dresner 2021 ADI Market Study provides a detailed picture of perceptions, intentions, and realities associated with ADI platform choices. The report examines market preferences for ADI platforms including deployment and licensing priorities, data types, data modeling/management of data associated with ADI, and data preparation and loading priorities. It also covers leading choices in ADI development and deployment, as well as ADI interfaces and analytical features.



Reducing patient harm with Exasol

Piedmont is a non-profit healthcare provider with 2 million patients across 11 Atlanta-area hospitals. Like many providers, they store an immense amount of data – in Piedmont's case: 22,000 fields from 30 sources, or 555 billion data points. Piedmont's management set an ambitious goal: reduce recidivism from infections to 0%. We worked with their team to get the right data to hospital decision makers and reduce patient harm by 40%. While keeping Tableau's front-end user interface for visualizations, Piedmont replaced its data warehouse component with Exasol.

40 %

less consequential damage
from infection risks

> 1 bn.

Data quickly and flexibly
Analyses

50-fold

Acceleration
of the queries

11

Hospitals US-wide



Business Intelligence acceleration for e-commerce

Zalando is an online fashion retailer with more than 500,000 products from 2,500 international brands. Since its launch in 2008, the company has grown rapidly, reporting more than 31 million active customers and 960 million site visits in 2019. As data needs grew with each new customer and brand, Zalando turned to Exasol for a database solution that could integrate into its data warehouse as an analytic layer and connect seamlessly to existing BI tools.

> 14 million

Customers
Europe-wide

150,000

Products
in assortment

7 TB

Memory distributed over several
Cluster

322 million

Visits to the webshop
per quarter

Exasol on the capital market

Successful IPO generates gross proceeds of EUR 48.5 million

Germany's first IPO of the year 2020

In May 2020, Exasol successfully completed its IPO on the Frankfurt Stock Exchange as well as a related capital increase. It was the first initial public offering of the year in Germany and one of the few successful IPOs of high-growth technology companies in Europe in recent years. The shares are listed in the Open Market and included in Deutsche Börse's Scale quality segment. In the context of the IPO, Exasol generated gross proceeds totalling EUR 48.5 million.

The share started trading on the Frankfurt Stock Exchange at an opening price of EUR 14.00 on 25 May. The opening price thus exceeded the issue price of EUR 9.50 by 47%.

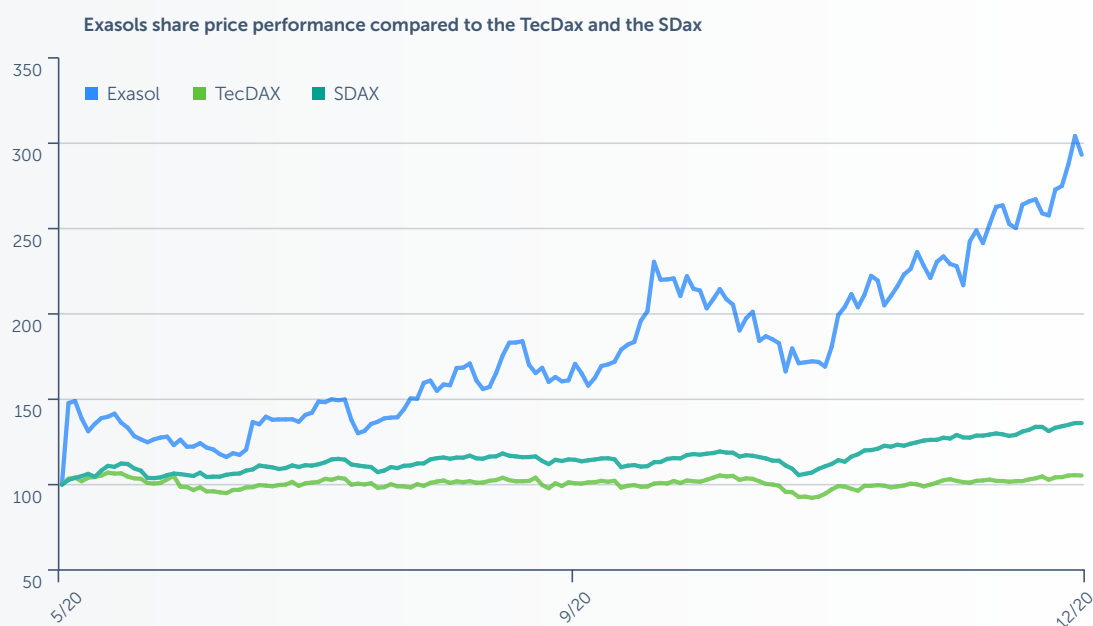
The IPO process was also one of the first in the world to be implemented almost completely virtually, with more than 100 virtual roadshow meetings and video calls held with potential institutional investors from 15 countries in Europe.



Share price performance in the course of the year

The issue price of the Exasol share at the time of listing on 25 May 2020 was EUR 9.50. On the first day of trading, the share price climbed to EUR 14.04 (Xetra closing price), up by approx. 48% on the issue price. This positive trend continued throughout the rest of the year amid volatile trading.

On 2 December 2020, Exasol carried out a cash capital increase and successfully issued 2.2 million new shares at a placement price of EUR 19.50. In total, Exasol AG generated gross proceeds of EUR 43.3 million from the issue. The share reached its high of the year at EUR 28.80 on 29 December 2020. The year-end price on 31 December 2020 was EUR 27.86, up by around 193% on the issue price at the time of the IPO. This made Exasol one of the best-performing shares on the stock market in 2020. During the same period since the company's IPO, the SDAX small-cap index gained around 35%.



Investor Relations

Since its capital market debut, Exasol has gone beyond its legal and stock exchange obligations and communicated transparently with its stakeholders, also seeking an active and intensive dialog with financial analysts as well as mainly institutional investors to inform them about the current business trend and important events during the year. In addition, the Management Board presented the company at various roadshows and conferences in Germany and abroad and also exchanged information with the financial and business media.

In the current year 2021, Exasol will continue the intensive dialog with capital market participants.

Conferences & meetings in 2020

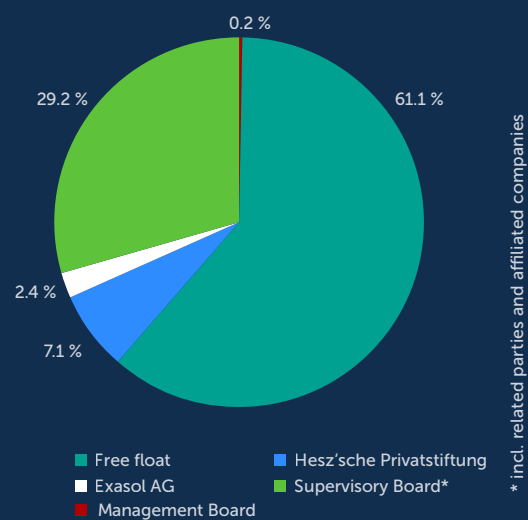
September	Investor & analyst call on the publication of the half-year report Multi-day management roadshow
October	Berenberg Pan-European Discovery Conference USA 2020
November	Deutsche Börse Equity Forum; Analyst Conference Multi-day management roadshow
December	Munich Capital Market Conference (MKK)
During the year 2020	Exasol held a high three-digit number of one-on-one meetings at IR and Board level

Share data

Key data of the Exasol share

SIN:	A0LR9G
ISIN:	DE000A0LR9G9
LEI:	529900ZPF6KHG6O3GY79
Bloomberg code:	EXL@GR
Number and type of shares:	24,438,870 no-par bearer shares
Share capital:	EUR 24,438,870
Market Cap (as at 31 December 2020):	EUR 680.87 million
Stock exchange code:	EXE
Stock exchange:	Frankfurt Stock Exchange / XETRA
Market segment:	Scale (Open Market)
Designated Sponsor:	Hauck & Aufhäuser Privatbankiers Aktiengesellschaft
Paying agent:	Bankhaus Gebr. Martin AG
Initial listing:	25 May 2020
Issue price:	9.50 EUR

Shareholder structure as at 31 Dec. 2020



Group Management Report

for the financial year 2020

1. General corporate information

1.1 Business activity

Exasol was established in 2000 with the aim of developing innovative database technology optimized for *data analytics* applications, enabling customers to store and analyze data. The Executive Board considers the product marketed by Exasol to be a world leading analytical database management system. In today's state-of-the-art database management systems, terms such as data lake, big data, data science, (operational) business intelligence, predictive analysis and data democratization play an important role. In this market environment, Exasol operates as a software supplier.

Exasol's core technology is a relational database management system designed for analytical applications. Exasol is one of the technology leaders in the market, based on the core architectural features of in-memory processing, scalable parallelization across many processors and servers (MPP, massively parallel processing), automated (tuning-free) optimization methods and open integration platforms with well over 50 open-source projects that allow Exasol to integrate with many data management technologies.

Self-learning algorithms decide which data is currently required and should be stored in the main memory. This innovative approach differs fundamentally from legacy database architectures, where the data is predominantly stored on hard disks.

By connecting several hardware components or several servers, Exasol's approach creates a kind of "supercomputer", which is, however, based on standard infrastructure in the cloud or in the data center.

Exasol thus enables organizations to evaluate rapidly increasing data volumes more quickly and to grant more users access to analyses, which facilitates data-driven decision-making. What is more, Exasol's database solution is largely platform-independent and therefore suitable for highly flexible use. Customers can decide for themselves whether they want to use it on their own infrastructure, e.g. in their own data center, in one of the common public cloud environments such as AWS, Microsoft Azure or Google, in private cloud environments or in hybrid infrastructures.

Exasol's business model is currently in the transformation phase. Historically, Exasol mainly sold one-off license contracts in combination with maintenance services. Today, the company largely bases its business model on the marketing and licensing of its analytics database solution in the form of term-based contracts to generate recurring revenue (subscription model). This business model allows Exasol to build up effective protection against economic influences through stable

and predictable revenues and cash flows. Moreover, management believes that the business model contains an additional growth component, as increasing data volumes and the growing role of data applications in corporate strategies usually result in rising recurring revenue. From the point of view of the management, the transformation from the one-off license model to a term-based contract model is almost complete. Going forward, the company intends to offer only term-based contracts.

It is of great importance for the business model that Exasol is able to continuously develop and refine its technology and software. For instance, the company has recently launched its Release 7 and is in the process of bringing its SaaS solution to the market. The SaaS offering goes beyond existing cloud support (AWS, Azure, GCP). In the future cloud-native version, Exasol will offer the existing managed services of Exacloud also in the public cloud, thereby enabling more elastic usability (scale-up/scale-down) by separating cloud storage and cloud computation.

The new Release 7.0 launched by the company includes numerous improvements and extensions. The focal points were, for instance, increased agility for customers in the data warehouse environment through improvements in data vault modelling, enhanced support for unstructured and semi-structured data, and GPU support to accelerate data science applications in Exasol.

To ensure constant further development, Exasol needs highly qualified software specialists.

Besides the technological component, sales structures and brand awareness are critical factors for the company's success. It is therefore essential for the company to find qualified sales and marketing specialists in the labour market. Exasol has used the proceeds from the capital increases to expand its headcount compared to the previous year.

1.2 Corporate structure and locations

Exasol's main location is at the headquarters of its parent company, Exasol AG, in Nuremberg, Germany. Exasol used the proceeds from the capital measures in the financial year 2020 not only to expand its branches in the DACH region, but also strengthened its subsidiaries in the UK and the USA by increasing the number of employees. In addition, Exasol acquired yotilla GmbH and will use the latter's technology to realize its vision to enable users to build their own data warehouses or data marts with the help of a graphical interface without needing the data engineering teams.

1.3 Research and development

In 2020, Exasol again invested in R&D to strengthen its market position through innovative technology improvements and to support the constantly changing requirements in heterogeneous data management environments.

First, as explained above, the company launched Release 7.0, a new software version that includes numerous improvements and extensions. The focal points were, for instance, increased agility for customers in the data warehouse environment through improvements in data vault modelling, enhanced support for unstructured and semi-structured data, and the support of GPUs (graphics chips) to accelerate data science applications in Exasol.

Another focus of Exasol's R&D activities was on the further development of its SaaS solution. In the future cloud-native version, Exasol plans to offer the existing managed services of Exacloud also in the public cloud, thereby enabling more elastic usability (scale-up/scale-down) by separating cloud storage and cloud computation.

