

Annual Report
2020

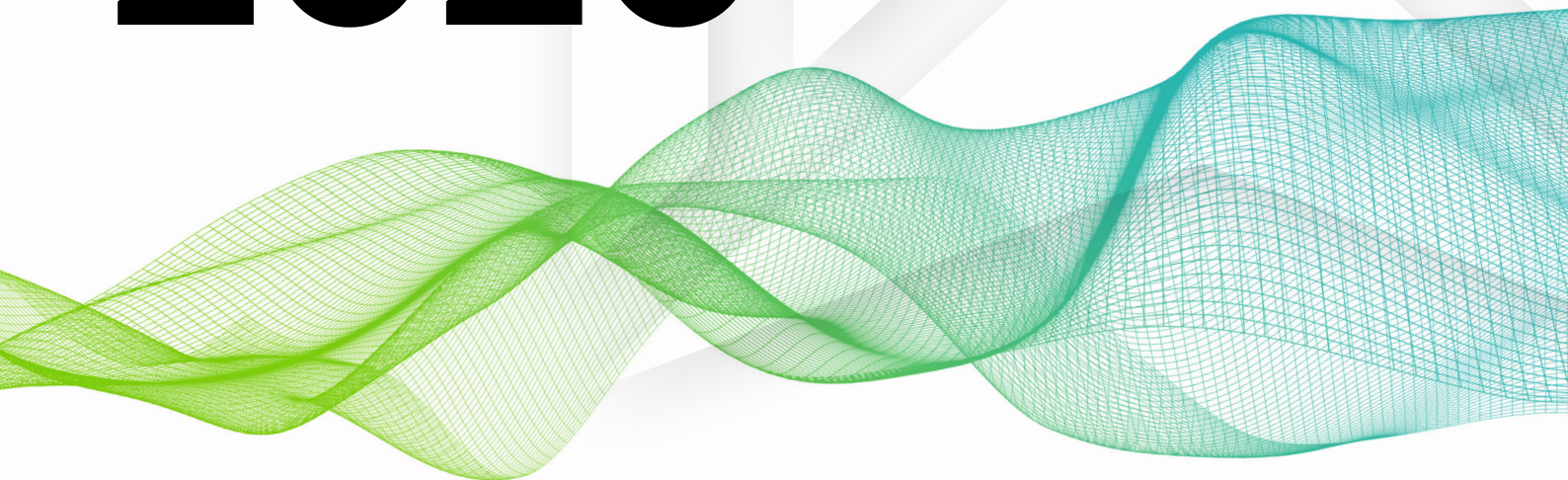


Table of Contents

To our shareholders	10
Letter to the shareholders	10
Report of the Supervisory Board	16
1. Group Management Report	20
1.1. Basis of the Group	20
1.1.1. Business model	20
1.1.2. Company management	22
1.1.3. Group structure	22
1.1.4. Research and development	22
1.2. Economic and business report	23
1.2.1. Macroeconomic and sector-specific conditions	23
1.2.2. Business performance	23
1.2.3. Financial position and performance	25
1.2.4. Net assets	25
1.2.5. Financial position	26
1.2.6. Results of operations	28
1.2.7. Financial performance indicators	29
1.3. Opportunity, risk and forecast report	29
1.3.1. Opportunities report	29
1.3.2. Opportunities relating to new trends and sustainability	29
1.3.3. Opportunities from the acquisition of companies and the development of a new business area in 2021	30
1.3.4. Opportunities through diversification of data center locations	30
1.3.5. Opportunities due to data-sensitive customers	30
1.3.6. Opportunities through additional services and variable remuneration components	30
1.3.7. Digitization push due to the COVID-19 pandemic	31
1.3.8. Risk report including risk reporting in relation to financial instruments	31
1.3.9. Risks from the provision of computing power for crypto mining as a business activity	31
1.3.10. Risks from the change of the Ethereum (ETH) net work from the PoW to the PoS algorithm	32
1.3.11. Liquidity risk	32
1.3.12. Market risk (overarching)	33

1.3.13. Electricity price and availability risks	33
1.3.14. Risks from supply bottlenecks	33
1.3.15. Interest rate risk	34
1.4. Forecasts and future trends	37
2. Annual Report	44
2.1. Consolidated statement of comprehensive income	44
2.2. Consolidated balance sheet	46
2.3. Consolidated statement of changes in equity	48
2.4. Consolidated statement of cash flows	49
3. Information about the company and basis of the preparation of the consolidated financial statements	52
3.1. Reporting company	52
3.2. Basis of preparation of the financial statements	53
3.3. Principles of consolidation	54
3.4. Going concern basis	55
3.5. IFRS standards applied	56
3.5.1. Standards, interpretations and amendments that are mandatory for future reporting periods (published standards that are not yet mandatory)	56
3.6. Discretionary decisions and estimation uncertainties	57
3.7. Accounting policies	59
3.7.1. Business combinations	59
3.7.2. Transactions in foreign currencies	60
3.7.3. Financial instruments	60
3.7.3.1. Interest income and interest expenses	60
3.7.3.2. Fair value	60
3.7.3.3. Impairment	63
3.7.3.4. Cash and cash equivalents	64
3.7.3.5. Classification and measurement	65
3.7.3.6. Recognition and derecognition	68
3.7.3.7. Modifications of financial assets	68
3.7.3.8. Offsetting	69
3.7.3.9. Electricity supply contract to be classified as a financial instrument	69
3.7.4. Intangible assets (excluding goodwill)	69

3.7.5. Goodwill	70
3.7.6. Property, plant and equipment	70
3.7.7. Inventories	71
3.7.8. Provisions	71
3.7.9. Contingent liabilities and off-balance-sheet contractual obligations	71
3.7.10. Equity	71
3.7.11. Income taxes	71
3.7.11.1. Current taxes	72
3.7.11.2. Deferred taxes	72
3.7.12. Leases	72
3.7.13. Principles of revenue recognition	73
3.7.14. Financial income and expenses	74
3.7.15. Earnings per share	74
3.7.16. Government grants	74
3.7.17. Share-based payment transactions	75
3.8. Effects due to COVID-19	75
4. First-time adoption of IFRS	76
4.1. Equity reconciliation	76
4.2. Reconciliation of results	76
4.3. Effects of the conversion on selected items	77
4.3.1. Leases	77
4.3.2. Inventories	77
4.3.3. Equity	77
4.3.4. Site restoration obligations	77
4.3.5. Financial liabilities	77
4.3.6. Deferred taxes	77
4.3.7. Consolidated statement of cash flows	77
5. Business combinations	78
6. Notes to the income statement	81
6.1. Revenue	81
6.1.1. Performance obligations outstanding	81

6.1.2. Contract balances	81
6.2. Other income	82
6.3. Cost of materials	82
6.4. Personnel expenses and number of employees	83
6.5. Other expenses	83
6.6. Financial income	83
6.7. Financial expenses	84
6.8. Income taxes	84
6.9. Earnings per share	87
7. Notes to the balance sheet	88
7.1. Goodwill and other intangible assets	88
7.2. Property, plant and equipment	90
7.3. Leases	91
7.4. Inventories	92
7.5. Other assets	93
7.6. Equity	93
7.6.1. Principles and objectives of capital management	93
7.6.2. Notes concerning equity	94
7.7. Provisions	95
7.8. Financial liabilities	96
7.8.1. Composition and residual terms	96
7.8.2. Day-one gain or loss	97
7.9. Other liabilities	97
8. Other notes	98
8.1. Notes to the consolidated statement of cash flows	98
8.2. Notes concerning financial instruments	99
8.2.1. Convertible bond	101
8.2.2. Electricity supply contract to be classified as a financial instrument	101
8.3. Related party transactions	102
8.3.1. Related companies	102
8.3.2. Related persons	103

8.3.3. Directors' dealings	104
8.4. Share-based payment transactions	105
8.4.1. Description of share-based payment arrangement	105
8.4.2. Determining fair values	105
8.4.3. Reconciliation of outstanding share options	106
8.4.4. Expenses recognized in profit or loss	106
8.5. Employee benefits	106
8.6. Entity-wide disclosures	106
8.7. Other financial obligations	107
8.8. Auditor's fees and services	107
8.9. List of shareholdings of Northern Data AG pursuant to Section 313 (2) Nos. 1 to 4 HGB	108
8.10. Events after the reporting date	109
8.11. Date of release for publication	111
8.12. Responsibility statement	111
9. Unqualified audit opinion	114
9.1. Independent Auditor's Report	115



To our shareholders

Letter to the shareholders

Dear shareholders, employees and friends of Northern Data,

From the vantage point of 2020, we look back on a year in which COVID-19 turned our world upside down. Previously unknown challenges called for novel measures. It quickly became apparent that the digitalization of processes is one of the most important problem solvers for the challenges. The associated need to process massive torrents of data, which was certainly intensified by the pandemic, is matched by the foundation of our intended business model: the processing of large data volumes quickly and securely on the basis of high-performance computing (HPC), over and beyond the currently prevailing cryptomining.

In the past fiscal year, we expanded our capacities, developed new sites and entered into strategic partnerships. By laying important foundations for our future business model, 2020 was an exciting and successful year for Northern Data AG from an operational perspective. These advances, however, were not yet reflected in our figures; here, we refer to the explanations in the management report. The year 2020 was also the first financial year after the merger of the two predecessor companies and was characterized by the build-up and development phase.

The foundation for the development that the Group has embarked on is the expertise that we have amassed over seven years in bitcoin mining – basically, the first major commercial HPC application. In HPC operations, thousands of high-performance computers process data in parallel in real time. HPC is indispensable for new technologies such as blockchain, the Internet of Things or artificial intelligence. In our data centers, we harness HPC solutions based on graphics processing units (GPU) and ASIC chips. In the dynamic development of our business model, in the current phase, the focus on cryptomining remains in place. Perspectively, however, these dynamics and momentum is shifting to a strong expansion of the range of HPC applications. In this context, our actions are always

characterized by efficiency: Efficiency in the development, construction and operation of our data centers. In order to ensure this, we are leveraging our proprietary software and hardware developments, including our own cooling solutions, and placing an attractive product on the market.

We started off in 2020 with our data center at the Texas site, whose efficiency in design, construction and operation clearly demonstrated decisive customer benefits: We enabled customers to operate profitably even in connection with low mining profitability, in which we participated via fixed hosting fees. The arrangement meant that we became independent of the price developments of cryptocurrencies ourselves, while scaling, however, was only possible by way of a rapid and, for our company size, comparatively capital-intensive investment course. We divested our Texas site after the end of the fiscal year, in May 2021. In the meantime, we have sold all the shares from the transaction, resulting in total proceeds of around 400 million euros.

The sale was already part of our new multi-site strategy, as the focus on size as at this site was put to question not least by risks arising in connection with the pandemic. The new strategy marks a departure from the principle of maximally dimensioned data centers to smaller dimensioned, flexible data centers. In other words, many sites with exemplary environmental performance and balanced risk profiles as opposed to one large, central site. On the other hand, the sale was necessary in view of the ever-increasing supply of our infrastructure sourcing energy from renewable sources, which was not satisfactorily available in Texas. Now our portfolio features green and climate-neutral energy supply for HPC applications. In this way, we are combining high profitability with sustainability.

Next on the agenda, in 2020, we greenlighted a GPU-based distributed computing cluster for HPC applications, distributed across sites in Germany, the Netherlands, Norway and Sweden. At its core, it is all about the high-margin utilization of GPU computing power. The aim of this shift in our course was to achieve higher margins with lower investment volumes than was the case in Texas at the time.

In Q3 2021, we acquired Decentric and Bitfield with the aim of entering the mining segment and participating in the overall profits from the provision of computing power for cryptomining in the best possible manner. The two acquisitions will form the foundation of an expanded growth strategy to scale a „value generator“ of HPC infrastructure solutions characterized by global presence, green energy and leading cost structures.

While we are currently still generating the major share of our revenue from cryptomining, we aim to become a leading provider of cloud computing in the GPU business. Sustainability is always at the core of everything we do. We are already operating our GPU-based services efficiently and on the basis of renewable energies. This setup delivers significant added value.

At the same time, we have strong momentum on our side. With our offerings, we are meeting a rapidly growing demand for computing power, which was already an expression of a global megatrend prior to the pandemic. The ability to collect and analyze data in real time is rapidly evolving from a smart competitive advantage for companies to a fundamental requirement to be able to compete in the first place. With our unique approach, the in-depth experience from many years of development, a clear focus on renewable energies, with strategic acquisitions, strong global partners such as Gigabyte and AMD, among others, as well as our fantastic team and a great deal of passion, we will achieve the goals we have set ourselves.



AROOSH THILLAINATHAN
CEO

In 2021 and the following years, the focus will be on further expanding our position and ensuring strong growth in connection with sustainable profitability. The market opportunities are particularly sizable at the moment, while at the same time we have to master the task of quickly developing additional sites. In terms of figures, this includes a forecast that assumes revenues of around EUR 180 million to EUR 220 million and EBITDA of around EUR 100 million to EUR 125 million, predominantly from the provision of computing power for crypto-mining purposes.

The year 2020 was just the beginning. We used it primarily to develop a viable business model. Now I am looking forward to the challenges that lie ahead. We would also like to thank you, our esteemed shareholders, for your trust and for accompanying us on our journey. You should and can expect a great deal from us in the upcoming years.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Thillainathan'. The signature is fluid and cursive.

Aroosh Thillainathan

Frankfurt am Main, November 2021



Report of the Supervisory Board

Dear shareholders,

The year 2020 was a year of change for the young Northern Data AG, with Mr. Aroosh Thillainathan appointed as its new CEO as of January 1, 2020. The year 2020 also saw changes on the Supervisory Board. With the company's Annual General Meeting on November 10, 2020, the previous Supervisory Board Chair, Mr. Eerik Budarz, and Mr. Marc Schönberger stepped down from the company's Supervisory Board. Dr. Tom Oliver Schorling and Hermann-Josef Lamberti were elected as members of the Supervisory Board. The Supervisory Board then elected Dr. Tom Oliver Schorling as its Chair. Dr. Bernd Hartmann continues to be a member of the company's Supervisory Board.

During the year under review, a reshuffle also occurred on the company's Management Board. The Supervisory Board appointed Mr. Stefan Sickenberger as an additional member of the Management Board with effect from August 1, 2020. Mr. Sickenberger has since served as Chief Operating Officer. With effect from September 7, 2020, Dr. Mathias Dähn was also appointed as a member of the Management Board and as Chief Financial Officer. He thereby succeeds Mr. Mathis Schultz, who stepped down from the Management Board at the same time after many years of service with the company.

With regard to the company's operating business, 2020 was largely characterized by the realignment of the business towards the construction and operation of a global HPC infrastructure. The Supervisory Board has closely monitored this realignment and the associated expansion and growth.

The significant number of Supervisory Board meetings – 33 in total – convened in the 2020 reporting year is an expression of this intensive support provided by the Supervisory Board. All meetings were attended by the Supervisory Board in its respective composition. Due to the coronavirus pandemic, all meetings were held virtually, including two as videoconferences and 31 as teleconferences. In individual cases, the Supervisory Board approved resolutions by written procedure outside the scope of meetings. This related, in particular, to aspects in the meaning of Section 90 (1) Clause 1 No. 4 of the German Stock Corporation Act (AktG): transactions that may be of significant importance to the company's liquidity or profitability.

The Supervisory Board supervised the Management Board's management of the company throughout the 2020 fiscal year, and advised the Management Board on matters concerning the management of the company. This included, in particular, the company's business trends, its financial position and performance, as well as its investment plans. The Management Board always fulfilled its information obligations to an appropriate extent and informed the Supervisory Board concerning corporate planning, the progress of business, strategic development and the Group's current position. The Supervisory Board was informed regularly, promptly and comprehensively, both in writing and verbally, about issues and measures relevant to the company.

The company's expansion and growth were reflected in the topics discussed at the Supervisory Board meetings and in the resolutions adopted. In this context, mention should be made first of capital increases for the purpose of raising capital, as well as for investor participation and the acquisition of subsidiaries. At various meetings at the start of the year, the main topic was the contribution of the interest in Whinstone US Inc. to Northern Data AG as a non-cash capital contribution.

The establishment or acquisition of various subsidiaries abroad also formed the subject of Supervisory Board meetings in the second half of 2020: in September 2020, the Supervisory Board concerned itself with the founding of a (limited company) subsidiary in Canada, and in October 2020 with the capital increase against a non-cash capital contribution of the interest in Canadian company Groupe Kelvin Emtech Inc. The Supervisory Board also approved the founding of an (AS) subsidiary and/or the acquisition of a corresponding shelf company in Norway, as well as the acquisition of a shelf company under Swedish law. In November 2020, the Supervisory Board approved the Management Board's decision to found a (BV) subsidiary under Dutch law and to acquire a data center in the Netherlands. Furthermore, the Supervisory Board also approved investments and the conclusion of corresponding contracts for the construction and operation of data centers in Frankfurt am Main-Höchst and in Nor-

way, as well as the acquisition of a property in Norway.

In the year under review, the Supervisory Board also concerned itself with business partnerships, and the purchase of hardware and software as well as related licenses, which serve to optimize the company's portfolio.

In view of the growing number of employees, the Supervisory Board also regularly discussed the hiring of new staff, as well as the company's stock option program, during the year under review.

Audit and approval of the annual financial statements

These separate and consolidated financial statements of Northern Data AG for the 2020 fiscal year have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, the auditors appointed by the Shareholders' General Meeting, and have been issued with an unqualified audit opinion. The Supervisory Board examined both the separate financial statements for the fiscal ended December 31, 2020 of Northern Data AG, as well as the consolidated financial statements, in particular with regard to their legal, correct and effective nature, and discussed the documents in detail with the Management Board and the auditor on the basis of a draft version of the audit report.

The auditors reported on the progress of the audit at several Supervisory Board meetings and attended the Supervisory Board meeting on November 9, 2021, at which the results of the audit as a whole and the individual focus points of the audit were reported upon. The auditors were available to answer any questions arising from the members of the Supervisory Board. The members of the Supervisory Board took note of the audit reports and the audit opinions, critically evaluated them and discussed them, as well as the audits themselves, with each other and with the auditors. This included questioning the nature and scope of the audit and the audit findings. The Supervisory Board was able to satisfy itself of the correctness of the audits and the audit reports. The Supervisory Board has taken note of the information provided by the auditor on the improvement of the accounting-related internal control system, and will monitor its implementation. The Supervisory Board has conclusively assessed the separate annual financial statements of Northern Data AG as of December 31, 2020, as well as the consolidated financial statements, taking the auditor's audit reports into consideration, and raises no objections based on the results of its examination. The Supervisory Board approved and thereby adopted the separate annual financial statements prepared by the Management Board by way of a Supervisory Board resolution dated November 9, 2021; it also approved the consolidated financial statements.

The Supervisory Board would like to thank the members of the Management Board and all of the company's employees for their personal commitment in this challenging year, for their energetic efforts on the company's behalf, and for the successes achieved in the 2020 fiscal year. The Supervisory Board would like to thank the shareholders for their interest in our company and for the trust they have placed in us.