For the development, EUR 1.9 million in own work and EUR 0.5 million in associated material costs were capitalized in the reporting period. Total personnel expenses for research and development in the reporting period amounted to EUR 3.6 million, which means that a total of 52% of the R&D expenses was capitalized. Depreciation/amortization reported for the financial year 2020 included a total of EUR 1.4 million in intangible depreciation/amortization for capitalized R&D expenses.

A total of 42 employees were assigned to the R&D Department in the financial year 2020.

2. Economic Report of the Exasol Group

2.1 The macroeconomic environment

According to calculations by the International Monetary Fund (IMF) dated April 2021, global economic output contracted by 3.3% in 2020 as a whole. The global recession caused by the COVID-19 pandemic was thus much smaller than predicted by the IMF in October 2020. In the October 2020 forecast, the IMF had projected a global economic slowdown by 4.4%.²

In its latest publication (April 2021), the IMF expects the combined gross domestic product to decline by 4.7% in the industrialized countries and by 2.2% in the emerging and developing countries.

According to IMF projections, the US economy contracted by 3.5%, with the eurozone declining by as much as 6.6% in 2020. For Germany, the IMF assumes a 4.9% drop in economic output.³

2.2 The industry environment

The negative macroeconomic trend also affected the IT sector in 2020. Although certain segments such as video conferencing software boomed, the IT sector as a whole was characterized by general spending restraint. According to US analyst firm Gartner, global IT spending in 2020 was down by 5.4% on the previous year. Spending on business software and IT services declined by 3.6% and 4.6%, respectively.⁴ In Germany, IT sales decreased by 0.6%, according to the Bitkom industry association. The market for software contracted by 1.0%, while the market for IT services shrank by 3.2%.⁵

¹ <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021> Full report (retrieved on 16 April 2021)

² <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020> Full report (retrieved on 23 March 2021)

³ <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021> Full report (retrieved on 16 April 2021)

⁴ <https://www.gartner.com/en/newsroom/press-releases/2020-10-20-gartner-says-worldwide-it-spending-to-grow-4-percent-in-2021>

⁵ <https://www.bitkom-research.de/de/pressemitteilung/bitkom-branche-wieder-auf-wachstumskurs>

In certain IT segments and transformation projects, however, the pandemic acted as an accelerator. For instance, it led to a strong increase in cloud activities, which was partly due to the growing implementation of remote working. According to Gartner, global spending on public cloud services rose from USD 242.7 billion in 2019⁶ to USD 257.5 billion in 2020, an increase by 6.1%. Going forward, cloud transformation will continue steadily, opening up good growth prospects for the cloud segment.⁷

Exasol operates in high-volume market segments with attractive growth forecasts. According to estimates by International Data Corporation (IDC), the market volume for big data and business analytics already totaled USD 189.1 billion in 2019 and will rise at a compound annual growth rate (CAGR) of 13.2% to USD 274.3 billion in 2022.⁸

Exasol is facing strong competition. The company operates in markets that have been dominated for decades by classic providers such as Microsoft, Oracle, SAP, Teradata or IBM, which have global reach and considerable financial resources. Exasol also competes with global players Google and Amazon, as well as with younger technology companies such as Snowflake and databricks.

However, Exasol sees itself very well positioned in this market environment and considers its database infrastructure, which specializes in the analysis of large data volumes, to be one of the technologically leading solutions, especially in terms of speed, performance, scalability, flexibility and cost efficiency. What is more, Exasol offers its customers flexibility (pricing model, storage of data in the cloud, in its own data centers or hybrid structures), which, from the management's point of view, many of the above competitors cannot match.

2.3 Business trend in financial year 2020

Exasol's business model continued to undergo transformation in the financial year 2020. Historically, Exasol marketed its software under one-off license contracts in combination with maintenance services. In the financial year 2015, Exasol started to change its business model to term-based contracts to improve the quality and predictability of its revenues over time. During the phase of transition, the transformation temporarily had an adverse effect on reported revenue. For internal management, Exasol therefore uses annual recurring revenue (ARR) in addition to reported revenue.

In the financial year 2020, Exasol increased its revenues by 9.3% compared to the same period of 2019.

⁶ <https://www.gartner.com/en/newsroom/press-releases/2020-07-23-gartner-forecasts-worldwide-public-cloud-revenue-to-grow-6point3-percent-in-2020>

⁷ <https://www.gartner.com/en/newsroom/press-releases/2020-11-17-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-grow-18-percent-in-2021>

⁸ <https://www.businesswire.com/news/home/20190404005662/en/IDC-Forecasts-Revenues-for-Big-Data-and-Business-Analytics-Solutions-Will-Research-189.1-Billion-This-Year-with-Double-Digit-Annual-Growth-Through-2022>

At 36.9% the increase in ARR, which is a strategically important performance indicator, was many times higher, with total annual recurring revenue reaching EUR 24.1 million (2019: EUR 17.6 million). ARR growth was driven by both new business and higher revenues generated with existing customers. On balance, Exasol won 33 new customers in the financial year 2020. At the reporting date of 31 December 2020, the total number of customers with term-based contracts amounted to 195 (2019: 175).

Exasol was affected primarily by the first wave of the COVID-19 pandemic. As a consequence, the IPO originally planned for March 2020 had to be postponed.

Operating result driven by staff expansion and extraordinary effects

In the financial year 2020, Exasol's EBITDA amounted to EUR -29.9 million, compared to EUR -11.0 million in 2019. EBITDA were materially influenced by two extraordinary, non-operating effects: (1) expenses for the IPO in May 2020 and the capital increase in December 2020 as well as (2) share-based remuneration. In the context of Exasol's IPO in May 2020, existing shareholders transferred shares to the company free of charge. As a result, Exasol held a total of 597 thousand treasury shares as of 31 December 2020. At the end of the reporting period, the closing price of the Exasol share was EUR 27.86. Correspondingly, the market value of the treasury shares at the end of the reporting period would have been EUR 16.6 million. The shares are intended to cover a large part of the obligations resulting from the share-based remuneration payments.

Adjusted for the above-mentioned extraordinary effects totaling EUR 22.5 million, Exasol's EBITDA amounted to EUR -7.4 million in the reporting period (2019: EUR -1.9 million). The EUR 5.5 million decline in adjusted EBITDA is mainly attributable to the increase in the number of employees in the second half of the year by 69 to 223 at the end of December 2020 as well as to the growth initiatives launched in sales and marketing.

Successful IPO and capital increase result in total gross cash flow of EUR 91.7 million

In May 2020, Exasol successfully completed its IPO on the Frankfurt Stock Exchange as well as a related capital increase. The Exasol share is listed in the Open Market and included in the Scale segment. As a result of the IPO, Exasol generated gross proceeds totaling EUR 48.5 million.

In December, Exasol successfully placed a capital increase of 10% of the share capital with institutional investors. Gross proceeds from the issue totaled EUR 43.3 million.

Management considers the cash flow generated by the two capital measure to represent a milestone in the company's 20-year history. The proceeds from the issue will enable Exasol to substantially expand and internationalize the organization with the aim of accelerating ARR growth going forward.

Executive Board satisfied with business performance in 2020

On balance, the Executive Board is satisfied with the financial year 2020. Exasol's equity capitalization and liquidity was increased substantially, enabling the company for the first time to make

higher investments in staff, internationalization and products. At the same time, the company achieved solid ARR growth of 36.9%. Exasol was able to implement the planned staff expansion already in the second half of the year, when 69 new employees were hired. The two capital increases allowed Exasol to greatly increase its liquidity, with cash and cash equivalents totaling EUR 33.9 million and securities held for cash management amounting to EUR 35.6 million as of the reporting date 31 December 2020.

2.4 Financial and non-financial performance indicators

In order to provide a clear and transparent presentation of Exasol Group's business performance, the Group's annual and interim financial statements include not only the disclosures required by German HGB reporting standards but also additional financial performance indicators, mainly annual recurring revenue (ARR). ARR is the most important financial performance indicator for Exasol.

ARR is defined and calculated as follows:

Annual recurring revenue

Annual recurring revenue (ARR) is defined as the value of the contractually agreed recurring revenue component of term-based contracts, annualized over a 12-month period. ARR is an indicator that shows the amount of recurring revenue, excluding new business volume, that is expected over the next twelve months provided that no contracts are terminated. For the financial year 2020, the contractually agreed recurring revenue components of the month of December are multiplied by 12 to calculate ARR.

It is important to distinguish between the annual recurring revenue and the recurring revenue of the reporting period.

Recurring revenue of the reporting period includes revenue from software rental as well as ongoing support and maintenance services that are based on a term-based contract. Recurring revenue of the reporting period refers to the period from 1 January to 31 December, whereas the period from 1 December to 31 December is considered to calculate ARR.

2.5 Results of operation, financial and net asset position

2.5.1 Results of operation

in Mio. Euro	31 Dec. 2020	31 Dec. 2019	Change
Annual recurring revenue (ARR)	24.1	17.6	36.9%
Revenue	23.6	21.6	9.3%
Recurring revenue	19.0	15.1	25.8%
in % of revenues	80.5%	69.9%	+10.6 pp
Other revenue	4.6	6.5	-29.2%
in % of revenues	19.5%	30.1%	-10.6 pp

Revenues in the financial year 2020 amounted to EUR 23.6 million (2019: EUR 21.6 million). The strategically important recurring revenue of the reporting period was increased by 25.8% to EUR 19.0 million (2019: EUR 15.1 million) and represented 80.5% of total revenues (PY period: 69.9%). It should be noted that the recurring revenue for the reporting period comprises the revenue for the period from 1 January 2020 to 31 December 2020, while non-HGB-based annual recurring revenue 2020 represents the value of the contractually agreed recurring revenue component of term-based contracts in the month of December 2020, annualized to a period of 12 months.

Geographically, Exasol breaks down its revenues into four regions, i.e. DACH (Germany, Austria, Switzerland), Great Britain, North America and Rest of the World. In the DACH region, which is currently the most important region for Exasol, the company grew its revenue by 16.1% to EUR 16.6 million in the reporting period, which represents 70.6% (2019: 66.2%) of total Group revenues.

in EUR m	2020	2019	Change
DACH	16.6	14.3	16.1%
Great Britain	1.6	1.3	23.1%
North America	3.1	3.3	-6.1%
Rest of the World	2.3	2.7	-14.8%
Total revenues	23.6	21.6	9.3%

Revenue share in %	2020	2019
DACH	70.3%	66.2%
Great Britain	6.8%	6.0%
North America	13.1%	15.3%
Rest of the World	9.7%	12.5%

Own work capitalized relates to internally developed intangible assets, in particular internally generated software. Own work in the amount of EUR 1.9 million (2019: EUR 1.8 million) was capitalized in the reporting period. Besides personnel expenses, this also includes the associated material costs.

The cost of materials essentially comprises expenses for the ExaCloud infrastructure (leasing of servers and expenses relating to the operation of the data center) as well as the cost of hardware purchased for appliance revenues (bundling of hardware and software).

In the 2020 reporting period, the cost of materials increased by 33.3% to EUR 3.2 million (2019: EUR 2.4 million). IT/data center expenses amounted to EUR 1.5 million (2019: EUR 1.6 million), while hardware expenses totaled EUR 1.4 million (2019: EUR 0.7 million).

Personnel expenses rose by 53.5% to EUR 37.3 million in the financial year 2020 (2019: EUR 24.3 million). Due to the good performance of the Exasol share as of the reporting date 31 December 2020, a total of EUR 16.8 million (2019: EUR 7.9 million) had to be additionally set aside for share-based remuneration payments and recognized as personnel expenses in the reporting period. In this context, it should be noted that Exasol's had hidden reserves of EUR 16.6 million in the form of treasury shares as of 31 December 2020.

Adjusted for the share-based remuneration payments, personnel expenses relevant for the company's operations would have stood at EUR 20.5 million (PY period: EUR 16.4 million).

Exasol has agreed a total of four different share-based remuneration programmes with its Executive Board members and its employees: (1) Stock Appreciation Rights – SAR – Executive Board, (2) Stock Awards – Executive Board, (3) Stock Appreciation Rights – Employees and (4) Employee Share Option Program (ESOP).

The SAR program for the Executive Board is of a long-term nature, running from 2016 to 2022. As of 31 December 2020, a total of EUR 16.3 million had been set aside for the program. The expected payout in 2022 is largely covered by treasury shares and hidden reserves of the company. In addition, the Executive Board has received Stock Awards for each financial year, based on the performance of the Exasol share compared to the performance of the TecDAX. The remuneration entitlement is capped. In the event of insufficient performance, it may be zero.