Dr. Tom Oliver Schorling

Frankfurt am Main, November 9, 2021



1. Group Management Report

GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2020

1.1. Basis of the Group

1.1.1. BUSINESS MODEL

The Northern Data Group (hereinafter also referred to as "Northern Data" or the "Group"), based in Frankfurt am Main, focuses on the expansion of stationary as well as mobile data centers, the development of the HPC business segment, the provision of hosting services, as well as the hardware required for this purpose. In the 2021 fiscal year, Northern Data entered the crypto market in the context of providing computing power for crypto mining. The Group employed an average of 113 staff worldwide in the 2020 fiscal year. The total number of employees within the Group at the end of the fiscal year was 157, eight of whom are senior managers.

Northern Data's offering aims to design, build and operate both stationary and mobile data centers in an energy-efficient manner with a high level of automation. In-house software and hardware developments contribute to achieving the targeted high level of automation and steady utilization of the data centers. The Group's mobile data centers are proprietary developments, whereas the stationary data centers are either built in-house or corresponding facilities are acquired. If required, these can be adapted structurally to meet Northern Data's needs. The data centers are located in North America and Europe.

HPC involves high computing power delivered at high speed. Application areas include crypto mining, blockchain, artificial intelligence, big data analytics and rendering. In principle, HPC delivers a multiple of computing power and storage capacity compared to conventional server systems. This is accompanied by greater heat generation, which necessitates special thermal management.

Northern Data procures, installs and operates the server hardware within its data centers, with the server hardware being the customer's property. This distinguishes the Group from co-location providers which rent server space in their data centers for their customers' differing applications. Northern Data's business model is driven by the design-to-cost approach, which focuses on the cost and energy efficiency of the server architecture. Northern Data advises its customers accordingly in the selection of hardware. In the procurement area, the Group works with renowned manufacturers such as Gigabyte and AMD, among others.

With the completion of the acquisitions of Decentric Europe B.V. (hereinafter also referred to as Decentric), Amsterdam, Netherlands, and of Bitfield N.V., The Hague, Netherlands (formerly Bitfield AG, Hofheim am Taunus) (hereinafter also referred to as Bitfield), in August and October 2021, the Group currently has a strong focus on the provision of computing power for crypto mining, including the use of its own hardware.

GROUP HISTORY

Northern Bitcoin AG, as the predecessor of Northern Data AG, was active in bitcoin mining in 2018 and 2019. The business activities mainly comprised the expansion and operation of sustainable infrastructure for bitcoin mining.

In the 2020 fiscal year, the merger of Whinstone US, Inc. Rockdale, Texas, USA, with Northern Data AG was executed. Whinstone US, Inc. acted as an operator of data centers specializing in blockchain applications such as bitcoin mining, and had already started investing in building a scalable data center in late 2019. The merger of Whinstone US, Inc. with Northern Data AG created the Northern Data Group, with Northern Data AG as the Group's parent company, in the 2020 fiscal year.

Following the merger with Whinstone US, Inc., Northern Data invested in the expansion of the HPC data center in Rockdale, Texas, USA, particularly for customer applications in the area of blockchain and bitcoin mining, with the aim of leveraging competitive advantages based on low operating costs. Furthermore, the business model was further developed and a profit-share model developed as part of hosting services. During the second half of 2020, revenue was recognized for the first time from customer relationships of Whinstone US, Inc.

In addition, Northern Data began building its own data centers in Europe in 2020. The carrying amount of the data centers operated worldwide stood at kEUR 31,087 as of December 31, 2020.

In December 2020, hardware supply and service agreements were also concluded with Decentric and Bitfield. Decentric was a wholly owned subsidiary of Block.one Group, which held a 3.2 percent interest in the Northern Data Group as of December 31, 2020. The company's business is to generate computing power using GPU servers for crypto mining and other HPC applications. As of the reporting date, 27.1 percent of Bitfield was held by the Block.one Group, 13.0 percent by Apeiron Investment Group Limited, which is owned by Christian Angermayer, as well as 2.9 percent directly by Marco Beckmann and 12.9 percent by Beckmann Capital GmbH, which is owned by Marco Beckmann. Christian Angermayer and Marco Beckmann held 16.7 percent and 19.9 percent respectively in the Northern Data Group as of December 31, 2020 via Apeiron Investment Group Limited and Cryptology Asset Group P.L.C. on the one hand, and BlackMars GmbH and Singularity AG on the other. Bitfield focuses on providing computing power for bitcoin mining. The computing power is generated by means of ASIC miners and remunerated in bitcoins. The aforementioned contracts included, in particular, hardware supply contracts as well as service contracts for the operation of the supplied hardware. Despite mutual fulfillment of all related contractual obligations, no revenue was recognized with these companies for the hardware deliveries in 2020 due to Northern Data's assessment that the criteria for a contract in the meaning of IFRS 15.9 were not met, and due to the lack of a transfer of economic control as of December 31, 2020. Similarly, despite both parties fulfilling all related contractual obligations, no revenue was recognized from services provided to Bitfield because the performance obligations were not separable in IFRS and the provision of the hosting service could not commence until the hardware was commissioned in 2021. The performance obligations would have had to be spread over the planned operating phase.

In March 2021, with the acquisition of the Hydro66 Group, the takeover of a data center site in Boden, Sweden, was completed and computing capacities further expanded.

In May 2021, the divestiture of Whinstone US, Inc. to Riot Blockchain Inc, USA, was realized.

During the 2021 fiscal year, in addition to deliveries to two additional customers, further hardware units were delivered to Decentric and Bitfield and successively put into operation. Both companies already generated revenue in the first half of 2021 from the provision of computing power for mining cryptocurrencies. A definitive contract for the operation of Decentric's hardware by Northern Data was not concluded, contrary to original planning. The companies were acquired in the third quarter of 2021 with the aim of entering the mining business and participating in the overall profits from the provision of computing power. One of the effects of the acquisition was the transfer of ownership of the hardware supplied to the companies between Northern Data and those companies. As a consequence of the Decentric and Bitfield acquisitions, it continued to be the case that no revenue from the supply of mining hardware and agreed services, including the operation of the hardware, was recognized in the 2021 fiscal year.

1.1.2. COMPANY MANAGEMENT

Management Board

Northern Data AG is managed by its Management Board. The strategic development of the Group is realized in close consultation with the Supervisory Board. The Management Board constantly informs the Supervisory Board concerning new strategies as well as opportunities and risks.

The Management Board is responsible for the strategic development and successful management of Northern Data. In the 2020 fiscal year, the Management Board initially consisted of two members – Chairman Aroosh Thillainathan and Mathis Schultz. In August 2020, the Management Board was expanded to include Mr. Stefan Sickenberger, and in September 2020, Dr. Mathias Dähn succeeded Mathias Schultz as Chief Financial Officer.

Significant influence was exercised by the Block.one Group as of the reporting date.

Supervisory Board

The Supervisory Board serves as a supervisory body for the Management Board, and consists of three members. Since the 2020 Ordinary Annual General Meeting, these three members have been Dr. Tom Oliver Schorling (Chair), Hermann-Josef Lamberti and Dr. Bernd Hartmann.

1.1.3. GROUP STRUCTURE

The Group is headed by Northern Data AG. Northern Data AG performs Group management tasks in the areas of finance, investor relations, controlling, legal and compliance as well as purchasing and personnel. In addition, central management and administrative functions for the Group are integrated within Northern Data AG.

The Northern Data Group includes the following main subsidiaries (as of December 31, 2020):

- ▶ Groupe Kelvin Emtech Inc. and its three direct subsidiaries Kelvin Emtech Inc., Kelvin Emtech Technologies Inc., and Kelvin Emtech Construction Inc., all located in Montreal, Canada, (hereinafter referred to as the “Kelvin Emtech Group” or the “KE Group”). The Kelvin Emtech Group is responsible for manufacturing of the containers to house the server equipment. Its activities include, among others, inspections, demand analyses, planning as well as the construction and operation of the systems.
- ▶ Whinstone US, Inc. was responsible for the construction and operation of an HPC data center in Rockdale, Texas, USA, primarily in the area of blockchain and bitcoin mining.
- ▶ Northern Data Software GmbH, which is responsible to a large extent for operational tasks such as software development, logistics, planning and construction of data centers worldwide and sales.
- ▶ Northern Data CA Ltd, Canada, was still in the build-up phase in the 2020 fiscal year, and is expected to provide hosting services in the future in a data center that is still in the planning stage.
- ▶ Northern Data NL B.V., Netherlands, tasked with building and operating a data center in the Netherlands.

1.1.4. RESEARCH AND DEVELOPMENT

The Northern Data Group operates in a highly innovation-driven environment, and the active pursuit of research and development is thus crucial to the success of the business. Research and development

are conducted especially in the areas of software and hardware, as well as in the planning, development and construction of the data centers.

The goal of the activities is to optimize the setup and operational processes in terms of time. Through more process-optimized digitization and user guidance, and by optimizing the software in the hardware deployed, both power usage and computing power are to be reduced with specific reference to the environment.

In addition, work is being conducted on cooling concepts in order to permanently improve the so-called “Power Usage Effectiveness” (PUE), which provides a measure of data centers' energy efficiency. Mobile data centers are also being refined, e.g. through the use of renewable raw materials such as wood, as well as process optimization in the area of deployment and automation of work processes.

Research and development costs totaled kEUR 195 in the 2020 fiscal year (previous year: kEUR 0).

1.2. Economic and business report

1.2.1. MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

The global economy was impacted by the COVID-19 pandemic in the past 2020 fiscal year. Overall, the global economy contracted by 3.5 percent in 2020 as a consequence of the pandemic, according to the IMF:^{*}

The decade-long growth of the global HPC market was interrupted in 2020 with a COVID-19 induced decrease of 3.7 percent to USD 37.6 billion, according to data from market research firm Intersect360 Research. However, this reduction is more a reflection of investments postponed than investments canceled. On the product side, the COVID-19 pandemic had the greatest impact on demand for servers. In contrast, HPC clouds and services such as managed services benefited from restrictions on stationary installations, and reported sustained growth.^{**}

The aforementioned macroeconomic and sector-related trends in 2020 were not significant for Northern Data, as the Group is still in the strategic market development and establishment phase, with business development and negotiations with new customers forming the main focus as a consequence.

The cryptocurrency market had a further indirect significance for the Group's business in the 2020 fiscal year. In the second half of the year, various developments, including the acceptance of cryptocurrencies by major payment providers and the addition of cryptocurrencies to the portfolios of major asset managers, led to a strong surge in bitcoin and other cryptocurrency prices. Nonetheless, cryptocurrency prices tend to be subject to greater volatility. In total, the market capitalization of all cryptocurrencies in existence in 2020 amounted to around USD 758 billion. The comparable figure from 2019 stood at around USD 194 billion.^{***}

1.2.2. BUSINESS PERFORMANCE

The Northern Data Group is currently in the market development and establishment phase. This phase is characterized by the acquisition of new customers, the construction of data centers and the recruitment of qualified personnel. This entails a high level of investment, the establishment and

* <https://www.imf.org/-/media/Files/Publications/WEO/2021/Update/January/English/text.ashx>

** <http://www.intersect360.com/LiteratureRetrieve.aspx?ID=158848>

*** <https://coinmarketcap.com/charts/>

expansion of the company organization, and the definition of corporate processes. In parallel, the Group expanded in the 2020 fiscal year by acquiring companies that are already on the market as well as by establishing and spinning off its own subsidiaries. Important steps in this fiscal year included the merger with Whinstone US, Inc., the construction and expansion of a data center of Whinstone US, Inc. in Texas, the start of construction of a “distributed computing cluster” at locations in the Netherlands, Scandinavia, Germany and Canada, the acquisition of Canadian technology group, the KE Group, and the agreement of research and technology partnerships. In addition, Northern Data AG has expanded its Management Board and increased its total number of staff to around 157 across the Group.

In mid-February 2020, the Northern Data Group announced a strategic partnership in the applied blockchain technology areas with SBI Crypto Co., Ltd, (hereinafter “SBI Crypto”), a wholly owned subsidiary of SBI Holdings Inc. SBI Crypto was one of the first companies to have its hardware hosted in the Texas data center that opened later. In addition, both parties have identified further areas for strategic development. These areas include projects related to blockchain technology infrastructure as well as the joint development and supply of software. Over the further course of the year, SBI Crypto also became a shareholder in Northern Data AG due to the conversion into shares of a convertible bond issued by Northern Data AG in 2019.

The acquisition of Whinstone US, Inc. was completed in March 2020. The original strategic goal of the merger was to combine both companies’ technology and customer expertise and to leverage such expertise in the development of HPC platforms. Whinstone US, Inc. built and operated an HPC data center in Rockdale, Texas, USA, during the fiscal year under review, particularly for customer applications in the blockchain and bitcoin mining area. Operations began in June 2020, with initial revenue from hosting services generated in the second half of the year. The data center’s capacities were successively expanded over the course of the year. In May 2021, the divestiture of Whinstone US, Inc. along with its data center and hosting business was completed.

In August 2020, planning work also began on a strategic growth project for a cloud-based GPU HPC solution for applications such as artificial intelligence, deep/machine learning, Big Data analysis and the rendering of CGI (Computer Generated Imagery) projects.

With this new solution, Northern Data aims to expand its existing activities in data center construction, operations and managed services to include the area of a cloud provider for the HPC mass market and computing-intensive enterprise customers. This project will form the primary focus of the teams within Northern Data in the second half of the year.

In addition, research and development in the area of “Pod Engineering” began in mid-September 2020. Here, a new, modular construction of data centers in mobile containers, including cooling by outside air, is being realized. A total of 51 units of this new pod generation will go into production in the 2021 fiscal year once the testing phase has been completed. It is to serve as a new solution for mobile data centers and is to be available for immediate delivery. This new generation of data centers also decouples data center construction and site provisioning.

In October 2020, Northern Data also acquired the Kelvin Emtech Group in Canada, which specializes in data centers and electrical engineering. The Kelvin Emtech Group is responsible for manufacturing the containers to house the server equipment.

At the end of the 2020 fiscal year, contracts were concluded with Decentric and the Bitfield Group. These also include contracts relating to the supply of hardware to be installed in the course of 2021. Northern Data acquired the aforementioned companies in the 2021 fiscal year. Please refer to the related comments in the sections discussing the business model and the Group’s history.

Furthermore, the 2020 fiscal year was significant for scouting for new data center locations in Europe and North America, as well as for screening potential corporate acquisitions in the area of data

center providers for GPU servers and hosting services. In addition to strategic expansion for customer capacities, such activities aim to diversify data center locations away from a mega-site approach to a multi-site strategy. This will enable Northern Data to develop and build parallel data centers in different regions and countries with different teams in combination with local suppliers, including during a global pandemic. The aim is to minimize the impact of the pandemic on the Northern Data Group’s business.

In the 2020 fiscal year, Northern Data entered into supplier contracts for ASIC hardware, securing access to otherwise hard-to-find ASIC systems that will be fully delivered by mid-2021.

The same applies to the supplier contracts for graphics card-based server systems (GPU). The partnerships with Gigabyte and AMD as well as with Nvidia also enabled the announcement in September 2020 of the planned development of the “distributed computing cluster” – i.e. the cloud-based GPU HPC solution – at the locations in Germany, the Netherlands, Norway and Sweden.

At the time when the first Annual General Meeting of Northern Data was held in November 2020, the third expansion phase in Texas was being completed. In addition, a new data center in Frankfurt am Main and a new location in the Netherlands were commissioned.

It is to be noted that the US dollar was exposed to greater volatility during the 2020 fiscal year, particularly with the outbreak of the COVID-19 pandemic. Especially from May 2020 onwards, the US dollar depreciated significantly against the euro. The euro consequently reported a marked appreciation to USD 1.23 by the end of the year. This shift in the exchange rate was the main reason for the translation difference of EUR -6.3 million recognized in other comprehensive income, as well as expenses from currency translation of EUR 5.1 million and income of EUR 2.0 million.

1.2.3. FINANCIAL POSITION AND PERFORMANCE

The comparability of the financial position and performance of the current reporting period with the corresponding comparative periods of the previous year is limited as new fundamentals have resulted as a consequence of the initial consolidation of the acquired and newly established subsidiaries as well as a change in the business model.

1.2.4. NET ASSETS

Owing to the first-time consolidation of the acquired and newly founded subsidiaries, almost all asset and liability items as well as total assets have increased significantly compared to the previous year’s reporting date. Consequently, they are only comparable with the previous year to a limited extent.

On the assets side, a total of kEUR 407,562 (previous year: kEUR 8,589) of non-current assets are recognized. These mainly include the goodwill arising from the initial consolidation in the fiscal year under review of Whinstone US, Inc. and the Kelvin Emtech Group (kEUR 42,471 and kEUR 1,008 respectively), and customer bases (kEUR 88,522 and kEUR 3,268 respectively).

In addition, rights of use from leasing agreements (kEUR 12,933; previous year: kEUR 3,371) and property, plant and equipment (kEUR 234,201; previous year: kEUR 5,017) are reported under non-current assets. The investments in property, plant and equipment realized in the reporting period relate, in addition to prepayments for hardware, primarily for the data centers in Texas and the Netherlands (kEUR 27,524) and, in an amount of kEUR 33,846, to the hardware delivered to Decentric and the Bitfield Group in December 2020, which, in the absence of a transfer of control, continues to be recognized on the balance sheet of Northern Data as of the balance sheet date. Please refer to the related comments in the sections discussing the business model and the Group’s history.

Other non-current assets mainly include security deposits, primarily under agreements that Whinstone US, Inc. has with electricity suppliers, as well as in relation to long-term rental agreements.

Current assets amount to kEUR 95,015 (previous year: kEUR 3,497). These mainly include cash and cash equivalents (kEUR 73,862; previous year: kEUR 3,248) and inventories (kEUR 11,875; previous year: kEUR 58). The inventories mainly relate to services from contract manufacturing not yet invoiced as of the reporting date.

Other current assets (kEUR 6,702; previous year: kEUR 192) primarily include VAT receivables (kEUR 5,760; previous year: kEUR 0).

The equity and liabilities side reports consolidated equity of kEUR 176,525 (previous year: kEUR -8,471) as well as current and non-current liabilities totaling kEUR 326,052 (previous year: kEUR 20,556).

Following the capital increase measures that were implemented during the reporting period, positive equity is reported as of the balance sheet date. For details, please refer to our remarks concerning the financial position, as well as the notes to the consolidated financial statements.

As of the balance sheet date, liabilities totaling kEUR 219,975 (previous year: kEUR 476) relate to other liabilities, most of which are current. These mainly arise from prepayments received from Decentric and Bitfield for the provision of hardware and engineering services. Please refer to the related comments in the sections discussing the business model and the Group's history.

Current and non-current financial liabilities amount to a total of kEUR 79,684 (previous year: kEUR 19,973). These primarily include trade payables (kEUR 20,246; previous year: kEUR 980), loan liabilities of kEUR 25,498 to a customer of Whinstone US, Inc. in connection with the financing of the data center in Texas, negative fair values of embedded derivatives from electricity contracts (kEUR 16,925; previous year: kEUR 0), a loan liability to shareholders and third parties (totaling kEUR 1,164; previous year: kEUR 4,547), and lease liabilities (totaling kEUR 14,771; previous year: kEUR 3,406). A residual liability from convertible bonds (kEUR 176; previous year: kEUR 11,041) is also reported.

Other current liabilities to third parties amount to kEUR 217,938 (previous year: kEUR 476) and mainly derive from prepayments received from Decentric and Bitfield for the provision of hardware and engineering services.

Income tax liabilities amount to kEUR 7,131 (previous year: kEUR 0).

Deferred tax liabilities arise primarily from the release of hidden reserves in connection with the initial consolidation of Whinstone US, Inc. and the Kelvin Emtech Group. As of the reporting date, they totaled kEUR 14,354 (previous year: kEUR 58).

1.2.5. FINANCIAL POSITION

The following capital raising and financing measures were realized in the reporting period.

A non-cash capital increase was implemented at Northern Data AG in the 2020 fiscal year as part of the merger with Whinstone US, Inc. In this context, a resolution was passed by the Management Board to utilize the Approved Capital that had been approved in 2019 in order to increase the company's share capital by EUR 3,720,750.00 against a non-cash capital contribution. To this end, an issue of 3,720,750 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 each (Approved Capital 2019/I) was implemented. Shareholders' statutory subscription rights were excluded in this context. The shareholders of Whinstone US, Inc. were admitted to subscribe against contribution of their respective shares in Whinstone US, Inc. The capital increase was completed in the first quarter of 2020 in the full amount of EUR 3,720,750.00 against non-cash capital contributions. The non-cash capital contributions were realized by transferring all of Whinstone's shares to the company upon entry in the commercial register on March 9, 2020. After the non-cash capital increase, the company's share capital amounted to EUR 11,162,250.00. The difference between the fair value (stock market price) on the transaction date and the nominal value of the shares issued (totaling kEUR 116,087)

was transferred to the capital reserve.

By making partial use of Approved Capital 2020/I, as approved by the Ordinary Annual General Meeting on December 30, 2019, and entered in the commercial register on March 16, 2020, a share capital increase of EUR 685,000.00 to EUR 11,847,250.00 against cash capital contributions was implemented in April 2020. The gross proceeds from the capital increase amounted to approximately EUR 30.1 million. The amount exceeding the nominal value of the issued shares (in total kEUR 29,455) was transferred to the capital reserve. In July 2020, a further share capital increase of EUR 431,225.00 to EUR 12,278,475.00 against cash capital contributions was completed. Gross proceeds of EUR 21.6 million were generated. Of this amount, a total of kEUR 21,130 was transferred to the capital reserve.

Based on the conditional increase of the share capital approved on August 30, 2019, as amended by the resolution of the Shareholders' General Meeting on December 30, 2019 (Conditional Capital 2019/I), subscription shares with a nominal value of EUR 2,277,875 were issued in the 2020 fiscal year in connection with the servicing of the convertible bond. As a consequence, the share capital of Northern Data AG increased to EUR 14,556,350.00. The difference between the nominal value of the shares issued and the value of the convertible bond attributable to them (in total kEUR 15,945) was transferred to the capital reserve.

As part of the merger with Groupe Kelvin Emtech Inc., a further non-cash capital increase was implemented in December 2020. In the process, the share capital was increased by EUR 83,334.00 to EUR 14,639,684.00 on the basis of the authorization granted by the Annual General Meeting on December 30, 2019. For this purpose, a total of 83,334 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 each were issued. The shareholders of the Kelvin Emtech Inc. Group were admitted to subscribe against contribution of their respective shares in the Kelvin Emtech Inc. Group. The capital increase was completed in the fourth quarter of 2020 in the full amount of EUR 83,334.00 against non-cash capital contributions. The non-cash capital contributions were realized by transferring all shares in Northern Data AG with entry in the commercial register on December 3, 2020. The difference between the fair value (stock market price) on the transaction date and the nominal value of the shares issued (totaling kEUR 4,700) was transferred to the capital reserve.

By making partial use of the Approved Capital 2020/I, as approved by the Ordinary Shareholders' General Meeting on November 10, 2020, and entered in the commercial register on December 8, 2020, a share capital increase of EUR 900,000.00 against cash capital contributions was initiated in December 2020. This share capital increase was filed with the Frankfurt am Main District Court on December 23, 2020, and entered in the commercial register on January 6, 2021. The gross proceeds from the capital increase already received in December 2020 amounted to approximately kEUR 52,470. As of December 31, 2020, the amount is reported under equity, under the item "Contributions rendered to implement the approved capital increase".

As of the balance sheet date, cash and cash equivalents amounted to kEUR 73,862 (previous year: kEUR 3,248).

The cash flow from operating activities (kEUR 183,484; previous year: kEUR -6,006) is attributable to the change in the business model. The cash flow in the 2020 fiscal year is characterized on the one hand by prepayments received from the companies acquired in 2021 for hardware deliveries as well as payments received for services rendered up to the balance sheet date. On the other hand, prepayments were made to suppliers for hardware deliveries, disbursements for various purchased advance services, and the payment of a deposit to an electricity supplier in the 2020 fiscal year.

The cash flow from investing activities (kEUR -211,577; previous year: kEUR -1,112) mainly comprises the investments made in the reporting period in intangible assets (kEUR -2,304; previous year: kEUR 0), property, plant and equipment (kEUR -216,139; previous year: kEUR -1,108), investments in other companies (kEUR -1,447; previous year: kEUR -4) and the cash and cash equivalents of Whinstone US, Inc.

and of the Kelvin Emtech Group at the respective initial consolidation dates (in total kEUR 8,297; previous year: kEUR 0). In addition to prepayments made for hardware, capital expenditure on property, plant and equipment primarily relates to the data centers in Texas and the Netherlands.

The positive cash flow from financing activities (kEUR 99,058; prior year kEUR 7,367) in the 2020 fiscal year derived primarily from cash capital increases (kEUR 104,172) as well as proceeds from the subscription to the convertible bond (kEUR 9,550) and from taking out a supplier loan (kEUR 11,418). These items are offset by outgoing payments relating to the redemption of leasing and loan liabilities (totaling kEUR -13,776), and a cash settlement in connection with the servicing of the convertible bond (kEUR -4,413).

Cash and cash equivalents (kEUR 73,861; previous year: kEUR 3,247) consist of bank balances less liabilities to banks due at any time.

1.2.6. RESULTS OF OPERATIONS

Northern Data reports consolidated revenue of around EUR 16.4 million and EBITDA of EUR 12.3 million.

Revenue in the fiscal year 2020 in an amount of kEUR 16,377 mainly derives from hosting services provided by Whinstone US, Inc. The advance services purchased for this purpose are reported under cost of materials (kEUR 10,285). The parent company's revenue of kEUR 10,132 reported in the previous year was generated from the sale of cryptocurrencies and the development of software for the safekeeping of cryptocurrencies, including before the modification of the business model. A cost of materials of kEUR 12,148 was incurred in this connection in the previous year. This included, in particular, mining-specific costs as well as the costs of associated trading transactions. Following the change in the business model, these costs are reported as part of Northern Data AG under other expenses in the year under review.

Other income in the fiscal year under review mainly derives from currency translation (kEUR 1,991; previous year: kEUR 1).

The increase in personnel expenses of kEUR 4,619 to kEUR 5,547 (previous year: kEUR 928) primarily reflects the addition of new companies and the Group's growth. Other expenses (kEUR 15,291; previous year: kEUR 1,693) mainly include legal and consulting costs (kEUR 5,647; previous year: kEUR 851), as well as expenses from currency translation (kEUR 5,068; previous year: kEUR 6). Moreover, the year-on-year increase in other expenses especially reflects the aforementioned modification in the disclosure of mining-specific costs.

Depreciation, amortization and impairment losses in the fiscal year under review (kEUR 18,131; previous year: kEUR 3,894) include amortization of intangible assets recognized as part of the acquisition of Whinstone US, Inc. (kEUR 8,585) as well as impairment losses totaling kEUR 2,518.

The financial expenses of kEUR 53,252 include, in particular, the expense from the measurement of the convertible bonds (kEUR 32,814) as well as the fair value measurement of an embedded derivative arising from electricity contracts (kEUR 18,055) and from other financial liabilities, as well as interest expenses recognized in connection with the leasing contracts.

In the income tax expenses, the effective tax expenses of kEUR 7,025 are offset by total income deriving from deferred taxes of kEUR 6,478. The income from deferred taxes mainly arises from the pro rata amortization of deferred tax liabilities in connection with the carrying forward of the disclosed hidden reserves of Whinstone US, Inc. and the Kelvin Emtech Group, as well as from the first-time recognition of deferred taxes on tax loss carryforwards.

Overall, a negative EBITDA of kEUR -12,345 and a negative consolidated net result of kEUR -84,258 is

reported for the fiscal year.***

**** For the calculation, please refer to the consolidated statement of comprehensive income

1.2.7. FINANCIAL PERFORMANCE INDICATORS

Key figures such as revenue and EBITDA contribute to the management of the Group and serve as the basis for strategic decisions.

EBITDA (earnings before interest, tax, depreciation and amortization)**** serve as a key business indicator for measuring the profitability of Northern Data. In the 2020 fiscal year, profitability was below the Group's expectations. The Group failed to achieve the revenue forecast for the 2020 fiscal year by EUR -103.6 million (-86.3 percent). The planned EBITDA of EUR 45 million was not achieved in 2020. EBITDA amounted to EUR -12.3 million.

As set out in detail in the section concerning the business model, contracts were signed with Decentric and the Bitfield Group in December 2020. These contracts included, in particular, hardware supply contracts as well as service contracts for the operation of the mining hardware supplied. The hardware, deliveries of which commenced in 2020, should be fully delivered and installed during the 2021 fiscal year. In particular, in the absence of a transfer of economic control as of December 31, 2020, no revenue was recognized in relation to these companies in 2020.

1.3. Opportunity, risk and forecast report

1.3.1. OPPORTUNITIES REPORT

It is not possible for us to quantify opportunities and the probability relating to their realization. We have listed the opportunities in descending order of importance for the Group.

1.3.2. OPPORTUNITIES RELATING TO NEW TRENDS AND SUSTAINABILITY

Overall, major opportunities can be identified thanks to significant market growth for computing power. In particular, trends such as artificial intelligence, the Internet of Things, blockchain technologies and cryptocurrencies are expected to report a leap in growth in the near future. At the same time, Northern Data is already focusing on issues such as sustainability and the use of renewable energy to operate its data centers. Provided Northern Data succeeds in running data centers on energy from renewable sources, the harnessing of renewable energies offers an opportunity for more growth in a market that is placing increasing emphasis on climate neutrality and decarbonization, and where CO₂-producing technologies are facing increasing sanctions. As a specialist data center provider, Northern Data offers innovative and sustainable solutions, and aims to meet ever growing ESG-compliant demand. At the same time, it is possible that the high-tech megatrends that Northern Data serves with its computing power will become even more dynamic, and that this growth will lead to higher demand for computing power produced in a climate-neutral manner. All of this can lead to greater demand coupled with a low level of market supply. For Northern Data, this can signify not only

**** The EBITDA performance indicator is not defined under IFRS. Northern Data defines EBITDA as the Group's profit before income taxes, finance income and finance costs, as well depreciation, amortization and impairment losses. For the calculation of EBITDA, please refer to the consolidated statement of comprehensive income.

more customer orders on more attractive terms, but also a higher level of profit sharing agreements.

1.3.3. OPPORTUNITIES FROM THE ACQUISITION OF COMPANIES AND THE DEVELOPMENT OF A NEW BUSINESS AREA IN 2021

With the acquisition after the reporting date of Decentric as well as the Bitfield Group, Northern Data aims to enter into the generation and provision of computing power for crypto mining and GPU-based HPC services outside the crypto market. The acquisition of these companies provides Northern Data with a short time-to-market for rapid profit realization. A particular focus is on 100 % revenues from the sale of computing power. To this extent, the profit-share remuneration model does not apply here.

1.3.4. OPPORTUNITIES THROUGH DIVERSIFICATION OF DATA CENTER LOCATIONS

The strategic transition from a mega-site approach to a multi-site approach can enable Northern Data to develop and build data centers in different countries in collaboration with local suppliers and staff. This reduces ties to one location and its corresponding regulations.

1.3.5. OPPORTUNITIES DUE TO DATA-SENSITIVE CUSTOMERS

Northern Data Group is a provider of HPC applications that is not subject to the US Cloud Act. This US act obligates US Internet companies and IT service providers to guarantee US authorities access to stored data, even if the storage is not realized in the USA. For this reason, due to the large capacity that Northern Data can offer at any one time, it is possible that companies will decide to move computing capacity from a US provider to Northern Data. The same applies to cryptominers whose businesses are subject to state sanctions, as is currently the case in China. This also generates additional demand for computing capacity outside of China, thereby creating a further opportunity for Northern Data. China is currently still home to most of the bitcoin mining industry, so a ban on the crypto industry by the Chinese government could generate significant potential for Northern Data. Similarly, political and legal certainty at Northern Data's locations enhances the attractiveness of drawing on the Group's data centers.

1.3.6. OPPORTUNITIES THROUGH ADDITIONAL SERVICES AND VARIABLE REMUNERATION COMPONENTS

At present, Northern Data is predominantly engaged in the generation and provision of computing power for crypto mining. In the context of data center expansion, more services, such as the construction of standardized (mobile) data centers and infrastructure solutions, could also be sold to customers, which could ultimately generate further revenues. Beginning in the second quarter of 2021, 49 installation units (known as PODs) of these mobile data centers were already produced for Northern Data customers, essentially for their own purposes. Additional customer orders on more attractive terms could also increase the project volume for the future. Last but not least, rising performance-based compensation components from customer projects, which Northern Data earns proportionately from customer mining activities, represent a further opportunity for the Group as

these are booked in the year in which the services are rendered. The magnitude of the effects is based on underlying mining profitability. Revenue recognition of the performance-based components is directly related to development of the data center sites, commissioning the servers and the contractual arrangement of the profit-sharing component.

1.3.7. DIGITIZATION PUSH DUE TO THE COVID-19 PANDEMIC

The COVID-19 pandemic has given an additional boost to digitization. Employees are increasingly working from home offices, and the organization of work has shifted towards digital conferencing tools. Some 84 percent of companies are convinced that digitization has become more important for their own company or for the German economy as a whole (86 percent) due to the pandemic, according to a survey conducted by industry association Bitkom. Online commerce has also experienced a strong growth surge as a consequence of the pandemic. Similarly, areas such as schools, universities and public administration have become more digitized. The trend is very likely to continue after the COVID-19 pandemic has subsided, thereby becoming established long-term. This is leading to potentially higher demand for computing power, which can be regarded as a further opportunity for Northern Data.

1.3.8. RISK REPORT INCLUDING RISK REPORTING IN RELATION TO FINANCIAL INSTRUMENTS

The Group's business aim is to operate an HPC infrastructure worldwide. For this reason, potential risks in the HPC and data center sector may also have an impact on the development and growth of Northern Data. In terms of Northern Data's business model, the Management Board primarily perceives the risks presented in this section.

The Group was in the market development and establishment phase in 2020, and was consequently reliant on non-operating sources of funding. Furthermore, the customer base is still in the process of being established. For this reason, a high percentage of revenue is still generated with a small number of customers and Northern Data has not yet generated a positive net result.

A delay in the development of data center locations, a later commissioning of servers and, as a consequence, postponed variable profit sharing, may lead to the generation of significantly lower revenue and earnings contributions. Furthermore, expansion plans for existing contracts or contracts under negotiation may be delayed, posing a risk to the achievement of financial targets.

The Group pursues a strategy of systematically addressing potential risks and of promoting risk-oriented thinking and action. Northern Data's aim is to have a controlled approach to risk that helps to consistently leverage existing opportunities and enhance business performance. We identify, classify and evaluate risks in order to avoid a negative impact on the company's financial position and performance.

It is not possible for us to quantify risks and their probability of materialization. We have listed risks in descending order of importance for the Group.

1.3.9. RISKS FROM THE PROVISION OF COMPUTING POWER FOR CRYPTO MINING AS A BUSINESS ACTIVITY

Due to the provision of computing power for crypto mining from 2021 onward, the Group is subject to the high volatility of the cryptocurrencies generated, as well as mining profitability. Cryptocurrency prices are erratic and are determined by supply and demand.

In order to protect itself from the high volatility of cryptocurrency prices, Northern Data aims to hold a portion of its cryptocurrency holdings as a long-term investment, entailing the risk of value fluctuations.

It should be noted that the cryptocurrency market is still highly speculative. This is reflected in the high daily trading volume in relation to capitalization. Bitcoin's average volatility is still 1-5 percent per day.***** For other types of cryptocurrencies (altcoins), average daily volatility can be 10-25 percent or more.

Any news about cryptocurrencies in popular news sources is almost immediately reflected in the price of one cryptocurrency or another. For example, when news broke of the legalization of bitcoin exchanges in Japan, the price immediately jumped by USD 1,000.***** Conversely, the market immediately reacted with a massive correction when the Chinese government announced in early 2018 that it would introduce full control over cryptocurrencies. Consequently, market risk relating to cryptocurrencies is affected by information risk.

1.3.10. RISKS FROM THE CHANGE OF THE ETHEREUM (ETH) NETWORK FROM THE POW***** TO THE POS***** ALGORITHM

The majority of GPU servers located at Northern Data are set to the proof-of-work consensus algorithm for Ethereum. With the transition to Ethereum 2.0, the change of the consensus algorithm from Proof-of-Work (PoW) to Proof-of-Stake (PoS) is expected to occur in 2022.

After the algorithms change, the GPU servers might not be needed for Ethereum mining, which in turn risks not having sufficient customer contracts for the corresponding alternative HPC applications. Once this occurs, the GPU servers for HPC business will be utilized to mine other altcoins.

1.3.11. LIQUIDITY RISK

The construction phases for the data centers entails detailed planning schedules and extensive purchases. Liquidity risk refers to the risk that Northern Data is unable to meet its financial obligations.

In the event that the company were to fail to generate sufficient earnings internally, it would be dependent on obtaining additional equity financing and/or external financing to cover its financial requirements. If it did not succeed in covering such further financial requirements on financially viable terms, this could have considerably negative consequences for the company's financial position and performance. As part of the listing of the shares on the Open Market of the Munich Stock Exchange, the shares are also exposed to valuation by the capital market. To this extent, in relation to its business model Northern Data may be limited in terms of the financing that can be raised via the capital market.

Northern Data's objective in managing liquidity is to ensure that, as far as possible, cash is available in sufficient volume to meet payment obligations under both normal and stress conditions. The aim in this context is to prevent insolvency or lasting damage to the company's image.