After Exasol's successful IPO, the Stock Appreciation Rights (SAR) program for employees became effective. The program provides for a cash settlement in three tranches totaling EUR 7.4 million. As of 31 December 2020, a total of EUR 4.7 million had been set aside for the program.

The increase in adjusted personnel expenses is mainly due to the large number of new employees hired in the second half of 2020 as part of the growth strategy.

Depreciation and amortization increased by EUR 2.0 million to EUR 4.2 million (2019: EUR 2.2 million). The increase was driven by the amortization of intangible assets, which rose from EUR 1.3 million in the financial year 2019 to EUR 3.2 million in the reporting period.

Other operating expenses climbed by EUR 7.3 million to EUR 15.3 million. Other operating expenses include extraordinary expenses (expenses related to capital measures) in the amount of EUR 5.7 million (2019: EUR 1.2 million).

Adjusted for extraordinary effects, other operating expenses stood at EUR 9.6 million (2019: EUR 6.8 million). Other operating expenses include marketing expenses of EUR 3.6 million (2019: EUR 2.5 million). Earnings after taxes amounted to EUR -34.3 million in the 2020 reporting period (2019: EUR -14.0 million).

Adjusted for extraordinary expenses, the net loss stood at EUR -11.8 million (2019: EUR -4.2 million).

Reconciliation of consolidated net loss to adjusted EBITDA

in EUR m	31 Dec. 2020	31 Dec. 2019
Consolidated net loss	-34.3	-14.0
+ taxes	0.0	0.1
+ financial result	0.2	0.7
+ depreciation/amortization	4.2	2.2
EBITDA	-29.9	-11.0
+ share-based remuneration	16.8	7.9
+ expenses for capital measures	5.7	1.2
= adjusted EBITDA	-7.4	-1.9

2.5.2 Net assets and capital structure

Change in total assets and capital structure materially influenced by capital increases

The change in total assets and the balance sheet structure at the end of the reporting period ended 31 December 2020 compared to the balance sheet date 31 December 2019 was materially influenced by three capital increases.

In the run-up to the IPO in May 2020, shareholder loans (including deferred interest) in the amount of EUR 8.5 million were converted into equity and added to the share capital as a non-cash contribution (1,463,870 shares) in accordance with a resolution adopted by the Annual General Meeting in December 2019.

In May 2020, Exasol was listed on the Open Market (Scale segment) of the Frankfurt Stock Exchange. In the context of the listing, the share capital was increased by 5.1 million shares. Exasol generated gross proceeds of EUR 48.5 million from this capital increase.

In addition to the existing 0.5 million treasury shares, the shareholders made another 0.3 million treasury shares available to Exasol AG in 2020. At the time of the IPO, 0.3 million treasury shares were sold and the proceeds of EUR 2.4 million were added to the capital reserve.

In December 2020, Exasol carried out another capital increase and increased the share capital by 10% or 2.2 million shares. Exasol generated gross proceeds of EUR 43.3 million from the second capital increase.

The subscribed capital thus increased from EUR 15.7 million as of 31 December 2019 by a total of EUR 8.8 million to EUR 24.4 million.

The excess amount from the non-cash contribution (EUR 7.0 million), the IPO (EUR 43.3 million) and the second capital increase (EUR 41.0 million) was allocated to the capital reserve.

As of the reporting date 31 December 2020, equity amounted to EUR 48.3 million, compared to negative equity of EUR -20.5 million as of the reporting date 31 December 2019. The change results from the capital measures described above, the equity difference from currency translation as well as the net loss for the year in the amount of 34.3 million euros.

Cash and cash equivalents and securities of EUR 69.5 million represent 84.7% of total assets as of 31 December 2020

Total assets increased by EUR 50.5 million during the reporting period and stood at EUR 82.1 million as at 31 December 2020, compared to EUR 31.6 million as at 31 December 2019. At EUR 7.7 million, non-current assets (fixed assets) were slightly below the previous year's EUR 7.9 million and represented 9.4% of total assets. At EUR 5.8 million, internally generated software (internally generated industrial property rights and similar rights and assets) represents the largest fixed asset item.

Current assets climbed from EUR 2.7 million on the previous year's reporting date 31 December 2019 to EUR 72.9 million at the end of the reporting period and accounted for 88.8% of the company's assets. The strong increase in current assets is mainly based on a gross cash inflow (before transaction costs) of EUR 91.7 million resulting from the capital increases carried out in the financial year 2020.

At the end of the reporting period, cash and cash equivalents and securities held for cash management in the amount of EUR 69.5 million represented 84.7% of total assets.

Equity ratio of 58.8% as of 31 December 2020

As of the reporting date 31 December 2020, equity amounted to EUR 48.3 million, which was equivalent to an equity ratio of 58.8%. As of the reference date 31 December 2019, the Exasol Group reported negative equity of EUR -20.5 million. The change in equity is attributable to the increases in equity described above as well as to the negative result of the financial year 2020.

At the end of the reporting period, Exasol reported provisions and liabilities of EUR 29.2 million, which represented 35.6% of total assets (2019: 59.8%).

Provisions increased by 136.5% to EUR 27.2 million (2019: EUR 11.5 million) and represent 33.1% (2019: 36.4%) of total assets. The increase in provisions was driven by the effects resulting from the share-based remuneration. As at the reporting date 31 December 2020, provisions for share-based remuneration amounted to EUR 22.2 million (2019: EUR 6.7 million).

As of the end of 2020, bank liabilities were reduced from EUR 2.2 million to EUR 0.1 million. Trade payables amounted to EUR 1.1 million and represented 1.3% of total assets.

Other liabilities declined by EUR 2.9 million to EUR 0.8 million as of the reporting date 31 December 2020. The reduction is attributable to the repayment of shareholder loans including deferred interest in the total amount of EUR 3.1 million.

At EUR 4.4 million, deferred income as at the reporting date 31 December 2020 was almost unchanged from the prior year reporting date (31 December 2019: EUR 4.2 million).

When comparing the asset and capital structure as of 31 December 2020 with the asset and capital structure as of 31 December 2019, it should be noted that a deficit of EUR 20.5 million not covered by equity was reported as of 31 December 2019. Exasol is therefore of the opinion that the asset and capital structures cannot be fully compared.

2.5.3 Changes in cash and cash equivalents

Operating cash flow stood at EUR -11.3 million in the reporting period, compared to EUR 2.2 million in 2019. The increase reflects the higher cash-effective personnel expenses resulting from the increase in the number of employees.

Cash flow from investing activities in the financial year 2020 amounted to EUR -39.3 million (2019: EUR -2.7 million) and was mainly driven by investments in short-term securities for cash management in the amount of EUR 35.6 million.

Cash flow from financing activities amounted to EUR 85.9 million in the reporting period (2019: EUR -0.9 million). It is mainly the result of the payments made in the context of the gross capital increases in the amount of EUR 91.7 million carried out in the financial year 2020. The associated cash-effective costs in 2020 were deducted from the payments.

Cash and cash equivalents totaled EUR 33.8 million as of the reporting date 31 December 2020 (31 December 2019: EUR -1.5 million).

At the time of writing this report, the Executive Board expects to be able to meet the payment obligations known and expected to date. The Executive Board is not aware of any business developments that could lead to potential liquidity bottlenecks.

2.6 Overall assessment by the Executive Board

The global COVID-19 pandemic caused economic distortions and disrupted the global supply chains in 2020. Although Exasol considers itself very well positioned with its business model and forward-looking technologies, the company was not able to completely defy the effects resulting from the pandemic. Uncertainty for Exasol remained high throughout the year 2020. In the early stages of the pandemic and before the listing on the Frankfurt Stock Exchange (and the related proceeds from the issue) in the first half of 2020, Exasol was more strongly affected by the uncertainties arising from the COVID-19 pandemic.

Following the capital measures carried out in the financial year 2020 and the associated cash flows, the Executive Board considers the financial and net asset position to be solid so that the growth plans can be implemented successfully.

Exasol Group was able to reach its growth targets and increase its most important financial performance indicator for internal management – annual recurring revenue (ARR) – by 36.9% to EUR 24.1 million in FY 2020, which was in line with its forecast (ARR of at least EUR 24.0 million). The forecast for the financial year 2020 was published by the Executive Board on 21 September 2020. On balance, the Executive Board regards revenues and ARR generated in the financial year 2020 as satisfactory.

In view of the company's financial resources and its technology, the Executive Board considers Exasol Group to be well positioned to successfully implement its growth plans for the future.

3. Opportunities and risk report

3.1 Risk management objectives

In the context of its risk management system, Exasol defines risks on the basis of ISO31000 as the effect of uncertainty on the company's objectives. The company's primary objective at present is to achieve sustainable ARR growth and to have the liquidity and capital resources required for this.

The objectives of the risk management system are the identification, assessment and prioritization of risks followed by a coordinated and efficient use of resources to minimize, monitor and control the probability or impact of risk occurrence or to maximize the realization of opportunities.

3.2 Exasol's Compliance and Risk Management System (CRMS)

Monitoring and managing risks is one of Exasol AG's key tasks. To this end, Exasol has established a uniform Compliance and Risk Management System (CRMS) for all issues relating to compliance and risk management. The Executive Board has overall responsibility for the maintenance and further development of the CRMS. The objectives of the CRMS are to analyze and identify risks and to initiate appropriate measures. The CRMS additionally assists the Executive Board in maintaining an overview over all topics related to risks, risk management and compliance, thus supporting its strategic and operational decision-making.

Potential risks are to be identified and evaluated in time to promptly initiate prevention, management and further monitoring measures. The CRMS is set up along the lines of the specialist departments with corresponding risk responsibilities and is managed, monitored and supported by a Compliance and Risk Manager. Clearly defined reporting obligations as well as additional

ad-hoc reporting have been implemented. There is a direct and independent reporting chain, a regular exchange between the Compliance and Risk Manager and the Executive Board, as well as regularly recurring Compliance and Risk Meetings with the Executive Board and all Risk Officers.

The risk assessment is uniformly based on the two common criteria "amount of damage" and "probability of occurrence". With respect to the amount of damage, a distinction is made between "high" (damage of over EUR 500,000), "medium" (damage of between EUR 50,000 and EUR 500,000) and "low" (damage of under EUR 50,000). With respect to the probability of occurrence, a distinction is made between "unlikely" (1 incident/10,000 events or fewer than 0.5 incidents/year), "possible" (1 incident/1,000 events or 1 incident/year) and "almost certain" (1 incident/100 events or more than 2 incidents/year) based on a defined number of possible occurrences. In the risk matrix, this results in three risk categories (low, medium, high):

		Probability of occurrence		
		unlikely	possible	almost certain
Amount of damage	low	low risk	low risk	medium risk
	medium	low risk	medium risk	high risk
	high	medium risk	high risk	high risk

Risks that are essentially beyond Exasol's control and that cannot be addressed using common risk management strategies are not categorized but are mainly monitored. This applies to the macroeconomic, industry-specific and market-related risks and risks from technological changes described in the next section. All other risks described in section 3.3 belong to the "high" risk category and are thus part of this risk report.

Besides the risks described in this section and those analyzed by the CRMS, events may occur that could lead to additional, as yet unknown risks and have an adverse impact on Exasol's liquidity, revenue and equity.

3.3 Risk report

Macroeconomic risks

Macroeconomic or overall economic developments and the general business climate have a material influence on Exasol's business performance. Exasol's database infrastructure is normally used to replace, expand or improve existing systems. In times of economic uncertainty or in a deteriorating political or economic environment, long-term investments in technologies, software or IT infrastructures are often postponed or suspended. Exasol's database technology falls into the category of long-term IT investments. Accordingly, Exasol's existing or potential customers may cancel, reduce or refrain from making investments in Exasol's products in a deteriorating macroeconomic environment.

The relationship between the European Union and the United Kingdom is another macroeconomic risk identified by Exasol. Following the United Kingdom's exit from the European Union, deteriorating relations or potential trade barriers could have a negative impact on Exasol's business and results of operations.

Should the COVID-19 pandemic persist or worsen again and continue to have an adverse effect on economic activity, organizations may put their IT budgets on hold, which would have the corresponding negative effects on Exasol.

Exasol's database infrastructure is optimized for big data analytics. The data volumes in organizations are growing continuously across a wide variety of channels. This increases organizations' need for scalable systems for data analytics. As Exasol has one of the world's fastest database systems for data analytics, demand for Exasol's products could remain intact even in recessionary trends.