Accordingly, Northern Data limits liquidity risk by implementing liquidity management. The availability and costs of financing options are continuously monitored. A key objective here is to ensure a high degree of flexibility for Northern Data and to minimize potential repayment risks.

In the future acquisition of hardware, the Group is to receive partial deliveries, which are to be resold

***** Crypto Volatility : Volatility

***** **Japan Recognises Bitcoin as Currency Starting April 2017 (newsbtc.com)**

***** PoW (Proof of Work) <https://currency.com/proof-of-work-definition>

***** PoS (Proof of Stake) <https://currency.com/proof-of-stake-definition>

directly to future customers. The refinancing is to be realized to a large extent through prepayments from customers. In most cases, the procurement transactions will be pre-financed by customers. This ensures liquidity for the acquisition of hardware.

In the subsequent commissioning of the systems and day-to-day business, electricity costs, in particular, are a key cost and risk factor, as these costs represent corresponding cash outflows in the operation of the hardware. In order to ensure long-term liquidity in this context, the Group enters into long-term business relationships with its contractual partners.

The business model is geared to generating cash inflows on an ongoing basis, which continuously grow or accumulate, or can be utilized as a basis for growth investments. A lack of such inflows would pose a potential risk to sustaining growth investments in the medium term. Besides this, the cash outflows associated with operating expenses are offset by cash inflows from prepayments or near-period billing.

1.3.12. MARKET RISK (OVERARCHING)

Market risk is a financial risk arising from adverse changes in market value, or other market data within a market.

Market price fluctuations can lead to significant earnings risks and cash flow volatility risks for Northern Data. In particular, changes in exchange rates, cost prices and interest rates impact on the Group's operating business as well as its investing and financing activities. In order to optimize the allocation of financial resources across the Group's entities and achieve its objectives, Northern Data identifies, analyzes and manages the related market price risks. Northern Data seeks to manage and monitor these risks primarily as part of its ongoing business and financing activities.

1.3.13. ELECTRICITY PRICE AND AVAILABILITY RISKS

After the successful commissioning of hardware, the electricity price represents a further relevant risk factor. Secure power supplies at favorable costs are essential to Northern Data's business. On the one hand, therefore, the trend in prices on global energy markets and their possible volatility is of great importance to the company. In order to avoid the risk of electricity price fluctuations, long-term contracts are concluded with electricity suppliers and grid operators. In addition, the risk of fluctuating electricity prices is minimized by means of further contractual mechanisms. A hypothetical change in electricity costs of +/- 5 % as of the balance sheet date would lead to a theoretical change in the Group's 2021 forecast EBITDA of kEUR 1,253.

On the other, any circumstance that could lead to an interruption in the power supply of the data centers has a direct bearing on computing performance. This could be the case if the energy suppliers experience technical failures that have a negative effect on power generation and transmission. In this context, administrative decisions, such as more stringent environmental requirements in connection with energy supply, could also have a negative impact. Direct damage to the data centers, e.g. due to

severe weather conditions, could also cause outages. However, availability risk is to be minimized by selecting locations with good, predefined conditions (in terms of electricity and grid capacities).

1.3.14. RISKS FROM SUPPLY BOTTLENECKS

The global shortage of silicon chips and other coronavirus-related production bottlenecks are causing delays in the manufacture of servers. Shortages in international transport capacity may lead to delayed deliveries. In turn, this may lead to an inability to generate computing power and convert it into cryptocurrency in planned volumes, which in turn may negatively impact revenue recognition from the sale of cryptocurrency assets and computing power.

1.3.15. INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The risk always arises when the interest terms for financial assets and liabilities differ.

Where Northern Data has entered into contracts with interest rate agreements, fixed rather than floating interest rates have been agreed. In this way, Northern Data counters the risk that, in a scenario of rising interest rates, expenses for refinancing funds will become more expensive and thereby be reflected in the income statement as higher interest expenses. Given both favorable business performance by Northern Data and changes in market conditions and expectations, Northern Data might be able to refinance in the market or invest funds at more favorable rates than in prior periods. This leads to asset value risk for Northern Data. The Group recognizes fixed rate debt at fair value through profit or loss.

Northern Data's interest rate risk derives primarily from financing in US dollars and euros. Insofar as country-specific regulations do not conflict with this, funds are raised and invested within the Group.

CURRENCY RISKS

Currency risk is the risk associated with the uncertainty relating to future exchange rate movements, which affects amounts to be paid and received.

Some Northern Data Group companies are located outside the Eurozone. The reporting currency of Northern Data is the euro, which requires companies to present their financial statements in euros for the purpose of preparing consolidated financial statements. In order to take account of the risks deriving from currency translation in risk management, it is generally assumed that investments in foreign companies are made on a long-term basis and that their results are continuously reinvested. The effects of exchange rate fluctuations on the translation of net asset items into euros are recognized in equity.

Northern Data is exposed to risks associated with changes in foreign exchange rates when entering

into transactions with international counterparties that generate future cash flows denominated in foreign currencies or in currencies other than the Group's functional currency. Northern Data Group companies are particularly exposed to exchange rate fluctuations between the US dollar and the euro in the course of their operating activities. Northern Data manages foreign currency risk by sourcing advance services and intermediate inputs in the relevant foreign currencies and providing services in local markets.

In order to mitigate currency risk, Northern Data's contracts are structured such that the amounts due from Northern Data are denominated in the same currency as the Group's payment obligations. Within the Group, the settlement of transactions, including intra-group financing and investments, is predominantly carried out in euros and US dollars in order to limit the risk of currency fluctuations.

A hypothetical change in the US dollar exchange rate of +/- 5 % as of the balance sheet date would result in a theoretical change in the Group's 2021 forecast EBITDA of kEUR 5,837, with the exchange rate fluctuation having a hypothetical effect on revenue of kEUR 10,196.

COUNTERPARTY RISK

Counterparty risk is the risk of unexpected loss if the counterparty fails to meet its obligations in full and on time, or if collateral loses value. Northern Data provides direct and indirect financing to its suppliers, primarily in the form of prepayments. The associated counterparty risks are reduced by the creditworthiness of the debtor, the value of collateral, and the success of the respective projects in which Northern Data has invested.

Counterparty risks arise mainly from the procurement transactions described below. The Northern Data Group sources its hardware from suppliers in China and Taiwan, where prepayments are also made in proportion to the total order. This gives rise to a possible counterparty risk, as it is possible that the prepayments made may be lost without adequate consideration. Northern Data aims to work with those manufacturers that deliver high quality. The Group also pays attention to the long-term stability of its counterparties, which has a beneficial effect on the assessability of counterparty risks. Accordingly, in the pre-selection of manufacturers, attention has been paid not only to quality but also to reliability. Further risks include a possible loss of access to important third-party suppliers and vendors as well as contingent liabilities in connection with acquisitions. The construction phase of the data centers, in particular, involves more extensive purchases that harbor a potential risk of failure. Customers are directly involved in the purchasing process with the manufacturers on a contractual basis.

RISKS FROM TECHNICAL PROGRESS, LOSS OF KNOW-HOW

Moreover, the company might fail to anticipate market developments, technology trends and new scientific findings in a timely manner. This could lead to a negative trend in terms of competitive

position. New technological developments on the part of competitors could lead to Northern Data's technological lead being reduced or even lost. Likewise, the emergence of new strong competitors or new business models that were not previously identified or not identified in time remains a possibility. In addition, Northern Data depends on customers leaving their hardware with the Group. As soon as the customers' applications are no longer worthwhile from their point of view, a risk exists of loss of revenues, unless minimum purchase obligations exist.

Northern Data's business activities are based on know-how that has been developed by a few key experts within the company. The loss of such key individuals may lead to considerable negative effects. In the event that such employees leave the company, the organization loses such individuals, or is not able to hire suitable experts and managers on fixed terms, this may jeopardize the company's business activities.

STRATEGIC RISKS (POLITICAL RISKS AND LEGAL UNCERTAINTIES)

Due to its overseas activities the company is also exposed to potential political risks and legal uncertainties in the respective countries. Northern Data counters credit risks due to a lack of political security and acceptance of business locations through diversified data center locations in politically stable regions and countries.

The impact of the coronavirus crisis is global and poses a potential risk primarily because the potential effects of the crisis on Northern Data's business are difficult to forecast due to a lack of precedent. To a greater or lesser extent, this affects customers, business partners, suppliers as well as the company's own management and employees. It goes without saying that this risk for the workforce is minimized in personal dealings through the appropriate safety precautions as well as preventative measures. In particular, any restrictions and delays in the international movement of goods and people due to the crisis may pose a risk to Northern Data's highly international business.

A further risk is posed by a renewed intensification of the pandemic situation with a possible renewed shutdown. Such a scenario could bring global supply chains to a standstill and severely depress the overall global economy, leading to a global recession. Moreover, given that substantial fiscal policy measures were implemented last year to strengthen the economy, governments' scope for maneuver in terms of monetary policy is limited. For this reason, the economic consequences of a renewed lockdown could be far more serious due to an absence of further government measures.

Moreover, a further layer of uncertainty arises from the actions of state governments in relation to cryptocurrencies. For example, the actions of the Chinese government have recently had a significant impact on the bitcoin price. Furthermore, uncertainties exist concerning the extent to which central banks will regulate digital currencies or even plan their own currencies. This would negatively affect the business model of some of Northern Data's customers.

CYBER AND INFORMATION SECURITY RISKS

An increase in cybercrime is observable worldwide, while the digitization of many areas of life is progressing at the same pace. Functional security of the company's internal networks forms an extremely important basis for Northern Data's business. For this reason, Northern Data goes to great lengths to

protect its own information technology and the security of the software it runs in its data centers. The Group is aware of the risks associated with the increasing professionalization of computer crime. For this reason, systems are permanently checked. These systems are designed to avert potential attacks and protect sensitive data.

1.4. Forecasts and future trends

MACROECONOMIC TRENDS

For Germany, the IFO Institute expects overall sentiment to brighten in 2021, with GDP forecast to recover from -4.6 percent in 2020 to +2.5 percent in 2021, and to as much as 5.1 percent in 2022. This forecast assumes that infection rates will remain under control to such an extent that renewed government restrictions are not necessary, and assuming that no voluntary restraint on consumption occurs. However, value added in the manufacturing sector is shrinking as a consequence of supply bottlenecks affecting key intermediate products for industry.

According to the IFO, the currently prevailing price momentum is a temporary phenomenon. Consequently, the inflation rate is expected to rise further to around 4.5 percent by the end of the year. Only in the coming year will it gradually fall again and approach the 2 percent level.

The IMF is even more confident and forecasts growth of 3.6 percent for Germany this year. The IMF also forecasts a recovery from the coronavirus crisis for the global economy: this applies especially to rich industrialized nations, whereas the situation is likely to deteriorate for emerging economies, among others. Accordingly, growth in industrialized countries is expected to amount to 5.6 percent. In contrast, the forecast for developing and emerging market economies for 2021 was reduced to 6.3 percent.

For the following year in 2022, the IMF sees the global economy expanding by 4.9 percent. For example, the IMF raised its growth forecast for the USA alone, the world's largest economy, to 4.9 percent for the coming year. Germany's economy is also anticipated to report stronger growth in 2022: following a

forecast of 3.4 percent in April 2021, the IMF now expects growth of 4.1 percent.

REVENUE TRENDS

In 2021, the Group plans to build a GPU-based distributed computing cluster for HPC applications at its sites in Norway, Sweden, the Netherlands, Canada and Germany. Tasks are being split across multiple computer systems in order to enhance efficiency and performance. This is creating the necessary conditions for applications in the areas of artificial intelligence, deep learning, rendering and the Internet of Things ("IoT").

Due to the acquisition of Decentric in August 2021, the majority of the acquired servers are in operational condition. The company expects to complete the installation of the remaining GPU servers no later than by the end of the 2021 fiscal year. Since August 2021, revenue has been generated from the sale of computing services.

The acquisition of a substantial majority interest in Bitfield in 2021 enables Northern Data to secure access to the bitcoin market. Northern Data began generating its first revenue from the sale of computing power in September 2021.

Furthermore, the Group gained two additional hardware customers in the US market in 2021. Northern Data AG supplies the customers with hardware and provides the hosting service for the respective customer. The variable, profit-related remuneration model will be retained for these customers.

On the basis of developments to date in the 2021 fiscal year, taking into consideration the opportunities and risks as presented, and depending on how profitability in the mining area unfolds, the Management Board anticipates Group revenue in the following range in the 2021 fiscal year:

	Lower limit	Upper limit
Mining profitability of Ethereum (USD)	0.075	0.095
Mining profitability of bitcoin (USD)	0.20	0.40
Revenue (EUR)	180 million	220 million

EARNINGS TRENDS

This operating EBITDA forecast includes the current business. Neither special effects from the divestiture of Whinstone US, Inc. nor effects from the current fiscal year of Whinstone US, Inc. up to the divestiture date, nor other acquisition-related extraordinary items are included here.

The acquisition of Decentric and the Bitfield Group in the 2021 fiscal year enables Northern Data to secure the immediate recognition of revenue from the provision of computing power for crypto mining from the respective acquisition dates.

The Group is currently pressing ahead with the expansion of its existing data centers and delivery of the outstanding servers. The EBITDA forecast was prepared on the assumption of a rapid expansion of the data centers. If the data centers are not built out in a timely manner, delays may put Northern Data at risk of not being able to meet its forecast. We refer to the corresponding comments in the risk report.

The positive trend in EBITDA particularly reflects high revenue from the sale of computing services for crypto mining.

In the 2021 fiscal year, the Management Board anticipates Group EBITDA in the following range:

	Lower limit	Upper limit
Mining profitability of Ethereum (USD)	0.075	0.095
Mining profitability of bitcoin (USD)	0.20	0.40
EBITDA (EUR)	100 million	125 million

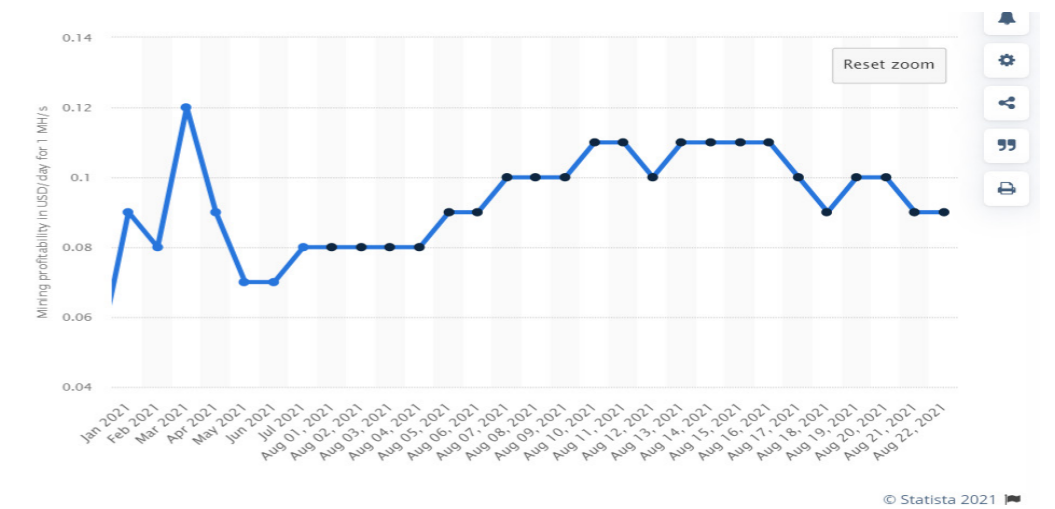
Mining profitability is directly dependent on the respective cryptocurrency price as well as the dimensions of the relevant network. We do not know how the price and profitability of either Ethereum or bitcoin will actually perform in 2021.

Mining profitability serves as a core measure to assess the profitability of computing power. For our calculations, we took a conservative approach and assumed mining profitability for Ethereum and bitcoin within the above ranges.

BTC mining profitability (in USD)*****



ETH mining profitability (in USD)*****



OVERALL STATEMENT ON THE GROUP'S ANTICIPATED DEVELOPMENT

In the 2021 fiscal year, the Management Board anticipates significant revenue growth as well as a considerable year-on-year improvement in Group EBITDA. The statements relating to future business trends reflect assumptions based on the current market situation. If the current market situation changes, such changes may affect the figures that have been forecast. Mining profitability for bitcoin and Ethereum, hardware deliveries on schedule, and data center capacity build-out on schedule are important for the achievement of the forecast. In addition, effects may arise from the recognition of cryptocurrency positions and transactions, as well as from the divestiture of Whinstone and the acquisition of Decentric and Bitfield.

***** Bitcoin, Litecoin, Namecoin, Dogecoin, Peercoin, Quarkcoin, Worldcoin, Feathercoin statistik (bitinfocharts.com)

***** Bitcoin, Litecoin, Namecoin, Dogecoin, Peercoin, Quarkcoin, Worldcoin, Feathercoin statistik (bitinfocharts.com)



2. Annual Report

2.1. Consolidated statement of comprehensive income

	Note	2020 EUR	2019 EUR
Revenue	6.1	16.377.361	10.131.889
Changes in inventories		-1	-62.914
Other income	6.2	2.400.612	29.261
Total operating revenue		18.777.972	10.098.236
Cost of materials	6.3	-10.284.949	-12.148.046
Personnel expenses	6.4	-5.546.733	-928.334
Other expenses	6.5	-15.291.080	-1.693.357
Operating result before interest, tax, depreciation and amortization – EBITDA		-12.344.790	-4.671.501
Depreciation, amortization and impairment losses	7.1; 7.2; 7.3	-18.131.080	-3.894.008
Operating result before interest and tax – EBIT		-30.475.870	-8.565.509
Financial income	6.6	16.026	180.338
Financial expenses	6.7	-53.252.105	-1.024.331
Financial result		-53.236.079	-843.992
Result before tax		-83.711.949	-9.409.501
Income taxes	6.8	-546.539	131.174
Consolidated net profit/loss for the year		-84.258.488	-9.278.327
of which attributable to shareholders of Northern Data AG		-84.258.488	-9.278.327
Other comprehensive income			
Foreign currency translation		-6.335.922	-
Items that may be reclassified to profit or loss in the future		-6.335.922	-
Other comprehensive income		-6.335.922	-
Total comprehensive income		-90.594.410	-9.278.327
of which attributable to shareholders of Northern Data		-90.594.410	-9.278.327
Earnings per share			
Undiluted (basic)	EUR	-7,38	-1,25
Diluted	EUR	-5,7	-1,25

The above consolidated statement of comprehensive income must be read in conjunction with the notes to the financial statements presented below.

2.2. Consolidated balance sheet

ASSETS	Note	31.12.2020 EUR	31.12.2019 EUR	01.01.2019 EUR
Non-current assets		407.562.206	8.588.650	11.182.063
Goodwill	7.1	43.479.382	-	-
Other intangible assets	7.1	94.683.996	7.850	13.903
Property, plant and equipment	7.2	234.201.092	5.017.085	4.837.429
Rights of use from lease agreements	7.3	12.933.483	3.371.456	6.330.731
Interests in other companies	8.3.1; 8.9	1.450.622	3.500	-
Other assets	7.5	20.813.631	-	-
Deferred tax assets	6.8	-	188.759	-
Current assets		95.014.851	3.496.973	3.349.069
Inventories	7.4	11.874.570	57.571	120.485
Trade receivables	6.1.1; 8.2	2.292.659	50	-
Receivables due from companies in which an equity investment is held	8.3.1	267.268	-	-
Rights of use from lease agreements	7.3	16.540	-	-
Income tax receivables	6.8	-	-	8.144
Other assets	7.5	6.701.546	191.658	221.166
Cash and cash equivalents	4.3.7; 8.2	73.862.268	3.247.694	2.999.274
Total assets		502.577.057	12.085.623	14.531.132

EQUITY AND LIABILITIES	Note	31.12.2020 EUR	31.12.2019 EUR	01.01.2019 EUR
Equity		176.524.943	-8.470.838	807.489
Subscribed share capital	7.6	14.639.684	7.441.500	7.441.500
Capital reserve	7.6	216.504.263	582.256	582.256
Contributions rendered to implement the approved capital increase	7.6	52.470.000	-	-
Translation differences	7.6	-6.335.922	-	-
Net accumulated loss	7.6	-100.753.082	-16.494.594	-7.216.267
Non-current liabilities		49.861.665	16.107.125	7.969.419
Financial liabilities	7.8	17.108.596	15.587.667	4.561.804
Lease liabilities	7.3; 7.8	13.874.563	437.356	3.405.615
Contract liabilities	6.1.1 f.	2.481.592	-	-
Provisions	7.7	5.200	24.517	2.000
Deferred tax liabilities	4.3.6; 6.8	14.354.390	57.585	-
Other liabilities	7.9	2.037.324	-	-
Current liabilities		276.190.449	4.449.335	5.754.224
Financial liabilities	7.8	27.558.475	-	-
Lease liabilities	7.3; 7.8	895.910	2.968.258	2.905.801
Trade payables	7.8	20.246.385	979.941	2.601.149
Contract liabilities	6.1.1 f.	1.522.219	-	-
Income tax liabilities	6.8	7.130.695	-	-
Provisions	7.7	899.237	25.000	40.315
Other liabilities	7.9	217.937.528	476.136	206.959
Total equity and liabilities		502.577.057	12.085.623	14.531.132

The above consolidated balance sheet must be read in conjunction with the notes to the financial statements presented below.

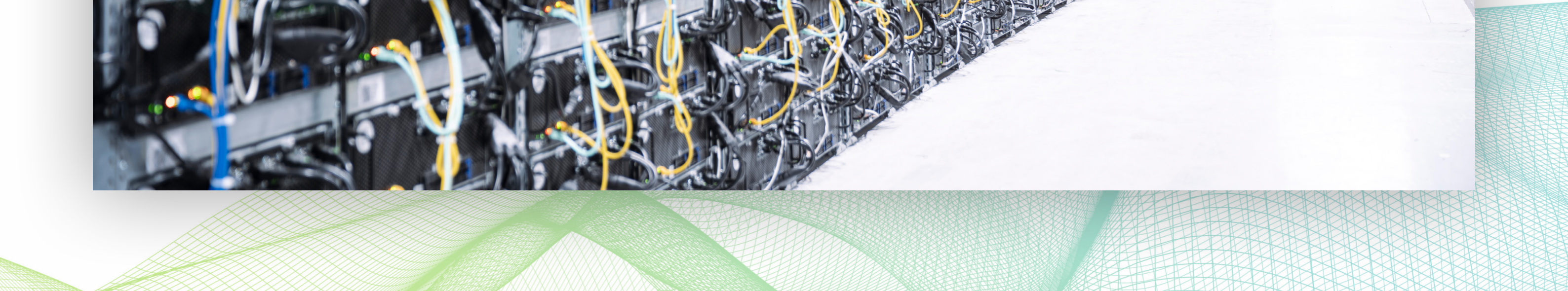
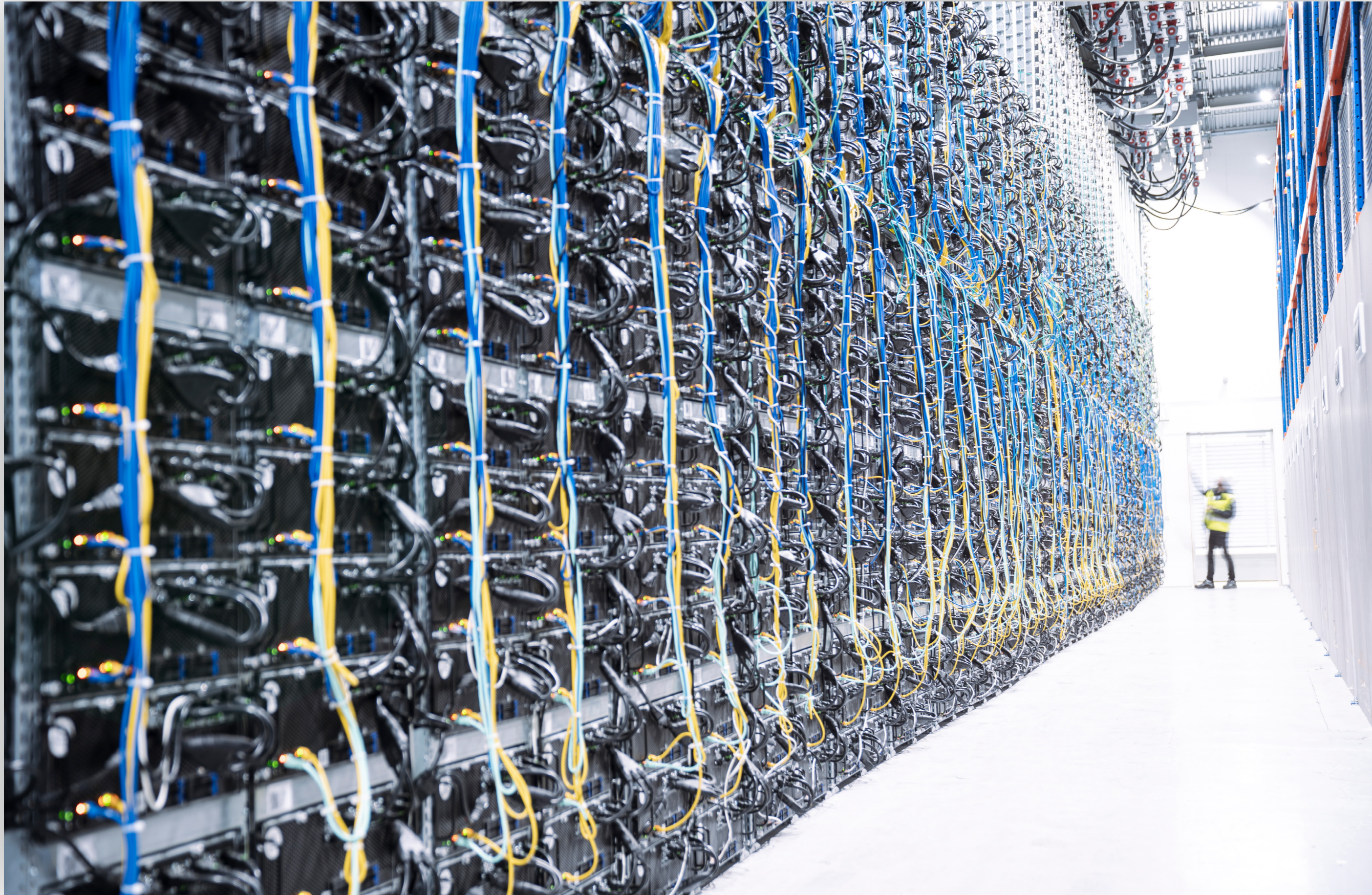
2.3. Consolidated statement of changes in equity

EUR	Subscribed share capital	Capital reserve	Translation differences	Net accumulated loss	Total
Balance as of 1-Jan-19	7.441.500	582.256	-	-7.216.267	807.489
Consolidated net profit/loss for the year	-	-	-	-9.278.327	-9.278.327
Balance as of 31-Dec-19	7.441.500	582.256	-	-16.494.594	-8.470.838

EUR	Note	Subscribed share capital	Capital reserve	Contributions rendered to implement the approved capital increase	Translation differences	Net accumulated loss	Total
Stand 01.01.2020		7.441.500	582.256		-	-16.494.594	-8.470.838
Consolidated net profit/loss for the year		-	-		-	-84.258.488	-84.258.488
Foreign currency translation		-	-		-6.335.922	-	-6.335.922
Other comprehensive income		-	-		-6.335.922	-	-6.335.922
Total comprehensive income		-	-		-6.335.922	-84.258.488	-90.594.410
Issuance of ordinary shares		1.116.225	0.585.025	52.470.000	-	-	104.171.250
Issuance of ordinary shares in connection with mergers	8.2; 8.2.1	3.804.084	120.787.437		-	-	124.591.521
Convertible bond servicing	8.2; 8.2.1	2.277.875	46.539.244		-	-	48.817.119
Deduction of direct transaction costs	7.6.2	-	-2.694.103		-	-	-2.694.103
Share-based compensation	8.4.2; 8.4.38.4	-	704.404		-	-	704.404
Transactions with shareholders		7.198.184	215.922.007	52.470.000	-	-	275.590.191
Balance as of 31-Dec-20		14.639.684	216.504.263	52.470.000	-6.335.922	-100.753.082	176.524.943

2.4. Consolidated statement of cash flows

kEUR	Note	2020	2019
Net profit or loss		-84,258	-9,278
Amortization, depreciation and impairment losses	7.2	18,131	3,894
Increase / decrease in provisions	7.7	856	7
Other non-cash income expenses	6.2; 6.5	704	0
Decrease / increase in inventories, trade receivables and other assets not allocable to investing or financing activities		-28,582	-88
Increase / decrease in trade payables and other liabilities not allocable to investing or financing activities		216,372	-1,384
Financial expenses / financial income	6.6; 6.7	53,236	843
Income tax expense	6.8	7,025	0
Cash flow from operating activities		183,484	-6,006
Cash outflows for investments in intangible assets	7.1	-2,304	0
Cash outflows for investments in property, plant and equipment	7.2	-216,139	-1,108
Cash outflows for investments in financial assets	8.2	-1,447	-4
Cash inflows from additions to the consolidation scope	5	8,297	0
Interest received	6.6	16	-
Cash flow from investing activities		-211,577	-1,112
Proceeds from equity contributions by shareholders of the parent company (cash capital increases)	7.6.2	104,172	-
Cash outflows in connection with capital measures	7.8	20,968	10,465
Cash inflows from issuing bonds and raising (finance) loans	7.8	-18,189	-
Cash outflows from the repayment of bonds and financial loans and liabilities from leasing agreements	7.8	-3,020	-2,906
Cash outflows for the repayment of financial liabilities to shareholders of the parent company	6.5; 6.7	-2,179	-192
Interest paid		99,058	7,367
Cash flow from financing activities		70,965	248
Net change in cash and cash equivalents		-351	-
Currency-related change in cash and cash equivalents		3,247	2,999
Cash and cash equivalents at the end of the period		73,861	3,247
Composition of cash and cash equivalents			
Cash and cash equivalents		73,862	3,247
Liabilities to banks due at any time		-1	0
		73,861	3,247



Notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

3. Information about the company and basis of the preparation of the consolidated financial statements

3.1. Reporting company

Northern Data AG (hereinafter referred to as the "Company") is a publicly listed stock corporation with its registered headquarters in Frankfurt, Germany. The business address is: An der Welle 3, 60322 Frankfurt am Main, Germany. Northern Data AG is registered at the Municipal Court of Frankfurt am Main (Commercial Register Sheet No. 106 465).

Northern Data AG, as the parent company, together with its direct and indirect subsidiaries, forms the Northern Data Group (hereinafter also referred to as "Northern Data" or the "Group"). Northern Data develops and operates global infrastructure solutions in the High Performance Computing (HPC) area. The focus here is on the expansion of both stationary and mobile data centers, the development of the HPC business segment, the provision of hosting services and the hardware required for this.

The shares of Northern Data AG are traded on the Open Market of the Frankfurt Stock Exchange and the Munich Stock Exchange (m:access).

Until 2019, Northern Data AG was primarily active in bitcoin mining, operating a stationary data center in Norway and developing high-tech mobile data centers. As part of the merger with Whinstone US, Inc. of Rockdale, Texas, and the realignment of the business model, bitcoin mining was discontinued at the end of 2019. With the completion of the acquisitions of Decentric Europe B.V. (hereinafter also referred to as Decentric), Amsterdam, Netherlands, and Bitfield N.V., The Hague, Netherlands (formerly Bitfield AG, Hofheim am Taunus) (hereinafter also referred to as Bitfield) in August and October 2021, the company currently has a strong focus on providing computing power for crypto mining, including using its own hardware.

Due to the first-time consolidation of Whinstone US, Inc., Rockdale, USA, and of the companies of the Kelvin Emtech Group, Montreal (Quebec), Canada, as well as effects from a change in the business model, comparability of figures in the reporting period with the corresponding figures from the comparative period in the preceding year is limited.

3.2. Basis of preparation of the financial statements

Northern Data AG prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted by the European Union. In addition, commercial law provisions in accordance with Section 315e (1) of the German Commercial Code (HGB) are applied in these financial statements.

The financial statements of the companies included within the consolidated group are based on uniform IFRS accounting policies. The fiscal year for all consolidated companies within the Group corresponds to the calendar year.

This consolidated annual financial report as of December 31, 2020 is the first annual report prepared in accordance with IFRS accounting standards. For periods up to and including December 31, 2019, Northern Data AG prepared annual financial statements in accordance with the German Commercial Code (HGB).

Companies newly acquired in the fiscal year under review are included in the consolidated financial statements from the time when control is acquired, in accordance with IFRS 10.

As a matter of principle, the consolidated financial statements have been prepared on the basis of historical cost, with the exception of financial assets and liabilities (including derivative financial instruments) recognized either through profit or loss or through other comprehensive income. A distinction is drawn on the balance sheet between current and non-current assets and liabilities. The consolidated income statement has been prepared applying the nature of expense method. The consolidated financial statements are prepared in euros, which is the reporting currency. Unless stated otherwise, all figures are shown in thousands of euros. The tables and figures presented may contain differences due to rounding.

Northern Data Software GmbH has utilized the exemption pursuant to Section 264 (3) HGB for the 2020 fiscal year and has submitted the declarations required for this purpose to the electronic Federal Gazette (Bundesanzeiger) for publication.

Northern Data has applied the same accounting policies in its opening IFRS balance sheet and throughout all periods presented in its first IFRS financial statements. The accounting policies are in accordance with IFRS as adopted by the European Union and effective at the end of the first IFRS reporting period (December 31, 2020).

3.3. Principles of consolidation

Scope of consolidation

Subsidiaries are companies that are directly or indirectly controlled by Northern Data AG. Control exists only when Northern Data AG is exposed, or has rights, to variable returns from its involvement with an investee, and has the ability to affect those returns through its power over the investee.

In accordance with the principles of full consolidation, the consolidated financial statements of Northern Data AG include all domestic and foreign subsidiaries over which Northern Data AG exercises direct or indirect control, and which are not of minor significance.

Number	2020	2019
Northern Data AG and fully consolidated subsidiaries		
Germany	2	1
Abroad	7	-
Non-consolidated subsidiaries		
Germany	-	-
Abroad	3	1
Total	13	2

The companies Northern eCloud ehf. DRÖG, Reykjavík, Iceland, Northern Data NOR AS, Oslo, Norway, and Whinstone Security LLC, Rockdale, Texas, USA, were not included in the scope of consolidation for reasons of materiality.

A complete list of shareholdings is presented in note 8.9 "List of shareholdings of Northern Data AG pursuant to Section 313 (2) Nos. 1 to 4 HGB".

Consolidation methods

Subsidiaries are fully consolidated applying the purchase method from the date on which control is transferred, and deconsolidated from the date on which control is lost.

Capital consolidation is performed by offsetting the carrying amounts of the investments against the pro rata equity of the subsidiaries. In accordance with IFRS 3, initial consolidation is performed using the purchase method by offsetting the acquisition costs against the fair values of the identifiable assets acquired as well as the liabilities and contingent liabilities assumed at the acquisition date. To the extent that the acquisition costs of the investment exceed the proportionately acquired remeasured equity, goodwill arises. If the difference is a liability of a debt nature, the purchase price calculation and allocation is reviewed. In particular, identified assets and assumed liabilities, any non-controlling interests in the acquiree, the acquirer's previously held equity interest in the acquiree in a business combination achieved in stages, and the transferred equity interest are taken into account. If this has been correctly taken into account, any remaining negative goodwill is recognized in other income.

Intragroup transactions are eliminated. Receivables and liabilities between consolidated companies are offset against each other. Intragroup profits and losses are eliminated and intragroup income is offset against corresponding expenses.

Foreign currency translation

The financial statements of subsidiaries from countries outside the Eurozone are translated in accordance with the functional currency concept. The functional currency for subsidiaries is based on the primary environment in which they operate. In the Group, the functional currency of all companies corresponds to the respective national currency. The reporting currency for the consolidated financial statements is the euro (EUR).

Transactions in foreign currencies are translated at the relevant foreign exchange rates on the transaction date. In subsequent periods, monetary assets and liabilities are measured at the closing rate and translation differences recognized in profit or loss. Non-monetary items measured at historical cost in a foreign currency are translated applying the exchange rate on the transaction date. Furthermore, non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The financial statements of foreign subsidiaries whose functional currency is not the euro are translated into the Group currency, the euro, by applying the modified closing rate method. For the sake of simplicity, income statement items are translated at the average exchange rate for the year. Equity is translated at historical rates, and asset and liability items at the closing rate on the balance sheet date. All differences resulting from the translation of foreign currency financial statements are recognized in other comprehensive income.

The exchange rates on which currency translation into euro is based are shown below:

	2020
Reporting-date rate USD	0,8149
Average EUR/USD exchange rate since date of initial consolidation (Whinstone US, Inc.)	0,8693
Reporting-date rate CAD	0,6397
Average EUR/CAD exchange rates since initial consolidation date (Northern Data Canada)	0,6429
Average EUR/CAD exchange rates since initial consolidation date (Kelvin Emtech Group)	0,6437

3.4. Going concern basis

The preparation of the consolidated financial statements requires an assessment of the going concern basis. The Management Board has reviewed the forecasts for a period of at least 12 months from the date of approval of the consolidated financial statements. The Management Board has considered the impact of COVID-19 and has concluded that no material factors exist that could jeopardize the Group's ability to continue as a going concern.

Accordingly, the Management Board is of the opinion that it is appropriate to apply the going concern basis in the preparation of the consolidated financial statements.