Industry-specific and market-related risks

However, the company is facing strong competition. Database and data analytics solutions are offered by different companies. The market is currently dominated by traditional providers such as Microsoft, Oracle or IBM, which have both a global reach and considerable financial resources. Also, global platforms such as Google and Amazon have developed database and data analytics solutions. Strong competition from established suppliers, younger technology companies and potential new entrants to the market may lead to a loss of customers and market share and thus have a negative impact on Exasol's development (liquidity, revenue, equity).

Risks from technological changes

Exasol considers itself technologically well positioned and believes that the performance of its database technology is difficult to replicate. The markets for database solutions and data analytics in which Exasol operates are subject to rapid technological change, though. New solutions and products are constantly being introduced. Exasol's competitiveness is highly dependent on its ability to quickly adapt and anticipate technological changes, to develop its products accordingly and to identify changing customer needs. If Exasol is unable to do so, this could have a considerable negative impact on the business performance and thus on Exasol Group's revenues, earnings and financial resources.

Risks from the customer structure

The revenues generated in the reporting period as well as annual recurring revenue (ARR), which is one of the most important financial indicators of Exasol Group, are dependent to a not inconsiderable extent on a few existing customers with whom Exasol has usually agreed term-based contracts.

As of the reporting date of 31 December 2020, Exasol had a base of 195 customers. With the current customer structure, one major customer accounts for more than 10% of revenues. The top five customers represent about 28% of Exasol's revenues. The largest customer contributed 17% to annual recurring revenue (ARR) in 2020, while about 30% of the ARR was accounted for by the top four customers.

The loss of one or more of the top four existing customers would have a significant negative impact on revenue growth and annual recurring revenue, at least in the short term. This would also have negative effects on Exasol Group's financial resources and might have a considerable adverse impact on earnings, at least in the short term.

The cancellation rate and, hence, the churn rate has an indirect influence on the customer structure.

To reduce the customer churn rate, Exasol has established a detailed action plan as part of the newly developed strategy to increase customer satisfaction and improve service quality. Employees have been deployed across departments to exclusively focus on customer retention, with a special focus placed on key accounts.

In addition to the risk-reducing measures for existing customers, the customer structure is to be qualitatively improved and broadened by winning new customers. For this purpose, Exasol has significantly increased the number of marketing and sales staff, expanded its marketing activities and intends to add a software-as-a-service / cloud-native solution to its product portfolio.

Financial risks

Exasol classifies the liquidity risk and the risk of unexpected negative effects on equity as significant and important financial risks. Other important risks include, in particular, the foreign currency risk.

Risks from negative operating results on liquidity and equity

Exasol is in expansion mode and plans to invest substantial financial resources and cash in growth, staff expansion, sales and marketing. In the expansion phase, the company is expected to generate negative operating results. At the same time, the growth mode should lead to a significant outflow of cash.

Unforeseeable deteriorations in the macroeconomic environment, such as a renewed worsening of the global COVID-19 pandemic, could adversely impact the expansion strategy and lead to higher losses than originally anticipated, thus having a strong negative impact on Exasol's revenue, earnings, financial position and equity.

Should Exasol fail to successfully implement its growth strategy, revenues could fall short of expectations, with potentially strong negative effects on Exasol Group's financial position, liquidity and equity.

Exasol therefore strictly monitors the changes in cash flow and equity. Furthermore, Exasol is in the process of introducing new forecasting methods and additionally taking macroeconomic developments more into account.

Foreign currency risk

Exasol Group is exposed to currency risks resulting from exchange rate fluctuations. These primarily manifest themselves through translation, transaction and operational risk.

Exasol's base currency is the euro. Besides customer contracts concluded on the basis of the euro, Exasol has signed contracts with international customers in various currencies, predominantly on the basis of US dollars and British pounds. Moreover, Exasol operates international branches, e.g. in Great Britain, the USA and Switzerland. As a result, the company has foreign currency liabilities towards employees and suppliers.

Exasol is exposed to currency risks due to the appreciation/depreciation of the base currency (euro) or the appreciation/depreciation of the denomination currency (in particular US dollar or British pound), which may potentially have a negative impact on revenue, liquidity, the operating result or equity.

To minimize risks from currency fluctuations, Exasol has, as far as possible, limited its business to the three main currencies (EUR, USD, and GBP), maintains cash reserves in the corresponding currencies and hedges payment flows in foreign currencies through forward transactions where necessary. In some cases, additional natural currency hedges exist. Exasol generates part of its revenues on the basis of contracts in USD and GBP. At the same time, the company has payment obligations to employees and suppliers in both foreign currencies.

In the financial year 2020, revenues generated outside the euro-zone accounted for 22%, which is a relatively low share. Employees employed outside the euro-zone represented 27% as of the reporting date of 31 December 2020. As a result of the relative strong expansion in the non-euro area (especially the USA), foreign currency risks have increased.

Human resources risk

As an innovative IT company, Exasol competes with large, global players such as Google, Amazon, Microsoft, Teradata and Snowflake in a labor market characterized by a shortage of skilled workers such as software specialists and other IT professionals. If Exasol fails to recruit new employees with the required expertise and to retain the existing staff, there is a risk that the growth targets cannot be achieved and that revenue, cash and cash equivalents and equity would be adversely affected.

In the financial year 2020, Exasol increased its headcount in Human Resources and especially in Recruiting, enlarged the HR Department (including Recruiting) and launched initiatives (e.g. introduction of share-based remuneration components) to retain employees in the long term and increase employee satisfaction.

Cyber risks

The complete failure of IT systems, interruptions in the internet connection, infrastructure and other disruptions may have a significant negative impact on Exasol's business model (e.g. non-compliance with customer contracts, non-availability of the product). This could lead to a termination of customer relationships or claims for damages and thus have a considerable adverse impact on liquidity, equity and revenue.

In addition, there is always the risk of cyber attacks, which could lead to data theft, system failures, infrastructure damage and the like. Such attacks and the disclosure of the same may lead to a massive loss of reputation and potential claims for damages and have a negative impact on Exasol's liquidity, equity and revenue.

Exasol has established an information security management system that is being improved on an ongoing basis. It aims to reduce information security risks to an acceptable level. Exasol has started an ISO 27001 audit and obtained certification in April 2021. Information security risks include, in particular, the failure of IT systems, cyber attacks and breaches of data protection regulations.

Legal and regulatory risks

Risks from the breach of data protection regulations

Due to Exasol's business model, sensitive customer data is regularly processed, stored and forwarded by external service providers via Exasol's systems or in cloud solutions. Exasol is subject to the laws and regulations on data protection, information security and the protection of personal rights. Any actual or alleged failure to comply with or breach these obligations could adversely affect Exasol's business activity, especially if such breaches became public. In addition, authorities have tightened data protection regulations. Alleged or actual violations of data protection regulations may lead to severe penalties and considerably weaken Exasol's financial strength.

Regulatory changes may lead to a further tightening of data protection rules and make it difficult for Exasol to adapt its business operations to new potential regulations.

To counteract the risks arising from potential or perceived breaches of data protection regulations, Exasol has both an external Data Protection Officer and internal Data Protection Coordinators who deal with data protection issues and work closely with the Information Security Officer.

Risks from the infringement of patent and IP rights

Operating in a business environment characterized by innovation, Exasol is exposed to a legal risk in connection with patent and other IP rights as well as related claims. Third parties may claim that Exasol infringes their intellectual property rights, and Exasol may be subject to substantial litigation or licensing expenses or be prevented from selling products or services.

The possibility of patent infringement, even if only alleged, is inherent in the business environment. Complete monitoring is not always possible and a breach of IP rights or the failure to detect a breach of Exasol's own IP rights may have a negative impact on Exasol's business activity.

A dispute with competitors and/or patent right holders or the defense against lawsuits due to (alleged) IP right infringements may lead to a considerable financial burden. Exasol is aware of this risk and has developed strategies to address it through cross-departmental collaboration, also with expert consultants. Nevertheless, involvement in patent and IP litigation, which may even be unjustified, cannot be completely ruled out.

Risks from internationalization and the planned launch of the SaaS product

As a result of the rapid expansion into other regions and the hoped-for growth of the customer base resulting from the distribution of the SaaS product, which is aimed at a broader customer base, Exasol is exposed to greater risks. For instance, potential software errors may have a greater impact. Also, it is not possible to control as closely as before to which customers the product is offered.

Overall assessment of the risk situation

Basically, it should be noted that Exasol is exposed to a large number of known, but also unknown risks and uncertainties. These include, in particular, risks to the planned growth, customer risks, legal and regulatory risks as well as technological risks. To monitor the risk situation, Exasol has established a comprehensive risk management system, which is continuously refined and expanded. As at the reporting date of 31 December 2020, the company was not aware of any going concern risks. On balance, Exasol considers the risk situation to be manageable.

3.4 Opportunities report

The amount of data available in companies and public authorities is increasing rapidly each day.

According to IDC⁹, the volume of data processed in databases worldwide amounted to approximately 59 zettabytes in 2020. IDC estimates that the data volume will increase at a compound annual growth rate (CAGR) of 24.3% to 175 zettabytes in 2025.

It is essential for every company to be able to analyze their data efficiently so as to be able to make daily data-based corporate decisions as well as operational decisions. Without a fast and efficient analysis of existing data, it will become increasingly difficult for companies to compete successfully.

Exasol considers its database infrastructure and its relational database management system based on in-memory technology to be one of the world's leading solutions for ultra-fast data analytics and evaluation. The performance of the Exasol solution has been successfully demonstrated in many applications, especially in terms of speed, performance, scalability, flexibility and cost efficiency. Exasol sees itself well positioned to support companies with its products and solutions in their data analyses.

Global demand for database systems and analytics software on the increase

Exasol operates in a market in which the global demand for systems and database solutions enabling companies to analyze their increasing data volumes is growing structurally. Exasol considers itself well positioned to benefit from this growing demand.

⁹ <https://www.idc.com/getdoc.jsp?containerId=prUS46286020>

According to estimates by analyst firm IDC, the market volume for big data and business analytics totaled as much as USD 189.1 billion in 2019 and is expected to rise at a compound annual growth rate (CAGR) of 13.2% to USD 274.3 billion in 2022.

Platform-independent solution for competitive differentiation

Exasol's technology can be used for "on-premise", "cloud" and "hybrid" solutions. Many of Exasol's direct competitors exclusively offer cloud-based solutions. Exasol assumes that companies and organizations will continue to use "on-premise" solutions for data storage and data analytics going forward. Exasol therefore sees its hybrid model as a means of differentiation from its competitors, which should open up market opportunities.

According to a study by Forrester, 90% of the data volumes of the Fortune 1000 companies are still stored on on-premise solutions. IDC estimates that approximately 54% of the data volume will be in the cloud by 2025.

Its hybrid and platform-independent approach allows Exasol to seize opportunities both by migrating data volumes to the cloud and by keeping a high share of data in "on-premise" solutions.

Exasol sees its hybrid model and its platform-independent strategy as a means of differentiation from its competitors, which should open up market opportunities.

Performance of Exasol's global data analytics technology

The performance of the Exasol technology is shown in the TPC benchmark test, which is relevant to the database industry.¹⁰ The Executive Board considers Exasol's technology to be well positioned, particularly for the analysis of large data volumes.

Flexible use of Exasol's database infrastructure

Exasol's technology is a complete database management system. Companies and organizations can fully replace their existing solutions with Exasol's technology.

In addition, the database technology can be used as a layer. The company's existing database system is maintained. Exasol is implemented as a layer and used to analyze the data. Exasol's technology thus accelerates the existing system. Companies can use Exasol as a complement to existing solutions to take advantage of the speed benefits without having to completely replace existing solutions. The complementary option significantly reduces the entry barriers to companies, while at the same time increasing Exasol's marketing opportunities.

High liquidity for growth available for first time after IPO and capital increase

Exasol's IPO in May 2020 and the capital increase in December 2020 generated gross proceeds totaling approximately EUR 91.7 million. For the first time in its corporate history, Exasol thus has substantial capital and liquid funds to clearly push ahead with the expansion of its organizational

¹⁰ <https://www.exasol.com/de/uberblick/tpc-h-benchmark/>

and sales structure. At the end of June 2020, the company had 154 employees. By the end of December 2020, the number of employees had already increased to 223, in particular due to new hirings in sales, marketing and product management. Exasol plans to increase the number of employees to over 300 and to continue strengthening its international locations in 2021. This will primarily increase Exasol's sales, marketing and innovation power and improve its opportunities to win new customers.