3.5. IFRS standards applied

3.5.1. STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT ARE MANDATORY FOR FUTURE REPORTING PERIODS (PUBLISHED STANDARDS THAT ARE NOT YET MANDATORY)

The following new or amended accounting standards already adopted by the IASB were not taken into consideration in the consolidated financial statements for the 2020 fiscal year, as no obligation existed to apply them yet. Some of the effects of these new or amended accounting standards on the financial statements are still being examined.

Standards/Interpretations	Mandatory date of application in accordance with IASB from fiscal years commencing on or after	Mandatory date of application in accordance with EU from fiscal years commencing on or after	Effects
Insurance Contracts (IFRS 17)	01. Jan 23	EU endorsement pending	Not relevant
Amendments to IFRS 4	01. Jan 23	01. Jan 21	Not relevant
Amendments to IFRS 3 Reference to the Conceptual Framework	01. Jan 22	01. Jan 22	No significant effects are expected
Amendments to IAS 1 concerning the Classification of Liabilities as Current or Non-current	01. Jan 23	EU endorsement pending	No significant effects are expected
Amendments to IAS 1 and IFRS Practice Statement 2	01. Jan 23	EU endorsement pending	No significant effects are expected
Amendments to IAS 8	01. Jan 23	EU endorsement pending	No significant effects are expected
Insurance Contracts - deferral of IFRS 9	01. Jan 23	01. Jan 21	Not relevant
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	Postponed indefinitely	EU endorsement pending	No significant effects are expected
Property, Plant and Equipment: Proceeds before Intended Use (IAS 16)	01. Jan 22	01. Jan 22	No significant effects are expected
Onerous Contracts—Cost of Fulfilling a Contract (IAS 37)	01. Jan 22	01. Jan 22	No significant effects are expected
Annual Improvements to IFRS Cycle 2018-2020	01. Jan 22	01. Jan 22	No significant effects are expected
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase 2)	01. Jan 21	01. Jan 21	No significant effects are expected
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (all published on May 14, 2020)	01. Jan 22	01. Jan 22	No significant effects are expected
Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (published on March 31, 2021)	April 2021	30. August 2021	No significant effects are expected

Status as of August 31, 2021, according to the EFRAG EU Endorsement Status Report.

3.6. Discretionary decisions and estimation uncertainties

Discretionary decisions must be taken into account in two respects when preparing the consolidated financial statements. In addition to the need to interpret indeterminate terms and rules, the management must make (forward-looking) assumptions and estimates that may have a bearing on the financial position and performance. Estimation uncertainties arise particularly from forward-looking corporate planning.

Property, plant and equipment

In estimating the useful lives of assets, discretionary decisions are required on the part of the Group's management. In making such discretionary decisions, Northern Data considers, among other matters, the experience gained from comparable assets and from current and future technological changes.

Leases

Discretionary decisions were made in assessing whether to extend existing leases. Economic and operational factors were taken into account in the assessment of probability.

Revenue recognition

Identification of the customer contract

Discretionary decisions are required in determining whether contracts with third parties fall within the scope of IFRS 15. In this regard, Northern Data particularly considers whether the contract was negotiated with economic substance.

It may be the case that several contracts are concluded with the same customer. The Group treats such contracts as one contract for accounting purposes if the contracts are entered into at the same time or with a small time interval and are economically interrelated. Discretionary decisions are required when assessing whether different contracts are interrelated. This takes into account whether a single economic purpose has been negotiated, whether the consideration for one contract is contingent on the performance of the other contract, or whether some or all of the products in the contracts constitute a single performance obligation.

Identification of performance obligations

Contracts with customers often contain different products and services. As a rule, products and services are to be classified as separate performance obligations. The portion of the contract price allocated to them is recognized separately. However, the determination of whether a product or service is considered a separate performance obligation involves discretionary decisions. In particular, in the case of engineering and hosting activities, judgment is required to assess whether such services are significantly interdependent. As a rule, engineering services concern basic conceptual designs, whereas hosting involves simple maintenance measures. Products and services that cannot be distinguished independently are combined into a bundle of products and services that can be distinguished independently.

Determination of the transaction price

The company exercises judgment in determining the consideration Northern Data expects to receive for the transfer of a customer's promised products or services. This includes estimates of the amount of consideration to be paid. Discretionary decisions are based on comparable assets and services.

Products or services rarely include significant financing components. As a rule, no financing components are recognized, as generally less than one year elapses between the transfer of the products and services to the customer and payment by the customer (see note 6.1 "Revenue").

Allocation of the transaction price

Two different approaches are applied in order to determine individual selling prices.

If individual selling prices for an offering are observable and sufficiently uniform across customers (that is, not highly variable), the estimate of individual selling prices is based on historical prices. This approach is applied for standardized products and services.

Particularly in the case of new products and services for which the individual selling prices are not directly observable, the estimate is made on the basis of cost plus margin.

Northern Data's management constantly reviews the inputs in order to ensure that the inputs can be objectified. If significant changes in circumstances occur, the estimate is adjusted.

Timing and amount of revenue recognition

Judgment is involved in determining whether revenue from the products and services is to be recognized over a period or at a given point in time. Particular consideration is given to assessing whether the customer already has control and obtains economic benefits from the product or service while it is being provided. At Northern Data, this applies especially to hosting and engineering services.

In determining the timing, the Group uses a simplification principle (right to invoice), as monthly invoicing is performed and the Group is consequently entitled to the hours of work rendered. Accordingly, revenue is recognized to the extent of the amount that the company is entitled to invoice.

The exercise of judgment and estimation uncertainties exist in relation to variable compensation. In this context, revenue is recognized when it is considered to be sufficiently certain.

Discretionary decisions and estimates related to revenue recognition can affect the timing and amount of revenue recognized.

Purchase price allocation

For the purchase price allocation in the context of business combinations, assumptions must be made regarding the recognition and measurement of assets and liabilities. The determination of the fair value of the assets acquired and liabilities assumed on the acquisition date and the useful lives of the intangible assets and property, plant and equipment acquired is subject to assumptions. The measurement of intangible assets is based to a large extent on projected cash flows and discount rates. Actual cash flows may differ significantly from the cash flows applied in determining fair values, which may lead to different values and impairments. At the time when the financial statements were

prepared, it was assumed that with regard to estimation uncertainties or discretionary decisions no significant risk exists that a material change will arise within the next reporting period.

Discretionary decisions were also applied as part of the acquisition of Whinstone US, Inc., realized in return for the issue of equity instruments of Northern Data AG, in order to assess that in this case no reverse acquisition applied.

Goodwill impairment

In accordance with the accounting policy set out below, goodwill is tested for impairment at least annually, and additionally if indications exist of potential impairment. Goodwill is initially allocated to a cash-generating unit and tested for impairment on the basis of forward-looking assumptions. The COVID-19 pandemic did not lead to an indication of goodwill impairment in the 2020 fiscal year. Details are provided in the notes 3.7.5 "Goodwill" and 7.1 "Goodwill and other intangible assets".

Financial instruments

Information on the respective discretionary decisions and estimation uncertainties can be found in the notes 3.7.3.2 "Fair value" and 8.2 "Financial instruments".

Deferred tax assets

Deferred tax assets are recognized for all unutilized tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the loss carryforwards can be utilized. In determining the value of deferred tax assets, a significant discretionary decision by the Management Board is required with regard to the expected time of occurrence and the amount of future taxable income. Further details are provided in the note 6.8 "Income taxes".

Related parties

Discretionary decisions were made in identifying relationships related parties, in particular in determining significant influence between Northern Data and other companies, in the 2020 fiscal year.

3.7. Accounting policies

The main accounting policies are presented below.

3.7.1. BUSINESS COMBINATIONS

Business combinations are accounted for using the purchase method at the date on which control is transferred. The assets, liabilities and contingent liabilities of the acquired company identified in accordance with the provisions of IFRS 3 are measured at fair value at the acquisition date and compared with the cost of the consideration transferred. Any goodwill is determined by the excess of the cost of the acquisition over the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is tested for impairment at least once a year, and additionally if any indications of potential impairment exist. Any impairment is recognized as an expense. Impairment testing is performed in accordance with IAS 36.

Acquisition-related costs are expensed as incurred, with the exception of transaction costs in connection with the issue of new shares.

3.7.2. TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies are translated into the respective functional currency of the Group companies at the spot rate on the transaction date. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the exchange rate prevailing on the date when the fair value is determined. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate on the transaction date. Currency translation differences are recognized in profit or loss for the period, as a matter of principle, and reported within financial expenses.

3.7.3. FINANCIAL INSTRUMENTS

A financial instrument is a contract that originates a financial asset at one entity as well as a financial liability or equity instrument at another entity.

3.7.3.1. INTEREST INCOME AND INTEREST EXPENSES

Interest income and expenses are recognized in net interest income by applying the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial asset to the carrying amount of the financial asset or the carrying amount of the financial liability.

In determining the effective interest rate, all contractually agreed cash flows as well as all fees associated with the asset or liability that form an integral part of the effective interest rate, direct and incremental transaction costs and all other premiums and discounts are taken into account.

Interest income and expense are recognized by applying the effective interest rate to the gross carrying amount of the asset, or to the carrying amount of the liability. If the asset is not credit impaired, the calculation of interest income reverts to the gross carrying amount. For financial assets that become credit impaired after initial recognition, interest income is calculated in relation to the net carrying amount.

3.7.3.2. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction on the measurement date. The fair value of assets traded in active markets is determined on the basis of price quotations, provided that these represent prices that are used in regular and current transactions. The fair value of a liability reflects the risk relating to non-performance. Where available, Northern Data measures the fair value of financial assets and financial liabilities based on quoted prices in an active market for them.

In measuring fair value, Northern Data considers factors such as bid and ask spreads, as well as credit and financing risks. If the fair value of a financial asset or financial liability is derived from a modeling technique, the parameters used in that model are as a rule based on a mid-market price (note 8.2 "Notes concerning financial instruments").

Where quoted prices in an active market do not exist, Northern Data applies measurement techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The measurement techniques applied incorporate all factors that market participants would consider in pricing such a transaction. If an asset or liability measured at fair value has a bid price and an ask price, Northern Data measures assets and long positions at the bid price, and liabilities and short positions at the ask price.

The application of measurement techniques and models requires the management to make assumptions and estimates, whose extent depends on the transparency of the financial assets and financial liabilities and their markets, and the complexity of those assets and liabilities. If management decisions are required to a significant extent for such measurements, these are identified and documented. In the context of validating the models and assessments applied, subjectivity and estimation issues are assessed, in particular. Measurements to be assigned to Level 1 do not take into account any estimates made by the management, as a matter of principle. In Level 2, or in the case of measurement by means of models customary within the sector, and the use of inputs observable in active markets, limited consideration is given to management estimates. In Level 3, non-observable inputs, including historical data (particularly historical volatilities and historical spreads), are also used as part of measurement by means of models customary within the sector, as a consequence of which management estimates are incorporated to a broader extent. In principle, no trading activity exists for the financial assets and financial liabilities whose fair values are to be disclosed, so that significant estimates by the management are utilized in measuring the fair value. Where Northern Data is able to access measurement results from multiple measurement techniques, the management selects the estimate within the range that best reflects fair value. In addition, management may have to adjust their measurements in order to measure fair value. Measurement adjustments form part of the measurement process.

The best evidence of fair value on initial recognition of a financial asset or financial liability can be the transaction price, in other words, the fair value of the consideration transferred or received. If Northern Data determines that the fair value on initial recognition differs from the transaction price, on initial recognition Northern Data measures that financial asset or financial liability at fair value. The accounting treatment of the resulting difference is presented in note 7.8 "Financial liabilities".

Financial liabilities whose fulfillment is determined by Northern Data's financial performance (especially the convertible bond; see note 8.2.1 "Convertible bond") are not only to be repaid in the full contractually agreed amount if a company is performing in financial terms, and its financial performance is becoming stronger, but also lead to an increase in the value of the fair value of the financial liability.

If the difference identified reflects a gain, it is recognized in profit or loss on a systematic basis only to the extent that it arises from changes in factors (including time) that market participants would consider in pricing the liability, as well as over the expected life of the transaction. If the difference calculated represents a loss, it is recognized if it is probable that a loss has occurred, and this loss can be reliably estimated. Deciding how to recognize and to defer or accrue differences requires management decisions (see note 7.8.2 "Day-one gain or loss").

If no market values are available for the measurement of financial assets and financial liabilities, the fair values are determined by applying measurement models. The choice of the model, the assumptions and procedures to be used, as well as inputs, are decided by expert estimate. Parameters as well as quotes and prices are derived from third party sources, including stock exchanges. The sources of the inputs used are reviewed and assessed to ensure the quality of the fair value to be determined. Where possible, the results are compared with actual market transactions in order to ensure that the model valuations are calibrated against market prices. If verification is not possible due to a lack of observable data, the estimated fair value is assessed for appropriateness by applying suitable procedures.

IFRS 13 Fair Value

The fair value hierarchy of IFRS 13 is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Measurement inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as a price) or indirectly (that is, derived from prices).

Level 3: Measurement parameters for assets or liabilities that are not based on observable market data.

If, in determining the fair value of an asset or liability, inputs are used that can be assigned to different levels of the fair value hierarchy, the fair value measurement is assigned in its entirety to the level of the fair value hierarchy that corresponds to the lowest input that is significant to the fair value measurement as a whole.

Reclassifications between levels of the fair value hierarchy are recognized by Northern Data at the end of the reporting period in which the change occurs.

Further information on the assumptions used in determining fair values is provided below in note 8.2 "Notes concerning financial instruments".

Measurement techniques and significant unobservable inputs

The table below shows the measurement techniques used in determining Level 2 and Level 3 fair values and the significant unobservable inputs used.

As no comparable values are available for the financial assets and financial liabilities to be measured at fair value, and consequently the fair values have to be determined applying more complex modeling techniques, measurement techniques such as the discounted cash flow (DCF) method, which take into account current market conditions for credit, interest rate, liquidity and other risks, are applied. Modeling techniques for equity securities may also apply earnings multiples.

Trade and other receivables as well as trade and other payables are not shown in the following table as their carrying amount represents a reasonable approximation of fair value.

Sector-standard modeling techniques	Level 2 inputs	Level 3 inputs
DCF models	Estimated future cash flows	Estimated future cash flows
	Discount factors, market interest rates	Historical volatilities
	Implied volatilities	Beta factors
	Foreign currency exchange rates	Spread premiums to reflect subordination, sector risks, country risks
	Share prices	
	Forward electricity prices	
CRR model (binomial model)		

The fair values of structured financial liabilities are calculated by discounting the contractual cash flows using the relevant credit-risk-adjusted yield curve. The derivative components or derivatives associated with the host contract are valued by applying recognized DCF methods as well as option pricing models.

Northern Data discounts fixed-rate and variable-rate receivables with a remaining term of more than twelve months using an interest rate appropriate to the term, taking into account specific country risks, the customer's specific creditworthiness, and the risk structure of the financed project. Northern Data also determines the allowance for doubtful accounts for such receivables taking these issues into account. The determination of the fair value of financial assets and liabilities is based as far as possible on prices as of the balance sheet date as provided by pricing service agencies.

The fair value of liabilities to banks and other financial liabilities, as well as other non-current financial liabilities, is determined by Northern Data by discounting the expected future cash flows at the current interest rates for financial liabilities with comparable terms and remaining maturities (Level 2). Loans that are structured products or have embedded derivatives are assigned to the Level 3 valuation hierarchy if inputs not observable on the market are applied in the valuation.

3.7.3.3. IMPAIRMENT

For **financial assets measured at amortized cost** (other receivables, cash and cash equivalents, contract assets and trade receivables), the expected credit loss (ECL) model is applied in order to determine impairment in accordance with IFRS 9.

The expected credit loss is equal to the gross carrying amount, less collateral, multiplied by the probability of default and a factor reflecting the loss given default. Expected credit losses represent the probability-weighted estimates of credit losses. The calculation of the extent of credit loss represents a forward-looking assessment of future credit losses that involve significant estimation. Credit losses are measured as the present value of payment defaults. The expected credit loss is discounted at the effective interest rate of the financial asset.

In accordance with IFRS 9, the risk provisioning requirement is determined in three different stages, which differ with regard to the period under review, the amount of risk provisioning, and interest recognition. As a rule, financial instruments are classified in the first stage, unless they are already impaired assets as of the acquisition date.

- ▶ Stage 1: Includes financial instruments that at the reporting date have not had a significant increase in credit risk since initial recognition; 12-month expected credit losses are to be recognized in profit or loss.
- ▶ Stage 2: If a significant increase in default risk is identified on the measurement date, the risk provision must be recognized for the remaining term of the receivable (lifetime expected credit loss). The expected loss is a probability-weighted estimate of credit losses. Interest revenue is recognized on the basis of the gross carrying amount.
- ▶ Stage 3: Where objective indications of impairment exist, financial assets are to be allocated to Stage 3. Risk provisions are also calculated on the basis of the lifetime expected credit loss. Interest revenue is recognized on the basis of the gross carrying amount less the risk provision to be recognized.

In particular, contractual and statutory termination rights are also taken into account when forecasting the exposure over the entire term of the financial asset. The determination of whether the credit risk of a financial asset has increased significantly since initial recognition is based on both quantitative and qualitative information, as well as analysis based on the past experience of Northern Data and sound estimates, including forward-looking information. The overdue nature of a receivable carries significant weight in this regard. A significant increase in default risk is assumed if the internally determined counterparty risk has deteriorated by at least three notches since initial recognition. No significant changes in counterparty risk have arisen during the reporting period or since the initial recognition of the financial assets concerned. If objective evidence exists of an actual default, the transfer is made to Stage 3. Where external rating information is available, the expected credit loss is

determined on the basis of such data. Otherwise, ND determines default rates on the basis of historical default rates, taking into account forward-looking information relating to economic trends. A default or classification of a receivable as irrecoverable is assumed within the ND Group to have occurred after 180 or 360 days, depending on the region.

Cash and cash equivalents are receivables due on demand or in the short term from banks domiciled in Germany, the USA and Canada, each of which has an investment grade rating (rating: A+, AA, A-). Given the short-term nature of receivables due from banks with strong credit ratings, Northern Data utilizes the low credit risk exemption. Assets with investment grade ratings are always assigned to Stage 1.

Non-current assets and receivables relate, in particular, to deposits paid for electricity supply contracts.

The expected credit losses for **trade receivables, receivables from finance leases and for contract assets** are derived using a simplified approach with the expected credit losses over the entire term based on default probabilities, which are mainly derived from the results of receivables management monitoring activities. Expected credit losses on trade receivables and for other contract assets are determined on a collective basis, with the respective portfolio corresponding to a Group company.

As soon as a loan is identified as impaired, the risk provision is recognized in profit or loss for the respective period.

Northern Data classifies a financial asset as "in default" when an assessment has been made that it is unlikely that the debtor will discharge its obligation in full and Northern Data will have to resort to measures such as realization of collateral (where such collateral exists).