Introduction of Exasol's SaaS / cloud-native solution planned in 2021

Exasol's database technology is compatible with common cloud providers (e.g. AWS, Microsoft Azure, Google Cloud). Exasol's technology is particularly suitable for large corporations that continuously process large amounts of data in their analyses and use the results to make decisions. To make the solution more attractive for companies that use smaller amounts of data or only analyze their data from time to time, Exasol has extended its technology by a software-as-a-service / cloud-native solution, which is currently in the beta phase.

In addition, the SaaS solution is designed to give large corporations more freedom and flexibility.

The SaaS solution allows separating the storage of data from the data analysis process. The data are stored in the cloud (e.g. AWS) and retrieved there for the analysis. Potential customers with low to medium data analytics volumes thus benefit from the fact that they only pay for data analyses actually performed depending on the data volume used. For large corporations, the solution means additional flexibility and elasticity.

Exasol expects to launch its SaaS solution in the second half of 2021. Some existing customers are already using a beta solution of the software. The SaaS solution will broaden Exasol's potential customer base.

4. Forecast

4.1 Macroeconomic environment and forecast

The COVID-19 pandemic weighed heavily on the world economy in 2020, but the steadily increasing number of vaccinated people makes the International Monetary Fund (IMF) somewhat more confident about 2021. In its latest World Economic Outlook, the IMF therefore raised its forecast for global economic growth this year by 0.5 percentage points. For 2021, the IMF expects global economic output to grow by 6.0%. An increase by as much as 1.3 percentage points (+6.4%) is projected for the USA. For the eurozone, the IMF raised its estimate by 0.2 percentage points and now expects economic output to grow by 4.4%. It also improved its forecast for Germany for the current year by 0.1 percentage point to 3.6%, with a growth rate of 3.4% projected for the following year. ¹¹

¹¹ <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>

4.2 Industry-specific environment

According to Gartner's latest forecast, global IT spending will amount to USD 3.9 trillion in 2021, up 6.2% on 2020. A return to growth is also projected for all segments of IT spending in the current year. The strongest upturn (+8.8%) is expected for enterprise software as remote working environments are being expanded and improved. The hardware segment will see the second strongest growth in 2021 (+8%) and probably generate USD 705.4 billion in IT spending.¹² According to industry association Bitkom, revenues of EUR 98.6 billion are projected for Germany's IT sector in 2021, which corresponds to a growth rate of 4.2% compared to 2020. With a volume of EUR 40.0 billion (+1.1%), IT services will again account for the largest share of the IT market in 2021, ahead of IT hardware. Spending on software will increase by 4.1% to EUR 27.0 billion in the current year.¹³

The cloud business will continue to grow going forward. According to analyst firm Gartner, for example, global end-user spending on public cloud services will increase by 18.4% to a total of USD 304.9 billion in 2021, compared to USD 257.5 billion in 2020.¹⁴ Worldwide, public clouds are expected to account for approximately 60% of companies' spending on IT infrastructure by 2025 and about one quarter of enterprise IT applications will be run via public cloud services.¹⁵

According to MarketWatch, the global data warehousing market will have a volume of USD 30 billion by 2025.¹⁶ Analyst firm IDC estimates that the market volume for big data and business analytics will increase to USD 274.3 billion by 2022 at a compound annual growth rate (CAGR) of 13.2%.¹⁷ The main driver is the volume of data produced, which, according to IDC, amounted to approximately 59 zettabytes in 2020¹⁸ and will grow to as much as 175 zettabytes by 2025 (+297%).¹⁹

4.3 Company outlook and expected business performance

Forecast for the financial year 2021

For the financial year 2021, Exasol expects ARR growth in the medium double-digit percentage range compared to the previous year's EUR 24.1 million. According to the management, increasing ARR generated with existing customers (upselling) and contracts with new customers will contribute to the expected ARR growth. Exasol also estimates that the still promising outlook in the sector for database management systems will support the expected ARR growth.

¹² <https://www.gartner.com/en/newsroom/press-releases/2020-01-25-gartner-forecasts-worldwide-it-spending-to-grow-6-point-2-percent-in-2021>

¹³ <https://www.bitkom.org/Marktdaten/ITK-Konjunktur/ITK-Markt-Deutschland.html>

¹⁴ <https://www.gartner.com/en/newsroom/press-releases/2020-11-17-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-grow-18-percent-in-2021>

¹⁵ <https://www.idc.com/research/viewtoc.jsp?containerId=US44640719>

¹⁶ <https://www.marketwatch.com/press-release/data-warehousing-market-2019-global-key-players-trends-share-industry-size-segmentation-opportunities-forecast-to-2025-2021-01-27>

¹⁷ <https://www.businesswire.com/news/home/20190404005662/en/IDC-Forecasts-Revenues-for-Big-Data-and-Business-Analytics-Solutions-Will-Reach-189.1-Billion-This-Year-with-Double-Digit-Annual-Growth-Through-2022>

¹⁸ <https://www.idc.com/getdoc.jsp?containerId=prUS46286020>

¹⁹ <https://blogs.idc.com/2019/09/04/how-idcs-industry-cloudpath-saaspath-surveys-can-inform-your-cloud-saas-strategy/>

Exasol continues to invest in the expansion of its globally oriented marketing and sales team with the aim of increasing brand awareness and pushing ahead with the Group's international expansion. In the financial year 2021, the company also expects to successively introduce its newly developed SaaS / cloud-native solution to the market.

Medium-term forecast until 2024

Exasol expects to generate Annual Recurring Revenue of at least EUR 100 million in the course of the financial year 2024.

Overall statement of the Executive Board on the expected performance

The Executive Board of Exasol AG is optimistic about the future. Based on the cash provided by the capital measures implemented in the financial year 2020, the Executive Board believes the company to have sufficient liquidity and capital to successfully and sustainably implement its growth targets.

In the financial year 2021, the focus will be on expanding the customer base, further boosting sales in Exasol's core markets, significantly intensifying marketing activities and strengthening the brand. In addition, the Executive Board plans to launch the "SaaS / Cloud-Native" product currently in the pipeline, to expand partnerships and to push ahead with the promising solution "Autonomous Data Warehouse".

Forward-looking statements and forecasts

The present management report contains forward-looking statements. These statements are based on the information, expectations, assumptions, estimates and forecasts available at the time of the preparation of the report. The forward-looking statements made in this report are inherently subject to risks, imponderables and uncertainties. Accordingly, the estimates, expectations, forecasts and assumptions may change or prove to be inaccurate. Exasol does not guarantee that the forward-looking statements will prove to be accurate. In particular, no obligation is assumed to adjust or update forward-looking statements.

Corporate Social Responsibility

Exasol has always been committed to acting as a socially responsible organization, to both look after its employees and have a positive impact on the wider society in which it operates. In 2020, these priorities were brought into sharp focus by the COVID-19 pandemic. The extra pressures this placed on people in their personal and work lives, combined with a period of rapid international growth for Exasol, meant that the launch of an effective Environmental, Social and Governance program as part of the corporate strategy was essential.

Environment

Exasol realizes the responsibility it has as a company, to contribute towards reaching the Global Sustainability Goals. To ensure that Exasol can help make a difference, the company's environmental initiatives are focused on the UN's Sustainable Development Goals¹ (SDG), in particular SDG 13 (Climate Action), SDG 15 (Life on Land), SDG 12 (Responsible Consumption and Production) and SDG 5 (Gender Equality).

Throughout 2020, the team at Exasol made significant progress against these goals, incorporating the following activity:

Creation of an Environmental Policy

Starting in October 2020, Exasol appointed an environmental officer and an external consultant to drive the company's sustainability program. This team led the development of Exasol's Environmental Policy which defines the company's commitment and actions to improve its carbon footprint, reduce environmental impact and encourage environmentally conscious behaviors and processes. This was shared internally in November 2020 and made available to all customer facing teams so that they can inform existing and potential business partners and customers about what Exasol is committing to, in order to lessen its impact on the environment.

²⁰ SDG = Sustainable Development Goals, a set of 17 goals agreed by the 193 United Nations member states in 2015

Carbon Footprint Assessment

Once Exasol's environmental officer was in place, the company engaged Planetly, a carbon neutrality consulting firm, in October 2020, to calculate Exasol Group's carbon footprint for 2019. Planetly's software helps organizations to introduce and automate carbon management, from data collection to reduction strategies and offsetting measures.

In November, Exasol gathered relevant data anonymously from employees about their commuting habits during 2019, including business travel abroad and beyond normal commutes. In addition data was collected regarding hotel bookings, energy use and purchased goods and services.

The resulting Carbon Footprint Assessment was delivered to Exasol by Planetly in January 2021. It found that in total Exasol emitted 1,019.9 tCO₂e in 2019. The estimate was derived from Planetly, after consulting with Exasol and assessing its Scope 1–3 emissions, which are detailed below.

- » Scope 1 (72.1 tCO₂e) – Direct emissions from controlled sources (what Exasol is emitting)
- » Scope 2 (59 tCO₂e) – Indirect emissions from the purchase of energy (what Exasol emits indirectly i.e. purchased electricity)
- » Scope 3 (888.9 tCO₂e) – Indirect emissions from the supply chain (emissions from Exasol's suppliers and customers)

Action taken to reduce carbon footprint

As a major step towards increasing its sustainability focus, Exasol offset its carbon emissions by paying for three accredited REDD+ offsetting projects focused on rainforest protection in Indonesia (Borneo), Cambodia, and Peru. These contribute to a combined compensation volume of 1,125 tCO₂e. As a result, the company achieved climate neutrality for 2019.

All of these projects have been accredited by the Gold Standard or the Verified Carbon Standard and contribute to different Sustainable Development Goals. These carbon offsetting projects should not be, and are not, the only action that Exasol is taking to reduce its impact on the environment. These projects are a necessary step, but the company is fully focused on driving long-term changes in behavior that will continue to reduce its carbon footprint in years to come.

Formation of Green Team

As part of the process of driving long-term and sustainable changes, Exasol has set up a Green Team to support the environmental officer. The Green Team is a working group, made up of Exasol employees, who want to drive forward initiatives and activities to reduce Exasol's carbon footprint and make it a more environmentally friendly company.

To ensure consistent progress is made across all areas of the business, each of the team members has a particular area of focus that they are responsible for including, business travel, office supplies and IT, training and local activities. The group comprises of 16 members, including CTO Mathias Golombek who is operating as Green Team Ambassador and CCO, Deborah Thomas, another strong advocate of the team and its work.

Next steps in 2021

In March 2021, Exasol received its official seal from Planetty, confirming that the company was approved as Carbon Neutral for 2019.

Environmental Management System

Led by the environmental officer, Thomas Otto, and the Green Team, Exasol will complete the creation of a comprehensive Environmental Management System (EMS) which will detail the impact of its processes, as well as the things that can be changed to become more sustainable as a company. This EMS will be based on ISO 14001 certification standards to reduce Exasol's environmental footprint.

The Green team will continue to grow and kick-off initiatives that will drive long-term behavioral changes across the business throughout 2021, working with key stakeholders to ensure that the planned improvements also reflect their view and that Exasol will communicate the progress made internally and externally. This long-term commitment has the full support of the senior management at Exasol, embodied by the company's renewal of its software license with Planetty to measure its carbon footprint for 2020 and for years to come.

Diversity and Inclusion

Diversity and Inclusion (D&I) are central elements of Exasol's corporate culture. The team is constantly working to drive Exasol forward in terms of inclusion, social diversity and equal opportunities. To consistently back up this commitment, numerous concrete steps have already been taken in 2020.

Diversity Champions

Following a thorough planning process, led by Exasol's Communications and HR teams from June to August 2020, the Executive Board of Exasol approved the company's Diversity and Inclusion program. The first action was the formation of the Diversity Champions group in August 2020.

The team consists of 8 Exasol employees, spread across the UK, US and DACH markets, and is continuing to grow. All of the Champions received specific Diversity & Inclusion (D&I) training in November 2020 so that they are in the best position to plan and roll out D&I initiatives across the company. Exasol CFO, Michael Konrad, is also heavily involved in the taskforce and acts as a Diversity Champion. The team meets twice a month to plan D&I activities, share feedback on ideas, suggestions or concerns.

A hub on Exasol's intranet was also created in December 2020, dedicated to Diversity and Inclusion, so that useful resources and initiatives that help make Exasol a more inclusive workplace can be shared with all employees.