Depreciation, amortization and impairment losses

An impairment loss is applied to the gross carrying amount of a financial asset if Northern Data does not have a reasonable expectation that all or part of the financial asset will be recoverable. Northern Data applies an impairment loss to the gross carrying amount if the financial asset is past due, based on past experience of realizing such assets. Northern Data makes an individual assessment of the timing and amount of the impairment loss based on whether a reasonable expectation exists of recovery. Northern Data does not expect any significant recovery of the amount written off. Impaired financial assets may still be subject to enforcement measures for collection.

Financial assets are written off as uncollectible if recovery appears unlikely. This is generally the case if the deadline with respect to the insolvency or bankruptcy proceedings has expired, the financial asset is derecognized and all rights to payment expire, or the financial asset is transferred to a third party and there is no contractual right to receive cash flows from it.

3.7.3.4. CASH AND CASH EQUIVALENTS

Cash equivalents comprise all near-cash assets that have a remaining term of less than three months at the time of acquisition.

Cash and cash equivalents are measured at amortized cost, which due to their short-term maturity corresponds to their fair values as well as their nominal amounts.

3.7.3.5. CLASSIFICATION AND MEASUREMENT

Financial assets

Financial assets and liabilities are classified and measured on the basis of Northern Data's business model and the nature of the cash flows:

financial assets measured at amortized cost

- ▶ financial assets measured at fair value through other comprehensive income (debt instruments)
- ▶ financial assets measured at fair value through other comprehensive income (equity securities), and
- ▶ financial assets measured at fair value through profit or loss

Financial assets measured at amortized cost include:

- ▶ trade accounts receivable and payable
- ▶ receivables due from affiliated companies
- ▶ other receivables and assets
- ▶ cash and cash equivalents

Financial assets are classified at **amortized cost** if their purpose or business model is to be held, their contractual terms generate cash flows on specified dates that are solely repayments of principal and interest on principal outstanding, and their contractual cash flows are to be collected.

Northern Data makes an assessment of the objectives of the business model in which the financial asset is held at the level of the overall business, as this best reflects the manner in which the business is managed and information is provided to the management. The information to be considered includes:

- ▶ the management's stated strategy to realize the contractual cash flows
- ▶ how the results at the level of the overall business are evaluated and reported to the Group management
- ▶ the risks affecting the results of the business model (and the financial assets held under that business model), and how those risks are managed

For the purpose of determining whether the **contractual cash flows** represent **solely principal and interest payments**, Northern Data refers to the fact that

- ▶ the "principal amount" is defined as the fair value of the financial asset at initial recognition; and
- ▶ "interest" is defined as a charge for the time value of money and for the default risk associated with the principal outstanding over a period of time, as well as for other basic credit risks, liquidity risk, costs (for example, administrative costs) and a profit margin.

In assessing whether the contractual cash flows are solely payments of interest and principal on the principal amount, Northern Data considers the financial asset's contractual terms. This includes an assessment of whether the financial asset contains a contractual arrangement that could change the timing or amount of the contractual cash flows so that they no longer meet those conditions. In making its assessment, Northern Data considers, in particular, certain events that would change the amount or timing of cash flows, conditions that would adjust the interest rate, including variable interest rates, prepayment and extension options, and conditions that restrict Northern Data's right to

receive cash flows from a specific asset (for example, a lack of rights of recourse).

An early repayment option is consistent with the interest-only and principal-only criterion if the amount of the early repayment essentially includes unpaid interest and principal on the principal outstanding, and may include an appropriate consideration for the early termination of the contract. In addition, a condition for a financial asset acquired at a premium or discount to its contractual principal amount that permits or requires it to be repaid early for an amount that is essentially the same as its contractual principal amount, plus accrued (but unpaid) interest on the contract (which may include an appropriate consideration for early termination), is treated as complying with the criterion if the fair value of the early repayment option at inception is not significant.

All **financial assets** not classified **at amortized cost or at fair value through other comprehensive income** (FVOCI) and financial assets measured at fair value through profit or loss are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the income statement under the financial result.

Financial assets are **not reclassified after initial recognition** unless Northern Data modifies its business model for managing the financial assets. In this case, all financial assets that are affected by the modification are reclassified on the first day of the reporting period. When financial assets are reclassified, they are adjusted prospectively from the date of reclassification. Previously recognized gains, losses (including impairment losses or income) or interest, are not adjusted.

On initial recognition, Northern Data may irrevocably elect to **designate financial assets** that otherwise qualify for measurement at amortized cost, or at fair value through other comprehensive income, as **at fair value through profit or loss** if doing so results in the elimination or significant reduction of accounting mismatches that would otherwise arise.

Financial assets designated as at amortized cost are subsequently measured at amortized cost using the effective interest method (see note 3.7.3.2 "Fair value"; 6.7 "Financial expenses"; 8.2 "Notes concerning financial instruments"). Initial measurement is at fair value (see note 3.7.3.2 "Fair value"; 6.7 "Financial expenses"; 8.2 "Notes concerning financial instruments"). The amortized cost is reduced to reflect impairment losses and repayments. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. A gain or loss on derecognition is recognized in profit or loss.

Financial assets classified as **at fair value through other comprehensive income** are measured at fair value, with foreign exchange gains and losses as well as impairment losses recognized in the income statement, and other net gains or losses recognized in other comprehensive income. On derecognition, accumulated other comprehensive income is reclassified to profit or loss. Interest income is calculated applying the effective interest method, and is also recognized in the income statement.

Equity investments classified as **at fair value through other comprehensive income** are subsequently measured at fair value. Dividends are recognized as income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains or losses are recognized in other comprehensive income, with no reclassification to profit or loss.

Financial liabilities

Northern Data classifies financial liabilities according to

- ▶ financial liabilities measured at fair value through profit or loss, and
- ▶ financial assets measured at amortized cost

Financial liabilities measured **at amortized cost** include:

- ▶ trade payables
- ▶ liabilities owed to affiliates companies
- ▶ other liabilities
- ▶ financial liabilities

Some **structured financial liabilities (liabilities with embedded derivatives)** consist of a derivative as well as a non-derivative component. The derivative component or the embedded derivatives are inseparably linked to the non-derivative component of the financial liability, in other words, the host contract. If the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract and the structured financial liability concerned is not recognized at fair value, the embedded derivative is separated from the host contract and recognized at fair value, with value changes recognized in profit or loss. The financial liability's host contract is measured in accordance with the relevant accounting standard. The financial derivative is measured at fair value through profit or loss in accordance with IFRS 9. If the conditions for using the fair value option are met for structured financial liabilities that are to be accounted for separately (see note 3.7.3.9 "Electricity contract to be classified as a financial instrument"; 8.2 "Notes concerning financial instruments"), these structured financial liabilities are measured at fair value through profit or loss as a single liability.

Northern Data measures **financial liabilities** – with the exception of liabilities for which the **fair value option has been exercised – at amortized cost** using the effective interest method (note 6.7 "Financial expenses" and 8.2 "Notes concerning financial instruments"). Interest expenses and foreign currency translation differences are recognized in the income statement. Gains or losses on derecognition are also recognized in the income statement. **Financial liabilities** designated as **at fair value through profit or loss** upon exercise of the **fair value option** are measured at fair value, and net gains or losses, including interest expense, are recognized in the income statement. Changes resulting from the Group's own credit risk in the fair value of financial liabilities classified at fair value are recognized directly in other comprehensive income (excluding recycling).

Financial liabilities consisting of a cash instrument and several financial derivatives, which would have to be accounted for separately from the cash instrument under IFRS 9, are measured in their entirety as a **financial liability at fair value through profit or loss**. Northern Data utilizes the fair value option in order to reduce the complexity arising from the recognition of structured liabilities, and to enhance the reliability of the measurement in the item to be recognized on the balance sheet. Northern Data permits classification as measured at fair value only for those financial liabilities for which fair value is reliably measurable. Financial liabilities that are measured as a single financial liability at fair value through profit or loss due to the exercise of the fair value option on the basis of several embedded derivatives (note 4.3.5 "Financial liabilities") are disclosed in 8.2 "Notes concerning financial instruments".

The following table provides an overview of the basic measurement categories and their abbreviations.

IFRS 9 measurement category	Abbreviation
Financial Assets Measured at Amortized Cost	FAAC
Financial Liabilities Measured at Amortized Cost	FLAC
Financial Assets Measured at Fair Value through Profit or Loss	FVTPL
Financial Liabilities Measured at Fair Value through Profit or Loss	FVTPL
Financial Assets Measured at Fair Value through OCI	FVOCI

3.7.3.6. RECOGNITION AND DERECOGNITION

Northern Data derecognizes a **financial asset** when its contractual rights to receive cash flows from the financial asset expire, or it transfers its rights to receive contractual cash flows in a transaction in which either essentially all the risks and rewards of ownership of the financial asset are transferred, or Northern Data neither transfers nor retains substantially all the risks and rewards of ownership, and does not retain control of the transferred asset. In such cases, the transferred assets are not derecognized. If the financial asset is transferred to a third party, derecognition also occurs only if the right to receive related cash flows is also transferred to the third party. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to a third party. Receivables, including related impairment losses, are derecognized when they are determined to be uncollectible.

Northern Data derecognizes a **financial liability** when the contractual obligations are discharged, canceled or expire. Furthermore, Northern Data derecognizes a financial liability when its contractual terms are modified, and the cash flows of the modified liability are significantly different. In this case, a new financial liability is recognized at fair value based on the adjusted terms. When a financial liability is derecognized, the difference between the carrying amount of the liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3.7.3.7. MODIFICATIONS OF FINANCIAL ASSETS

If the contractual terms of **financial assets** are renegotiated or modified and the modification does not lead to derecognition, a gain or loss is recognized in profit or loss for the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. Significant modifications or renegotiations lead to the derecognition of the recognized original agreement and the recognition of a new financial asset in accordance with the renegotiated contractual terms. For credit-risk-determined modifications, Northern Data assesses whether the modified contractual terms lead to a materially modified financial asset, and consequently require derecognition. This assessment is to include a quantitative evaluation of the impact of the cash flow changes deriving from the modified contractual terms, taking into account, where appropriate, qualitative aspects of the impact of the modified contractual terms. In the case of modifications that lead to the derecognition of the original financial asset, and where evidence exists of impairment of the new financial asset on initial recognition, the new financial asset is classified as a financial asset at risk of default in Stage 3.

3.7.3.8. OFFSETTING

Financial assets and liabilities are offset and the net amount reported on the balance sheet only when a legal right to do so exists, and an intention exists to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.7.3.9. ELECTRICITY SUPPLY CONTRACT TO BE CLASSIFIED AS A FINANCIAL INSTRUMENT

Contracts that are used to purchase and sell electricity or that are entered into and held for the purpose of receiving or delivering non-financial items in accordance with Northern Data's expected purchase, sale or usage requirements are classified as own-use contracts. They are not recognized as derivative financial instruments at fair value through profit or loss (FVPL) in accordance with IFRS 9, but as pending transactions in the financial statements in accordance with IAS 37. Contracts that provide for net settlement, as well as resales of volumes to be delivered in the future, are to be classified as financial instruments and consequently measured at fair value through profit or loss in accordance with IFRS 9. Embedded derivatives in own-use contracts are to be separated from the host contract and accounted for as a derivative under IFRS 9 if the economic characteristics and risks of those derivatives are not closely related to those of the host contract.

Margin payments (initial and variation margin) are reported under other assets. Margin payments received are recorded under other liabilities.

The result from commodity derivatives, which is the difference between the contract price and the market price, is recognized in other comprehensive income.

3.7.4. INTANGIBLE ASSETS (EXCLUDING GOODWILL)

Intangible assets (excluding goodwill) are carried at amortized cost less straight-line amortization (except for assets with indefinite useful lives) and impairment losses.

Internally generated intangible assets are capitalized if the requirements (technical feasibility, intention to complete, ability to use and sell, etc.) of IAS 38.57 are cumulatively met.

If these criteria are not met, the asset must be expensed.

The economic useful lives, residual carrying amounts and amortization methods for intangible assets are reviewed at least at each balance sheet date. The expected useful lives are as follows:

Asset	Useful life
Customer relationships	7-15 years
Other concessions, rights and licenses	3-10 years

If expectations differ from previous estimates, the relevant changes are recorded as changes of estimates in accordance with IAS 8.

Customer relationships were identified as part of the acquisition of Whinstone US, Inc. and Kelvin Erntech Inc. (see note 5 "Business Combinations").

Gains or losses from the disposal of intangible assets are determined as the difference between the proceeds of the sale and the carrying amounts of the intangible assets, and recognized in profit or loss under "Other income" in the event of a gain, or "Other expenses" in the event of a loss.

3.7.5. GOODWILL

Goodwill arises from the acquisition of subsidiaries and represents the difference between the purchase price and the fair values of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is tested for impairment annually or on an ad hoc basis by comparing the carrying amount of the cash-generating unit or units with its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. As a matter of principle, the Group determines fair value less costs to sell for this purpose.

If the carrying amount exceeds the recoverable amount, the asset is impaired and must be written down to the recoverable amount. If the fair value less costs to sell is higher than the carrying amount, it is not necessary to calculate the value in use; the asset is then not impaired. An appropriate valuation method is applied in order to determine the fair value less costs to sell. This is based on discounted cash flow valuation models or available market data (inputs) for the fair value. A subsequent reversal of an impairment loss recognized previously for goodwill is not permitted if the reasons for the impairment no longer exist. Goodwill is recognized in the functional currency and translated at the closing rate.

3.7.6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at amortized cost less straight-line depreciation and any impairment losses. Acquisition costs include costs directly attributable to the acquisition as well as borrowing costs if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount when the costs are incurred if it is probable that future economic benefits associated with the item will accrue to the company and the cost of the item can be measured reliably.

Repair and maintenance costs are expensed as and when they are incurred. Land and buildings are recognized separately. Land has an indefinite useful life and is not depreciated.

Asset	Useful life
Buildings	7-15 years
Servers and other hardware	5 years

The depreciable amount of the item of property, plant and equipment is determined after deducting its estimated residual value. The estimated residual values and the economic useful lives are examined on every reporting date and adjusted if necessary. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In such a case, the impairment test is performed in accordance with IAS 36. An impairment loss is applied in the amount by which the estimated residual value exceeds the recoverable amount. If necessary, the remaining useful life is adjusted accordingly.

If the reasons for a previously recognized impairment loss no longer apply, the impairment loss is reversed through profit or loss, provided that the reversal does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior periods.

Gains or losses on the disposal of property, plant and equipment are determined as the difference between the proceeds on disposal and the carrying amount of the property, plant and equipment, and are recognized in the income statement under "Other income" in the case of a gain, or under "Other expenses" in the case of a loss.

3.7.7. INVENTORIES

Inventories are measured at the lower of cost and net realizable value. The cost of inventories (with the exception of prepayments received) is based as a matter of principle on the first-in, first-out method. Net realizable value is determined as the estimated selling price of inventories less estimated costs to sell.

3.7.8. PROVISIONS

Provisions are formed if the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount of the provision corresponds to the best possible estimate of the amount required to settle the current obligation as of the balance sheet date, whereby expected reimbursements from third parties are not netted but instead recognized as a separate asset if realization is virtually certain. If the interest effect is material, the provision is discounted at a congruent-maturity, risk-adjusted, pretax market interest rate. Subsequent interest accruals are reported as financial expenses.

Provisions for site restoration obligations are made on the basis of contractual obligations which provide for the restoration of the respective assets and which Northern Data cannot avoid. The amount of the provision is the Group's best estimate of the settlement amount on the balance sheet date. Discounting is applied due to the material interest effect.

3.7.9. CONTINGENT LIABILITIES AND OFF-BALANCE-SHEET CONTRACTUAL OBLIGATIONS

Contingent liabilities and off-balance-sheet contractual obligations based on present obligations are not recognized as liabilities in the consolidated financial statements until utilization is probable.

However, in the context of a business combination, contingent liabilities are recognized in accordance with IFRS 3 if their fair value can be reliably measured.

3.7.10. EQUITY

Transaction costs incurred in connection with issuing equity instruments are treated as a deduction from equity, taking tax effects into account. The proceeds received after deducting directly attributable transaction costs are allocated to share capital (nominal value) and the capital reserve.

3.7.11. INCOME TAXES

The tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss unless they relate to a business combination or to an item recognized directly in equity or in other comprehensive income.

The Group has determined that interest and penalties on income taxes, including uncertain tax items, do not meet the definition of income taxes and are consequently accounted for in accordance with IAS 37.

3.7.11.1. CURRENT TAXES

Current tax is the expected tax payable or receivable on the taxable income or tax loss for the year, based on tax rates enacted or substantively enacted as of the balance sheet date, and any adjustment to tax payable in respect of previous years. The amount of the expected tax liability or tax receivable reflects the best estimate, taking into account any tax uncertainties. Current tax liabilities also include any tax liabilities that arise as a consequence of the determination of dividends.

Current tax assets and liabilities are offset only under certain conditions.

3.7.11.2. DEFERRED TAXES

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for Group accounting purposes, and the amounts used for tax purposes. Deferred taxes are not recognized for

- ▶ temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting earnings nor taxable earnings;
- ▶ temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, provided that the Group is able to control the timing of the reversal of the temporary differences, and it is probable that they will not reverse in the foreseeable future;
- ▶ taxable temporary differences on initial recognition of goodwill.

A deferred tax asset is recognized for unutilized tax losses, unutilized tax credits and deductible temporary differences to the extent that it is probable that future taxable earnings will be available against which they can be utilized. Future taxable earnings are determined on the basis of the reversal of taxable temporary differences. If the amount is not sufficient to fully capitalize deferred tax assets, the future taxable earnings – taking into account the reversal of temporary differences – are determined on the basis of the subsidiaries' individual business plans. Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; reversals are implemented if the probability of future taxable earnings improves.

Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it is probable that future taxable earnings will enable them to be recovered. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, using tax rates enacted, or substantively enacted, on the balance sheet date. Deferred taxes reflect any uncertainty contained in income taxes. The measurement of deferred taxes reflects the tax consequences that would arise from the Group's expectations of the manner in which the carrying amounts of its assets will be recovered, or its liabilities settled, on the balance sheet date. Deferred tax assets and deferred tax liabilities are offset if certain conditions are met.

3.7.12. LEASES

Northern Data assesses at inception whether the contract is, or contains, a lease in accordance with IFRS 16. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a specified period of time in return for payment of a consideration. A lease conveys the right to control the use of an identified asset provided that the lessee has the right to obtain essentially all of the economic benefits from the use of the identified asset throughout the period of use (for example, by having the exclusive right to use the asset during that period), and to direct the use of the identified asset during the period of use.

The lessee must recognize its rights and obligations from all lease relationships on the balance sheet as rights of use and lease liabilities. The lease liability is measured at the present value of the future lease payments at the time the lease is made available. This includes fixed payments less any lease incentives to be received, variable lease payments linked to an index or (interest) rate, amounts expected to be paid by Northern Data under residual value guarantees, the exercise price of a pur-

chase option if Northern Data is reasonably certain to exercise that option, and lease termination penalties if the lease term indicates that the lessee will exercise the termination option. The lease payments are discounted using the interest rate on which the lease agreement is based. If this rate cannot be readily determined, Northern Data uses the marginal borrowing rate. In general, Northern Data applies a marginal borrowing rate for discounting purposes, adjusted for country-specific risk, contract currency risk, and contract term. The right-of-use asset is measured at cost. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability plus lease payments made at or before the date of origination, plus initial direct costs and any site restoration obligation, and less any lease incentives received.