Company-wide diversity training

Following the formation of the Diversity Champions taskforce, the EW Group (Equally Works) Ltd. was onboarded in October 2020 as Exasol's chosen partner to deliver widespread D&I training across the company. This training was rolled out to the entire company in January 2021 and will be pivotal to the development of new D&I initiatives, as well as critically raising awareness across the business of the small things that every employee can do on a daily basis to make their colleagues feel comfortable in the team.

Future plans

In 2021, D&I will be made a part of the employee onboarding process and refresher training sessions will be held. In Q2 2021, the Diversity Champions team will roll out a plan for external speaker sessions addressing various D&I concerns and topics. These 'drop in sessions' will be made available to the entire company. In addition, the Diversity Champions team will also create a Slack channel linking to the Diversity Hub on Confluence where news about upcoming D&I activities and initiatives will be shared and discussion will be encouraged.

Corporate governance & compliance

In the phase of rapid international growth, good corporate governance is of great importance to Exasol. Key elements are responsible corporate governance that meets the demands of all stakeholders, trusting cooperation between the Executive Board and the Supervisory Board as well as transparent corporate communication, but also a functioning compliance and risk management system. As outlined in the risk report, Exasol operates a combined Compliance and Risk Management System (CRMS). Apart from managing risks, this system is designed to ensure compliance with all applicable laws, regulations, policies, elements of good corporate governance as well as ethical principles.

A key component of the CRMS is the Code of Conduct, which sets behavioral standards in terms of good corporate governance and serves as a binding framework for employees to act ethically in their day-to-day work. There are further detailed internal guidelines and procedural instructions on important compliance-related topics such as the fight against corruption and bribery, data protection and IT security. The company has also installed a whistleblower procedure, which gives all employees the possibility to anonymously and confidentially report compliance-related suspicions or violations. In addition, management aims to give employees the opportunity for direct communication and informal reporting channels for raising grievances and criticism through an open culture of discussion and regular town hall meetings with open debate.

Next steps in 2021

In the context of a large-scale employee project supported by an external consultant, six core values were identified among the employees in the 4th quarter of 2020, which make up Exasol's corporate culture and shape Exasol as a company:

- » Extraordinary Customer Experience
- » All for One, One for All
- » Every Voice Counts
- » Hearts and Minds
- » Bring it!
- » Always Learning

In connection with the identification of these values, the Code of Conduct is to be revised in 2021 with the aim of integrating the values more strongly in both the Code of Conduct and the general corporate governance structure of the company.

Consolidated Financial Statements

Consolidated balance sheet
Consolidated income statement for the period
Consolidated statement of cash flows
Consolidated statement of changes in equity

Consolidated balance sheet

as at 31 December 2020

Assets	31 December 2020		31 December 2019	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
1. Internally generated industrial property rights and similar rights and assets	5,808,275.63		4,805,765.48	
2. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	1,057,473.22		1,929,227.00	
3. Goodwill	274,885.23	7,140,634.08	486,172.00	7,221,164.48
II. Property, plant and equipment				
Other equipment, operating and office equipment		582,647.29		648,598.00
		7,723,281.37		7,869,762.48
B. Current assets				
I. Inventories		20,170.00		0.00
II. Receivables and other assets				
1. Trade receivables	3,264,790.46		1,844,884.69	
2. Other assets	155,801.10	3,420,591.56	249,700.92	2,094,585.61
III. Securities		35,604,032.04		0.00
IV. Cash and cash equivalents		33,877,724.40		616,653.21
		72,922,518.00		2,711,238.82
C. Prepaid expenses		1,433,480.24		480,695.14
D. Deficit not covered by equity		0.00		20,501,741.50
		82,079,279.61		31,563,437.94

Equity and liabilities	31 December 2020		31 December 2019	
	EUR	EUR	EUR	EUR
A. Equity				
I. Issued capital				
1. Subscribed capital	24,438,870.00		15,654,000.00	
2. Subscribed capital	-596,794.00	23,842,076.00	-502,127.00	15,151,873.00
II. Capital reserve		107,672,906.48		13,457,859.97
III. Difference in equity due to currency translation		373,363.92		181,713.08
IV. Accumulated deficit brought forward		-49,293,187.55		-35,314,144.09
V. Consolidated profit/loss for the year		-34,327,338.26		-13,979,043.46
VI. Deficit not covered by equity		0.00		20,501,741.50
		48,267,820.59		0.00
B. Contributions made to implement the resolved capital increase		0.00		8,490,449.51
C. Provisions				
1. Provisions for taxes		41,500.00		80,000.00
2. Other provisions		27,151,197.16		11,403,925.19
		27,192,697.16		11,483,925.19
D. Liabilities				
1. Liabilities to banks		71,141.43		2,192,517.56
2. Trade payables		1,092,712.52		1,502,009.78
3. Other liabilities		823,073.40		3,742,560.03
– thereof for taxes: EUR 419,153.79 (PY: EUR 194,306.43)				
– thereof for social security: EUR 70,439.04 (PY: EUR 159,554.67)				
		1,986,927.35		7,437,087.37
E. Deferred income		4,356,950.28		4,151,975.87
F. Deferred tax liabilities		274,884.23		0.00
		82,079,279.61		31,563,437.94

Consolidated income statement for the period from 1 January to 31 December 2020

	2020		2019	
	EUR	EUR	EUR	EUR
1. Revenue		23,599,148.13		21,612,091.42
2. Other own work capitalised		1,921,831.47		1,826,088.85
3. Other operating income – thereof from currency translation: EUR 52,491.05 (PY 31,705.94)		361,641.36		335,690.77
4. Cost of materials				
a) Cost of raw materials, supplies and purchased goods	-2,893,688.81		-2,287,797.34	
b) Cost of purchased services	-348,892.64	-3,242,581.45	-126,775.74	-2,414,573.08
5. Personnel expenses				
a) Wages and salaries	-35,356,773.11		-22,740,545.95	
b) Social security, pension and other benefits – thereof for pensions: EUR 19,120.04 (PY: EUR 16,507.77) –	-1,923,625.04	-37,280,398.15	-1,582,178.87	-24,322,724.82
6. Amortisation of intangible assets and depreciation of property, plant and equipment		-4,162,871.20		-2,198,271.73
7. Other operating expenses – thereof from currency translation: EUR 82,271.87 (PY: EUR 96,629.65) –		-15,316,322.46		-7,989,000.10
8. Other interest and similar income		2,773.43		865.75
9. Interest and similar expenses – thereof to shareholders: EUR 148,513.61 (PY EUR 440,761.93) –		-214,362.73		-699,665.17
10. Income taxes		8,632.34		-124,800.35
11. Earnings after taxes		-34,322,509.26		-13,974,298.46
12. Other taxes		-4,829.00		-4,745.00
13. Consolidated profit/loss for the year		-34,327,338.26		-13,979,043.46

Consolidated statement of cash flows

for financial years 2020 and 2019

	2020	2019
	KEUR	KEUR
Profit for the period (consolidated loss for the year)	-34,327	-13,979
Amortisation, depreciation and write-downs on fixed assets	4,163	2,198
Increase/decrease in provisions	15,928	9,770
Other non-cash expenses/income	-3,401	-3,488
Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	-2,839	2,505
Increase/decrease in trade payables and other liabilities not related to investing or financing activities	9,048	4,465
Interest expense/income	212	699
Income tax expense/income	-9	125
Other operating income from grants	0	-24
Income taxes paid	-84	-45
Cash flows from operating activities	-11,309	2,226
Acquisition of intangible assets	-2,407	-2,262
Acquisition of property, plant and equipment	-392	-417
Proceeds for additions to the scope of consolidation	-921	0
Disbursements due to cash investments within the scope of the Short-term cash management	-35,604	0
Interest received	3	1
Cash flows from investing activities	-39,321	-2,678
Proceeds from equity contributions by shareholders of the parent company	87,177	0
Proceeds from the issuance of bonds and from borrowings	1,200	0
Repayments of bonds and borrowings	-3,353	-851
Proceeds from subsidies/grants received	0	24
Proceeds from the sale of treasury stock	2,572	0
Interest paid	-1,648	-77
Cash flows from financing activities	85,948	-904
Net increase/decrease in cash and cash equivalents	35,318	-1,356
Effect of movements in exchange rates and remeasurements on cash held	25	-14
Cash and cash equivalents at the beginning of the period	-1,465	-95
Cash and cash equivalents at the end of the period	33,878	-1,465

Cash and cash equivalents consist of the following	2020	2019
	KEUR	KEUR
Cash and ash equivalents	33,878	617
Current account liabilities	0	-2,082
	33,878	-1,465

Other non-cash expenses and income result from changes in prepaid expenses and deferred income.

Consolidated statement of changes in equity

as of 31 December 2020

Parent company's equity								
	Issued capital			Capital reserve	Foreign currency translation differences	Accumulated deficit brought forward	Consolidated net income/ loss for the year	Equity (PY: deficit not covered by equity)
	Share capital	Own shares	Sum of share capital					
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 Dezember 2018	15,654,000.00	0.00	15,654,000.00	12,955,732.97	210,493.64	-34,682,064.62	-632,079.47	-6,493,917.48
Currency translation	0.00	0.00	0.00	0.00	-28,780.56	0.00	0.00	-28,780.56
Purchase of treasury stock	0.00	-502,127.00	-502,127.00	502,127.00	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00	0.00	-632,079.47	632,079.47	0.00
Consolidated net loss for the year	0.00	0.00	0.00	0.00	0.00	0.00	-13,979,043.46	-13,979,043.46
As at 31 December 2019	15,654,000.00	-502,127.00	15,151,873.00	13,457,859.97	181,713.08	-35,314,144.09	-13,979,043.46	-20,501,741.50
Currency translation	0.00	0.00	0.00	0.00	191,650.84	0.00	0.00	191,650.84
Purchase/disposal of own shares	0.00	-94,667.00	-94,667.00	2,802,167.00	0.00	0.00	0.00	2,707,500.00
Issue of shares	7,321,000.00	0.00	7,321,000.00	84,386,300.00	0.00	0.00	0.00	91,707,300.00
Other changes	0.00	0.00	0.00	0.00	0.00	-13,979,043.46	13,979,043.46	0.00
Transfer	1,463,870.00	0.00	1,463,870.00	7,026,579.51	0.00	0.00	0.00	8,490,449.51
Consolidated net loss for the year	0.00	0.00	0.00	0.00	0.00	0.00	-34,327,338.26	-34,327,338.26
As at 31 December 2020	24,438,870.00	-596,794.00	23,842,076.00	107,672,906.48	373,363.92	-49,293,187.55	-34,327,338.26	48,267,820.59

Notes to the consolidated financial statements

for the financial year 2020

A. General information and explanatory notes

- (1) EXASOL AG is based in Nuremberg and listed in the commercial register of the Nuremberg District Court (register file number HRB 23037).
- (2) The consolidated financial statements were prepared in accordance with the provisions of Sections 290 et seq. of the German Commercial Code [HGB] and the supplementary provisions of the German Stock Corporation Act [AktG].

The functional currency is the euro.

The financial year for the Group and the consolidated companies is the calendar year.

B. Consolidated group

The consolidated financial statements of EXASOL AG, Nuremberg, encompass the wholly owned subsidiaries included pursuant to Section 313 (2) HGB.

Disclosures pursuant to Section 313 (2) HGB

Name and registered office of the company	Share in %	Currency
EXASOL Vertriebsholding GmbH, Berlin	100	EURO
EXASOL Cloud Computing GmbH, Nuremberg	100	EURO
EXASOL Big Data Technologies GmbH, Berlin	100	EURO
EXASOL Europa Vertriebs GmbH, Nuremberg	100	EURO
EXASOL UK Ltd., London (United Kingdom)	100	GBP
EXASOL USA Inc., San Francisco (USA)	100	USD
EXASOL France S.A.S., Paris (France)	100	EURO
EXASOL Schweiz AG, Zurich (Switzerland)	100	CHF
yotilla GmbH, Cologne	100	EURO

All companies were fully included in the consolidated financial statements through full consolidation. Therefore, except for the first-time consolidation of EXASOL France S.A.S., Paris, of yotilla GmbH, Cologne and of EXASOL Schweiz AG, Zurich, the date of first-time consolidation is 1 January 2017. EXASOL France S.A.S., Paris, was founded on 1 September 2017 and consolidated for the first time on this date. yotilla GmbH, Cologne, was acquired by share purchase agreement dated on 7 September 2020 and consolidated for the first time on 1 October 2020. EXASOL Schweiz AG, Zurich, was founded on 1 September 2020 and consolidated for the first time on this date. The investments are, except for yotilla GmbH, Cologne, as direct subsidiary, indirectly held by EXASOL AG through EXASOL Vertriebsholding GmbH, Berlin.

C. Accounting policies

- (1) The financial statements of the companies included in EXASOL AG's consolidated financial statements were prepared in accordance with uniform accounting policies, the general accounting policies specified in Sections 246 – 256a HGB and the special recognition and measurement policies applicable to corporation (Sections 264 – 277 HGB in conjunction with Section 298 (1) HGB). The income statement has been prepared using the nature of expense method. The following accounting policies were used to prepare the consolidated financial statements.
- (2) The assets and liabilities were measured under the assumption that the Company is able to continue as a going concern.
- (3) Fixed assets are generally stated at cost less amortisation and depreciation. If permanent impairment is likely, assets are written down beyond amortisation/depreciation to the lower fair value. Additions are depreciated pro rata temporis. Any low-value assets acquired at a cost of EUR 800.00 or less are written down in full in the year of acquisition.
- (4) Internally generated intangible fixed assets are recognised and valued in accordance with Section 248 (2) and Section 255 (2a) HGB. The manufacturing costs in this regard include all direct and indirect costs directly attributable to the production process. Exercising the capitalisation option shows financial performance in a better light and reflects better the potential of the developments in the financial position. These assets are amortised on a straight-line basis over two to five years.
- (5) Intangible assets acquired for a consideration (including advance payments) are stated at cost and, if they have a limited life, amortised on a straight-line basis over their respective useful lives. Recognised goodwill is amortised over its useful life of fifteen years in line with tax regulations. As goodwill is based on established and consistent business, the Company continues to consider the total useful life approach as being appropriate. Purchased property rights are amortised over a useful life of five to ten years and the remaining intangible assets are written down over a useful life of three to twenty years.
- (6) Property, plant and equipment are stated at cost less depreciation where subject to wear and tear. Items of property, plant and equipment are depreciated based on their estimated useful life in line with the highest rates recognisable for tax purposes. Fixed assets are depreciated on a straight-line basis. The useful lives vary between three and fourteen years.
- (7) Receivables and other assets are stated at nominal value. A general bad debt provision has been recognised for general credit risk and the costs usually incurred in connection with delayed payment. Specific allowances are recognised for all discernible individual risks.

Non-current receivables denominated in foreign currency are translated at the rate prevailing on the transaction date or the lower rate on the balance sheet date. Short-term receivables denominated in foreign currency are translated at the average spot exchange rate applicable as at the reporting date.

- (8) Other securities are recognised at cost respectively written off to the lower market value as at the reporting date. Insofar as the reasons for a write-off to a lower market value do not longer exist, the requirement to reinstate original values has been taken into account.
- (9) Cash and cash equivalents are recognised at nominal value or, in the case of foreign currency balances, at the average spot exchange rate as at the balance sheet date.
- (10) Other provisions are recognised at the settlement amount deemed necessary based on sound business judgement and take account of all identifiable risks. Provisions with a remaining term of more than one year are discounted using a market rate with matching maturity.
- (11) Liabilities are stated at their settlement amounts.

Non-current liabilities denominated in foreign currency are translated at the rate prevailing on the transaction date or the higher rate on the balance sheet date. Short-term liabilities denominated in foreign currencies are translated at the average spot exchange rate as at the balance sheet date.

- (12) Prepaid expenses and deferred income include receipts or expenditures prior to the reporting date that represent income or expenses after the reporting date.
- (13) In accordance with Section 274 HGB, deferred tax assets and liabilities are recognised for temporary differences between the values stated in the tax balance sheet and the values reported under the German Commercial Code (temporary concept).

In addition, deferred taxes are recognised in respect of tax losses carried forward, provided it is expected that these can be used in the near future.

Deferred taxes are determined on the basis of the tax rates that, according to the current legal situation in the countries concerned, will apply or are expected to apply at the time of realisation. Deferred tax assets are recognised only if it is expected that these can be realised.

For differences between values reported in the financial statements and for tax purposes, which are likely to be offset in future financial years, deferred tax assets and liabilities are recognised and measured pursuant to Section 306 HGB.

The option to net deferred tax assets and liabilities has been exercised.

D. Currency translation

The Company uses the modified closing rate method for translating foreign currencies.

The balance sheet items of the foreign subsidiaries are translated at the respective average spot exchange rate on the balance sheet date. Equity is translated at the historical exchange rates.

Income statement items of foreign subsidiaries are translated using the average annual exchange rate. In order to incorporate the net income for the year from the income statement (translated at the average annual rate) into the balance sheet, the difference from the rate prevailing on the reporting date is allocated to a separate item entitled „foreign currency translation differences“.

The following exchange rates provided the basis for foreign currency translation:

EUR 1 is equivalent to	Closing rate on 31 Dec. 2020	Average rate in 2020
US dollar (USD)	1.23 (PY: 1.12)	1.14 (PY: 1.12)
British pound (GBP)	0.90 (PY: 0.85)	0.89 (PY: 0.88)
Swiss franc (CHF)	1.08	1.07

E. Consolidation policies

The reporting date of the consolidated financial statements is 31 December 2020 and corresponds to the Parent Company's balance sheet date and that of the subsidiaries.

Capital consolidation

Capital as at the date of first-time consolidation 1 January 2017 is consolidated pursuant to Section 301 (2) sentence 5 HGB using the values recognised at the date the entities became subsidiaries, as all subsidiaries were established by cash contribution in the past. The differences from netting the acquisition costs of the shares upon establishment (date of acquisition) and the equity at book value as at 1 January 2017 of the subsidiaries are solely from accumulated profits and losses and were offset against the consolidated retained earnings brought forward.

Capital of EXASOL Schweiz AG and yotilla GmbH is consolidated pursuant to Section 301 (2) sentence 1 HGB using the values recognised at the date the entities became subsidiaries. Within the first-time consolidation of yotilla GmbH, the hidden reserves inherent in the intangible assets amounted to EUR 904,224.44 were disclosed and capitalized under the fixed assets against the revaluation reserve with no effect on profit or loss. Depreciation is carried out over the individual period of use of five years. Deferred tax liabilities amounted to EUR 289,351.82 were recognized in accordance with Section 306 HGB on the differences between the carrying amounts in the financial statements and the tax base resulting from this consolidation. Correspondingly, goodwill was capitalized against the revaluation reserve with no effect on profit or loss; this goodwill is also carried out over the individual period of use of five years.

Consolidation of liabilities

On account of Section 303 (1) HGB, receivables and liabilities between companies included in the consolidated financial statements are eliminated during the course of debt consolidation.

Elimination of intercompany profit or loss

Assets included in the consolidated financial statements, which are based on supplies or services between the companies included in the consolidated financial statements, are recognised at group production cost. The Group's manufacturing costs include appropriate material and production overheads and are otherwise calculated using the same method that is uniformly used in the financial statements of the group companies. If intercompany trade profits or losses are realised between companies included in the consolidated financial statements, then these were determined and eliminated pursuant to Section 304 (1) HGB for the purpose of the consolidated financial statements.

The elimination of intercompany profits and losses led to a KEUR 547 change in the Group's earnings as at 31 December 2020 (PY: KEUR -444).

Consolidation measures in the consolidated income statement

Both revenue and other trade income between consolidated companies are set off in the consolidated income statement against expenses attributable to them with respect to recipients of goods and services.

F. Disclosures and explanatory notes on the consolidated balance sheet

1. Fixed assets

The movements in fixed assets during the financial year between 1 January 2020 and 31 December 2020 as well as the breakdown of the individual items are presented in the statement of movements in fixed assets (appendix to the notes).

Intangible assets include purchased property rights and IT software as well as internally generated intangible assets (capitalised development services for software) and goodwill. KEUR 2,405 in internally developed intangible fixed assets were capitalised in the year under review (PY: KEUR 2,262). Overall, R&D expenses were incurred in the amount of KEUR 2,405 (PY: KEUR 2,262) in the form of personnel expenses and directly allocable overheads for rent, the IT infrastructure and administration.

Purchased property rights include property rights acquired as part of purchase and transfer agreements along with other acquired rights.

Additions in 2020 to fixed assets mainly included investments in internally generated intangible assets and IT infrastructure.

2. Current assets

Receivables and other assets are as follows:

KEUR	Financial year	thereof due after more than one year	Prior year	thereof due after more than one year
Trade receivables	3,265	0	1,845	0
Other assets	156	44	250	61
	3,421	44	2,095	61

„Other assets“ does not include any larger amounts that are not legally incurred until after the reporting date.

Other Securities

The financial instruments reported under other securities are exclusively shares in a money market fund.

3. Equity**(1) Subscribed capital**

in EUR	1 Jan. 2020	Increase	Decrease	31 Dec. 2020
Original capital	86,950	---	---	86,950
Capital increase	15,567,050	8,784,870	---	24,351,920
Share capital	15,654,000	8,784,870	---	24,438,870

On 5 December 2019, an extraordinary general meeting resolved to increase the share capital against contribution in kind. The share capital was increased by EUR 1,463,870.00 from EUR 15,654,000.00 to EUR 17,117,870.00 by issuing 1,463,870 new registered no-par value shares with a nominal value of EUR 1.00 per share. This was registered with the Nuremberg Local Court on 6 February 2020.

Furthermore, on 5 December 2019, an extraordinary general shareholder meeting resolved Authorized capital. The Executive Board was authorized, subject to the approval of the Supervisory Board, to increase the share capital on one or more occasions on or before 4 December 2024 by up to EUR 8,558,935.00 against cash and/or contributions in-kind by issuing up to 8,558,935 new no-par value registered shares („Authorized Capital 2019/I“). The Authorized Capital 2019/I was registered with the Nuremberg Local Court on 6 February 2020.

With resolution of 13 May 2020, the Executive Board resolved with respect to this authorization to increase the share capital by EUR 5,100,000.00 from EUR 17,117,870.00 up to EUR 22,217,870.00 by issuing 5,100,000 new registered no-par value shares with a nominal value of EUR 1.00 per share against cash contribution. This was approved by the Supervisory Board on 19 May 2020 and was registered with the Nuremberg Local Court on 25 May 2020.

On 22 July 2020, the general meeting resolved to repeal the remaining Authorized capital („Authorized Capital 2019/I“) and further resolved Authorized capital („Authorized Capital 2020/I“) amounted to EUR 11,108,935.00. The Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the share capital on one or more occasions on or before 21 July 2025 by up to EUR 11,108,935.00 against cash and/or contributions in-kind. The Authorized Capital 2020/I was registered with Nuremberg Local Court on 2 October 2020.

With resolution of 2 December 2020, the Executive Board resolved with respect to this authorization to increase the share capital by EUR 2,221,000.00 from EUR 22,217,870.00 up to EUR 24,438,870.00 by issuing 2,221,000 new registered no-par value shares with a nominal value of EUR 1.00 per share against cash contribution. This was approved by the Supervisory Board on 2 December 2020 and was registered with the Nuremberg Local Court on 11 December 2020.

(2) Capital reserve

TEUR	1 Jan. 2020	Increase	Decrease	31 Dec. 2020
Offering premium arising from capital increase	12,955,733	101,441,380	9,743,500	104,653,613
Other additional payments	502,127	379,667	285,000	596,794
Offering premium arising from reselling treasury stocks	---	2,422,500	---	2,422,500
	13,457,860	104,243,547	10,028,500	107,672,907

(3) Treasury stock

As of the balance sheet date, the Company held a total of 596,794 treasury shares of which 881,794 were contributed by the shareholders free of charge in December 2019, January 2020 and February 2020 and 285,000 were sold in May 2020. The 596,794 treasury shares represent EUR 596,794.00 (2.44%) of the share capital. The Company was obliged to return the no-par value shares if no IPO would have been carried out by 31 December 2020. Due to the IPO in May 2020, the obligation to return the no-par value shares ceased.

(4) Conditional capital

By resolution of the Company's extraordinary general shareholders' meeting held on 5 December 2019, the registered share capital of the Company was conditionally increased by up to EUR 6,200,000.00 by issuing up to 6,200,000 new registered shares with no-par value ("Conditional Capital 2019/I"). The Conditional capital is limited until the end of 4 December 2024. The Conditional Capital 2019/I was registered with the Nuremberg Local Court on 6 February 2020.

Besides this, the general shareholder meeting held on 22 July 2020 resolved the creation of Conditional capital ("Conditional Capital 2020/I"). The registered share capital of the Company was conditionally increased by up to EUR 2,221,787.00 by issuing up to 2,221,787 new registered shares with no-par value. The Conditional capital is solely designed to serve the granting of stock options to selected employees or members of the Executive Board. The Conditional Capital 2020/I was registered with the Nuremberg Local Court on 2 October 2020.

4. Other provisions

The other provisions mainly include provisions for bonuses, commissions, stock appreciation rights (SAR) and stock awards (KEUR 23,818; PY: KEUR 9,428), outstanding invoices (KEUR 2,243; PY: KEUR 240), personnel expenses (KEUR 678; PY: KEUR 559), external year-end closing expenses (KEUR 169; PY: KEUR 262), compensation for the Supervisory board (KEUR 110; PY: KEUR 187) and litigation (KEUR 91; PY: KEUR 162).

5. Liabilities

The remaining terms of liabilities are as follows:

KEUR	Aggregate amount in financial year	thereof due		
		up to one year	between one and five years	more than five years
To banks	71 (PY: 2,192)	42 (PY: 2,121)	29 (PY: 71)	0 (PY: 0)
Trade payables	1,093 (PY: 1,502)	1,079 (PY: 1,339)	14 (PY: 163)	0 (PY: 0)
Other liabilities	823 (PY: 3,743)	823 (PY: 3,743)	0 (PY: 0)	0 (PY: 0)
	1,987 (PY: 7,437)	1,944 (PY: 7,203)	43 (PY: 234)	0 (PY: 0)

Other liabilities do not include liabilities to shareholder (PY: KEUR 3,140).

None of the liabilities are securitised.

6. Deferred taxes

The Company does not report any deferred tax assets. Deferred tax assets were offset against deferred tax liabilities – to the extent permissible and if they arose in the same tax office (Germany, UK, USA, France and Switzerland).

Deferred tax assets were recognised on tax loss carryforwards up to the amount of the net excess over deferred tax liabilities on temporary differences. The excess amount was written down because the usability of loss carryforwards in the next five years cannot be reliably estimated.

Temporary differences between the values stated for intangible assets and goodwill in the commercial and tax balance sheets resulted in deferred tax liabilities as of the balance sheet date, whereas deferred tax assets result from other provisions and items denominated in foreign currencies.

Consolidation measures pursuant to Section 306 HGB triggered deferred taxes. This is not reported due to lacking evidence of its usage.

Within the first-time consolidation of yotilla GmbH, deferred tax liabilities have been recognized due to existing differences between the carrying amounts in the financial statements and the tax base in accordance with Section 306 HGB.

The company-specific tax rates of the EXASOL single entities are used to calculate deferred taxes. In this regard, the German companies used a tax rate of 32.17%, EXASOL UK Ltd. 19%, EXASOL USA Inc. 21%, EXASOL France S.A.S. 31% and EXASOL Schweiz AG 26.8%.

in EUR	1 Jan. 2020	change	31 Dec. 2020
Deferred tax liabilities	0.00	274,884.23	274,884.23

G. Disclosures and explanatory notes on the consolidated income statement

1. Revenue

Revenue is broken down as follows:

By region	2020 KEUR	2020 %	2019 KEUR	2019 %
Germany, Austria, Switzerland (DACH)	16,617	70	14,319	66
Rest of Europe (excluding the United Kingdom) and Rest of World	2,276	10	2,731	13
United Kingdom	1,581	7	1,280	6
Region America	3,125	13	3,282	15
Total	23,599	100	21,612	100

2. Other operating income

There are no items of exceptional incidence or amount.

Income related to other periods amounted to KEUR 88 (PY: KEUR 81) mainly relates to reversals of provisions.

3. Personnel expenses

Personnel expenses amounted to KEUR 37,280 (PY: KEUR 24,323).

In addition to the expansion of the personnel base in the fiscal year, the increase is driven by the increase of the provision for the SAR program as well as by the first-time recognition of the provision for the stock awards compensation for the members of the Executive Board in sum amounted to KEUR 14,346 (PY: KEUR 7,883).

Short-time worker's allowances received in the fiscal year were treated as transitory items. The corresponding social security contributions were recognized as a reduction of personnel expenses.

4. Depreciation and amortisation

Depreciation and amortisation includes amortisation of intangible assets unjustifiably omitted in previous years amounted to KEUR 1,704, which would have reduced the result for the financial years 2006 to 2016 by the same amount.

5. Other operating expenses

Other operating expenses include extraordinary expenses (expenses in connection with capital measures) amounted to KEUR 5,665 (PY: KEUR 1,235).

A separate explanation of the expenses relating to other periods reported under other operating expenses is not provided, as the amounts to be reported are of minor importance for the assessment of the earnings situation.

6. Income taxes

Taxes on income include the current income tax expense of KEUR 48 (PY: KEUR 44) and the income tax revenue for previous years and reversal of deferred tax liabilities of KEUR 56 (PY: expense KEUR 81).

H. Contingencies and other financial obligations

1. Contingent liabilities pursuant to Section 251 HGB

There were no contingent liabilities in accordance with Section 251 HGB.

2. Off-balance sheet transactions

Material off-balance sheet transactions exist in terms of real estate rental agreements for business office space as well as leases for server capacity. This approach helps to reduce capital tie-up and means that the investment risk is borne by the lessor. Refer to the information on other financial obligations for more information.

3. Other financial obligations

Type of obligation	payable within one year KEUR	total KEUR
Rent for offices	455	1,818
Rents and leases for office equipment	693	1,074
Advertising rights	3,914	7,853
Stock awards	1,185	2,369
	6,247	13,114

The underlying agreements for the business premises have terms of up to five years. The remaining terms for the leased office equipment are between one and three years. Regarding the advertising rights, the remaining terms amounted to two years.

The members of the Executive Board were granted stock awards as a component of their remuneration for the first time in 2020. The number of stock awards is calculated on the basis of the respective fixed remuneration multiplied by a percentage based on the performance of the EXASOL AG share. For each fiscal year, the share package is calculated on the basis of the data for the respective fiscal year. The entitlement does not arise in full at the end of the respective fiscal year, but in three tranches, the maturity of which arises when the entitlement arises.

The number of stock awards for the first, second and third tranche in 2020 totals 127,603.

For the financial year 2020, the first tranche is included in other provisions. The second and third tranches amounted to KEUR 2,369 are not recognized as provisions/liabilities due to the lack of entitlement. For the subsequent financial years, new main tranches will then again be created with three tranches each, insofar as the members of the Executive Board still have an existing employment contract.

Other financial obligations amounted to KEUR 13,114 as at the reporting date.

I. Other disclosures

1. Number of employees

	2020
Administration / Sales / Marketing	95
R&D / Cloud / Services	78
Total	173
Thereof Executive Board	3

2. Executive Board**Members of the Executive Board in financial year 2020:**

Aaron Auld, CEO, Munich

Mathias Golombek, CTO, Ottensoos

Michael Konrad, CFO, Karlsruhe

The above Executive Board members continued to be appointed on the date the consolidated financial statements were prepared.

The total remuneration paid to the Executive Board is not disclosed as provided for under Section 314 (3) in conjunction with Section 286 (4) HGB (exemption clause).

3. Supervisory Board**Members of the Supervisory Board in financial year 2020:**

Prof. h.c. Jochen Tschunke, corporate consultant, Munich

Gerhard Rumpff, corporate consultant, Munich

Dr. Knud Klingler, corporate consultant, Engerwitzdorf/Austria

Karl Hopfner, corporate consultant, Oberhaching

The remuneration for the supervisory board amounted to KEUR 110 in the financial year.

4. Auditor's fee

The total fee of KEUR 153 charged by the auditor of the consolidated financial statements for the financial year under review is comprised as follows:

Activity	KEUR
Audit services	153
Other assurance services	0
Tax advisory services	0
Other services	0
	153

5. Proposal on the appropriation of profit

The Executive Board proposes that EXASOL AG's net income for the year of EUR -34,328,924.96 be carried forward to the following year.

J. Information on the cash flow statement

The cash flow statement was prepared in accordance with GAS 21.

Cash and cash equivalents consist of „cash at bank“, „cash on hand“ and overdraft bank facilities within „liabilities to banks“.

Material non-cash expense and income largely included the reversal of prior year's amounts for prepaid expenses (KEUR 481; PY: KEUR 611) and deferred income (KEUR 4,152; PY: KEUR 4,053).

The payments from equity contributions from other shareholders amounted to EUR 2,707,500.00 include the gross issue proceeds from the sale of treasury shares.

K. Subsequent events

No events subject to mandatory disclosure occurred after the balance sheet date.

Nuremberg, 05 May 2021

EXASOL AG

Executive Board

Aaron Auld

Mathias Golombek

Michael Konrad

Appendix - Notes to the Consolidated Financial Statements

Movements in the Group's fixed assets

Appendix - Notes to the Consolidated Financial Statements

Movements in the Group's fixed assets in the financial year from 1 January 2020 to 31 December 2020

	Cost					
	01.01.2020	Additions	Changes in the scope of consolidation	Disposals	Currency differences	31.12.2020
	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets						
1. Internally generated and similar rights and assets	12,448,145.38	2,405,275.94	0,00	0.00	0.00	14,853,421.32
2. Concessions, industrial properties rights and similar rights and assets acquired	8,913,143.36	1,700.00	927,821,44	0.00	0.00	9,842,664.80
3. Goodwill	7,294,411.04	0.00	289,351,82	0.00	0.00	7,583,762.86
	28,655,699.78	2,406,975.94	1,217,173,26	0.00	0.00	32,279,848.98
II. Property, plant and equipment						
Other equipment, operating and office equipment	2,459,273.25	392,178.95	0,00	83,311.88	61.94	2,768,202.26
	31,114,973.03	2,799,154.89	1,217,173,26	83,311.88	61.94	35,048,051.24

Accumulated amortisation, depreciation and write-downs				Book Value	
1 Jan. 2020	Amortisation, depreciation and write-downs during the financial year	Diposals	31 Dec. 2020	31 Dec. 2020	31 Dec. 2019
EUR	EUR	EUR	EUR	EUR	EUR
7,642,379.90	1,402,765.79	0.00	9,045,145.69	5,808,275.63	4,805,765.48
6,983,916.36	1,801,275.22	0.00	8,785,191.58	1,057,473.22	1,929,227.00
6,808,239.04	500,638.59	0.00	7,308,877.63	274,885.23	486,172.00
21,434,535.30	3,704,679.60	0.00	25,139,214.90	7,140,634.08	7,221,164.48
1,810,675.25	458,191.60	83,311.88	2,185,554.97	582,647.29	648,598.00
23,245,210.55	4,162,871.20	83,311.88	27,324,769.87	7,723,281.37	7,869,762.48

Responsibility Statement

To the best of our knowledge, and in accordance with applicable reporting principles, the consolidated financial statements for the period ended 31 December 2020 give a true and fair view of the net assets, financial position and results of operation of the Group and the consolidated management report includes a fair review of the business trend including the performance and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Nuremberg, 5 May 2021

EXASOL AG

Independent Auditor's Report

To the EXASOL AG, Nürnberg

Opinions

We have audited the consolidated financial statements of EXASOL AG, Nürnberg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2020 to December 31, 2020, and notes to the consolidated financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the group management report of December 31, 2020 for the financial year from January 1, 2020 to December 31, 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 requirements of German commercial law and give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1, 2020 to December 31, 2020 in compliance with German Legally Required Accounting Principles, and

» the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer

[Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of 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 opinions on the consolidated financial statements and on the group management report.

Other Information

Management is responsible for the other information.

The other information comprise the annual report. Other Information does not include the audited annual consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

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

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

» is materially inconsistent with the consolidated financial statements, with the group management report audited for content or our knowledge obtained in the audit, or

» otherwise appears to be materially misstated.

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

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting provided no actual or legal circumstances conflict therewith.

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

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

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

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

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

» Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

» Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

» Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

» Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express [audit] opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our [audit] opinions.

» Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

» Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Nürnberg, May 5, 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Dr. Schroff

Wirtschaftsprüfer

[German Public Auditor]

Zippel

Wirtschaftsprüfer

[German Public Auditor]

Financial Calendar

Publication

Consolidated Financial Statement 31-12-2020

11 May 2021

Annual General Meeting

Annual General Meeting

30 Jun 2021

Publication

Interim Financial Statements 30-06-2021

Sep 2021

Conferences

Analyst Conference

Nov 2021

Frankfurt am Main



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