The Group exercises the option not to apply the recognition and measurement requirements of IFRS 16 to leases where the underlying asset is of low value (up to EUR 5,000). Furthermore, use is made of the simplification to classify leases with a term of less than 12 months as current leases. Lease payments for both low value assets and current leases are expensed. The company does not utilize the option under IFRS 16.15 to account for leasing and non-leasing components uniformly in accordance with IFRS 16.

Lease payments are divided into principal and interest payments after the date on which the respective asset is made available. The lease liability is subsequently measured by increasing the carrying amount by the interest costs of the lease liability using the effective interest rate and reducing the carrying amount by the lease payments made. The carrying amount of the lease liability is remeasured if the lease agreement is reassessed or amended (including an amended assessment as to whether it is reasonably certain that an extension or termination option will be exercised). Subsequently, the right-of-use asset is measured at cost less accumulated depreciation and impairment losses, and adjusted to reflect certain revaluations of the lease liability. As a matter of principle, the right-of-use asset is depreciated straight-line over the shorter of the lease term and the useful life of the leased asset.

Asset	Useful life
Rights of use – containers USA	1-10 years
Data centers	10 years
Office premises	less than 1 year
Living accommodation	less than 1 year

Lease expenses represent depreciation expense on right-of-use assets and interest expense on lease liabilities.

3.7.13. PRINCIPLES OF REVENUE RECOGNITION

Northern Data generally enters into multiple contracts with the same customer. These contracts are aggregated as one contract for accounting purposes under IFRS 15 if they are entered into at the same time or with a short time lag and are economically interrelated. The assessment is based on the customer's economic purpose (see note 3.6 "Discretionary decisions and estimation uncertainties").

The contracts regularly consist of various services and products. The main revenue class, hosting, is presented in note 6.1 "Revenue".

In accordance with IFRS 15, revenue is recognized when the performance obligation is fulfilled or control is transferred to the customer. Revenue is reported at the amount of consideration agreed with the customer less sales taxes, deductions and credit notes.

A contract liability is recognized when the customer makes payment, or payment falls due, before Northern Data transfers the related goods or services to the customer, and Northern Data has an unconditional right to receive specified consideration before transferring an item of merchandise or

service to the customer. Contract liabilities are recognized as revenue when Northern Data satisfies its contractual obligations, or when control of the related goods or services is transferred to the customer.

A contract asset is recognized when Northern Data has recognized revenue in respect of a performance obligation before the customer has made a payment or, regardless of when due, before the conditions for an invoice to be issued and a receivable to be recognized have been met.

Northern Data's invoicing is based on long-term customer contracts for infrastructure and hosting services.

Prior to the business model transition, Northern Data provided bitcoin-blockchain services in 2019. In 2019, the development of Northern Data's financial position and performance was still significantly influenced by the activities in the area of research and development for mobile high-tech data centers for sustainable bitcoin mining, their construction and optimization as well as the development of software for blockchain applications. Consequently, business performance in the 2019 reporting year was particularly characterized by bitcoin mining. The provision of computing power in the bitcoin network was remunerated by bitcoins. Revenue was recognized at the time the computing services were rendered.

Supplementary explanations can be found in note 6.1 "Revenue".

3.7.14. FINANCIAL INCOME AND EXPENSES

The company's financial income and finance expenses include:

- ▶ Net gains or losses on the disposal of investments in debt instruments measured at FVOCI
- ▶ Impairment losses (and reversals of impairment losses) relating to investments in debt instruments measured at amortized cost or at FVOCI.
- ▶ Impairment losses on financial assets and liabilities are recognized in the financial result

3.7.15. EARNINGS PER SHARE

Earnings per share are calculated as the consolidated net (post-tax) result attributable to shareholders of the parent company, divided by the weighted average number of ordinary shares outstanding during the reporting period.

Diluted earnings per share are based on the assumption that other contracts for the issue of ordinary shares, such as stock options, will be exercised, and that the convertible bond will be serviced in shares.

3.7.16. GOVERNMENT GRANTS

In accordance with IAS 20, government grants are not recognized on the balance sheet until reasonable assurance exists that the conditions attaching to them will be complied with, and that the grants will be received. As a general rule, such grants are recognized as income in the periods in which the corresponding expenses are incurred. In the case of investments in property, plant and equipment or intangible assets, the government grants extended for this purpose reduce the cost of the asset. The grant is thereby recognized through profit or loss by means of reduced depreciation amounts over the useful life of the asset.

3.7.17. SHARE-BASED PAYMENT TRANSACTIONS

The fair value on the grant date of share-based payment arrangements for employees is recognized as an expense with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the awards. The amount expensed is adjusted to reflect the number of awards for which the relevant service conditions and non-market performance conditions are

expected to be satisfied, so that the final amount expensed is based on the number of awards that satisfy the relevant service conditions and non-market performance conditions at the end of the vesting period. For share-based payment awards with non-vesting conditions, the fair value is determined at the grant date taking these conditions into account. No adjustment is to be made for differences between expected and actual results.

3.8. Effects due to COVID-19

Due to the increase in new coronavirus infections in the second half of 2020, further lockdown measures were implemented by governments around the world, which also entailed delays in the construction of the data centers in Rockdale, USA. As a consequence, customer hardware could not be installed on time and the company was unable to realize the full amount of its planned revenues. Due to the ongoing global vaccination campaigns, it is not anticipated that such challenges will persist in the 2021 fiscal year.

Although further risks or a worsening of existing risks may arise in the future due to the uncertain outlook, mainly due to the further course of the pandemic and potential measures to combat it, the risk of non-payment can be classified as low due to Northern Data's business model and its existing customer structure. Consequently, the collectability of receivables was not affected in the fiscal year under review. Equally, the global epidemiological situation, including the resultant economic consequences, did not give rise to any indications of a potential impairment of the Group's assets. Potential future effects on the valuation of individual assets and liabilities are analyzed on an ongoing basis. For further information on goodwill, please refer to note 7.1 "Goodwill and other intangible assets".

Whinstone US, Inc. received a low-interest loan in the amount of kEUR 269 as part of the Paycheck Protection Program (PPP) – a loan program launched by the United States of America to combat the economic consequences of the coronavirus. As the company meets the requirements for the loan, it is thought to be highly probable that the loan will be written off by the US government. Accordingly, the amount was reclassified to the income statement in the reporting period in accordance with IAS 20. Coronavirus support in Canada in the amount of kEUR 58 was treated in a similar manner.

4. First-time adoption of IFRS

4.1. Equity reconciliation

The following reconciliation statement shows the effects of the transition to IFRS on the equity of Northern Data AG.

kEUR	31.12.2019	01.01.2019
Total equity according to HGB	-9.479	-719
Leases	-44	-
Inventories	-4	-
Transaction costs due to equity procurement	-	-
Site restoration obligations	-10	-
Convertible bond	-402	0
Financial liabilities	1.468	1.526
Total value of equity according to IFRS	-8.471	807

4.2. Reconciliation of results

The following reconciliation statement shows the effect of the transition to IFRS on the results of Northern Data.

kEUR	2019
Net result according to HGB	-8.760
Leases	-44
Inventories	-5
Site restoration obligations	-10
Convertible bond	-402
Financial liabilities	-57
Net result according to IFRS	-9.278

4.3. Effects of the conversion on selected items

4.3.1. LEASES

Under IFRS 16, the lessee must recognize its rights and obligations from all leases on the balance sheet as rights of use and lease liabilities. The only exceptions are leases where the underlying asset is of low value and leases with a term of less than twelve months. This led to significant effects as part of the first-time adoption of IFRS. Rights-of-use and associated lease liabilities were measured at the date of transition to IFRS.

4.3.2. INVENTORIES

As part of the first-time adoption of IFRS, the carrying amount of inventories decreased as of December 31, 2019 due to different consumption methods according to HGB and IFRS.

4.3.3. EQUITY

The costs associated with raising equity must be deducted directly from equity (IAS 32).

4.3.4. SITE RESTORATION OBLIGATIONS

As a consequence of the first-time adoption of IFRS 16, contractually agreed restoration obligations were recognized as liabilities. As part of the initial measurement on the date of transition to IFRS, a provision was formed for the specified obligation in accordance with the relevant standards, and the valuation of the underlying rights of use adjusted.

4.3.5. FINANCIAL LIABILITIES

The conversion effects arising from the financial liabilities are presented quantitatively in notes 4.1 "Reconciliation of equity" and 4.2 "Reconciliation of results" and explained by associated disclosures in sections 7.9 "Other liabilities" and 8.2 "Notes concerning financial instruments". The effects derive mainly from fair value measurement according to IFRS. Under German Commercial Code (HGB) accounting principles, measurement was at book value.

4.3.6. DEFERRED TAXES

The adjustments made as part of the first-time adoption of IFRS lead to temporary differences. Deferred taxes on such differences were recognized either in reserves or in the statement of comprehensive income in line with the underlying transaction.

4.3.7. CONSOLIDATED STATEMENT OF CASH FLOWS

As a consequence of the first-time application of IFRS, payments in connection with operating leases (interest paid and repayment of lease liabilities) are no longer reported under cash flow from operating activities, but instead under cash flow from financing activities.

5. Business combinations

Merger with Whinstone US, Inc.

On March 9, 2020, Northern Data AG acquired 100 % of the shares in Whinstone US, Inc., Rockdale, USA, thereby gaining control over the company.

Whinstone US, Inc. originally operated data centers specializing in blockchain applications such as bitcoin mining, and had its own mining facilities. At the time of the acquisition, the company was in the process of realigning its business activities as a provider of HPC services, in particular the provision of infrastructure and operation of HPC data centers. Whinstone US, Inc. operated an HPC data center in Rockdale, Texas, USA, during the fiscal year under review, particularly for customer applications in the blockchain and bitcoin mining area.

The merger with Whinstone US, Inc. was realized as part of the expansion of Northern Data AG in the North American region. The strategic goal of the merger was to combine the technology and customer-oriented expertise of both companies and to leverage this for the development of High Performance Computing (HPC) platforms.

The merger with Whinstone US, Inc. was executed by issuing 3,720,750 treasury shares, which corresponds to an equivalent value of kEUR 119,808 based on the share price on the acquisition date.

The following overview summarizes the consideration transferred as part of the business combination, as well as the values of the assets identified and liabilities assumed at the acquisition date:

kEUR	
Consideration	
Shares issued	4.783
Total consideration	4.783
Fair value of identified assets acquired and liabilities assumed as of the acquisition date	
Customer relationships	107.454
Property, plant and equipment and rights of use from leasing agreements	37.351
Other assets	4.104
Cash and cash equivalents	3.074
Trade payables	-627
Contractual liabilities, accruals and deferrals	-6.620
Financial liabilities, liabilities from leasing agreements	-44.093
Other liabilities	-285
Deferred taxes from PPA	-23.021
Total identified net assets	77.337
Goodwill	42.471
Total	119.808

The acquired trade receivables comprise gross amounts of contractual receivables of kEUR 9, none of which were assessed as probably uncollectible as of the acquisition date.

The goodwill is attributable to the strong market position of Whinstone US, Inc. and its innovative high-tech market environment in the High Performance Computing (HPC) area, the skills and expertise of its employees, and the synergies expected to arise from the acquisition of the company at the time of the transaction, by combining the acquired advantages with those of Northern Data AG.

Between the acquisition date and December 31, 2020, the acquired company contributed revenue of kEUR 16,155 and a result of kEUR -23,835 to the Group's results. The contribution to results includes effects of kEUR -7,325 from the carrying forward of disclosed hidden reserves up to the balance sheet date. If the acquisition had already occurred as of January 1, 2020, consolidated revenue of kEUR 16,162 and a consolidated pretax result of kEUR -26,661 would have been reported in the consolidated income statement.

Merger with Groupe Kelvin Emtech Inc.

Based on the agreement dated October 30, 2020, Northern Data AG acquired all shares in Groupe Kelvin Emtech Inc., Montreal, Canada, thereby gaining control over the company. The acquisition was executed with effect as of December 3, 2020, by issuing 83,334 treasury shares, which corresponds to consideration of kEUR 4,783 based on the share price on the acquisition date. As part of the acquisition of Groupe Kelvin Emtech Inc., Northern Data AG also gained control over the direct subsidiaries of Groupe Kelvin Emtech Inc.: Kelvin Emtech Inc., Kelvin Emtech Technologies Inc. and Kelvin Emtech Construction Inc. (all Montreal, Canada).

The Kelvin Emtech Group specializes in electromechanical installations in data centers and all relevant infrastructures in the IT and telecommunications sectors. The activities include, among others, inspections, demand analyses, planning as well as construction and operation of the plants.

The merger with Kelvin Emtech Group formed part of the Northern Data Group's expansion strategy in Canada. The strategic goal of the merger was to acquire and expand expertise in the construction and installation of data centers in the North American region.

The following overview shows the consideration transferred as part of the merger, as well as the values of the assets identified and liabilities assumed as of the acquisition date:

kEUR	
Consideration	
Shares issued	4.783
Total consideration	4.783
Fair value of identified assets acquired and liabilities assumed as of the acquisition date	
Customer relationships	3.295
Patents and other intangible assets	732
Property, plant and equipment	363
Other non-current assets	78
Inventories	9.209
Cash and cash equivalents	5.223
Other current assets	1.192
Contractual liabilities, accruals and deferrals	13.917
Financial liabilities	565
Other liabilities	765
Deferred taxes from PPA	1.069
Total identified net assets	3.776
Goodwill	1.008
Total	4.783

The acquired trade receivables comprise gross amounts of contractual receivables of kEUR 1,239, none of which were assessed as probably uncollectible as of the acquisition date.

The goodwill is attributable, in particular, to the technical skills, expertise and experience of the employees as well as the synergies expected from the integration of the acquired companies into the business of the Northern Data Group as a result of the acquisition.

Between the acquisition date and December 31, 2020, the acquired company and its subsidiaries contributed total revenue of kEUR 214 and a result of kEUR -13 to the Group's results. If the acquisition had already occurred as of January 1, 2020, consolidated revenue of kEUR 2,673 and a consolidated pretax result of kEUR -40 would have been reported in the consolidated income statement.

6. Notes to the income statement

6.1. Revenue

The following section provides comprehensive and supplementary information on customer contracts. In particular, this includes notes concerning how Northern Data recognizes revenue, and information on the allocation of revenue to trade receivables and, where applicable, customer-related obligations. In the reporting period, Northern Data started to provide HPC services to its customers, and the kEUR 16,377 of revenue generated in this context is mainly attributable to hosting services as well as hardware maintenance services in the US business, which are collectively classified under the revenue class "Hosting". The revenue in the previous year (kEUR 10,132) derived mainly from the sale of cryptocurrencies. Revenue is generated exclusively from foreign companies and amounts to kEUR 16,377.

Revenue derives predominantly from the sale of hosting services. Invoices for hosting activities are issued monthly and are usually payable within 60 days. Hosting is recorded over a period of time, i.e. according to invoicing. In the 2020 fiscal year, the Group had three major customers based in the USA. The resultant revenues of kEUR 16,154 are divided approximately equally between the three major customers.

6.1.1. PERFORMANCE OBLIGATIONS OUTSTANDING

The portion of the transaction price of a customer contract that is allocated to performance obligations outstanding represents revenue from the contract that has not yet been recognized. This includes both amounts recognized as contract liabilities and amounts contractually agreed but not yet due.

As permitted by IFRS 15, no disclosures are made concerning the performance obligations remaining as of December 31, 2020 or December 31, 2019 that have an expected original term of one year or less.

6.1.2. CONTRACT BALANCES

The following table provides information on receivables and contract liabilities deriving from contracts with customers.

kEUR	31.12.2020	31.12.2019	01.01.2019
Receivables included in trade receivables	2.293	-	-
Contract liabilities	4.004	-	-

Trade receivables exclusively comprise receivables due from customers for goods and services provided up to the respective reporting date.

Contract liabilities relate to prepayments received from customers for future engineering services and hosting services that will be realized in the subsequent invoicing period (following month).

An impairment loss of kEUR 135 was recognized on trade receivables in accordance with the procedures described in note 3.7.3.3 "Impairment".

At the end of the 2020 fiscal year, agreements were concluded with Decentric Europe B.V., Amsterdam, Netherlands (hereinafter "Decentric"), and Bitfield N.V., The Hague, Netherlands (formerly Bitfield AG, Hofheim am Taunus) (hereinafter "Bitfield"). In addition to hosting services, these also include

agreements relating to the supply of hardware to be installed in the course of 2021. In the 2021 fiscal year, Northern Data acquired the aforementioned companies. As, in the company's opinion, the agreements did not meet the criteria for a contract in the meaning of IFRS 15.9 as of December 31, 2020, and no transfer of economic control occurred, no revenue was recognized in respect of these companies in 2020 (see note 8.10 "Events after the reporting period" and the Group management report). As a contract in the meaning of IFRS 15.9 was not concluded in 2021 as a consequence of the acquisitions of the companies, it is also the case that in the 2021 fiscal year no revenue is recognized in respect of these companies. As the payments received from these companies in the 2020 fiscal year were made in the expectation that a contract in the meaning of IFRS 15.9 would ultimately be concluded, the payments received were reported under operating cash flow in the cash flow statement for the 2020 fiscal year. As the payments were not received under a contract in the meaning of IFRS 15.9, they were recognized on the balance sheet as other liabilities (see Note 7.9 "Other liabilities" and the notes discussing transactions with related parties in Note 8.3.1 "Related parties").

6.2. Other income

Other income is composed as follows:

kEUR	2020	2019
Income from currency translation	1,991	1
Government grants	327	-
Miscellaneous	83	28
Total	2,401	29

The Group was granted two state support measures. The government grants received in the 2020 fiscal year arose in the context of coronavirus assistance in the USA and Canada. These amounted to kEUR 327 and related to state wage and salary subsidies. These grants were recognized in profit or loss when the right to receive them arose.

6.3. Cost of materials

The cost of materials in the amount of kEUR 10,285 in the 2020 fiscal year derives mainly from the purchase of electricity for the data center of Whinstone US, Inc. (kEUR 10,285; previous year kEUR 0). The year-on-year increase in the cost of materials is mainly due to the change in the business model and additional activities abroad.

The cost of materials in the previous year (kEUR 12,148) was incurred before the change in the business model. This included, in particular, mining-specific costs as well as costs of associated trading transactions. Following the change in the business model, such costs of Northern Data AG were reported under other expenses in the 2020 fiscal year, as they are not offset by any revenue from the start of the 2020 fiscal year.

6.4. Personnel expenses and number of employees

Personnel expenses are composed as follows:

kEUR	2020	2019
Wages and salaries	4,337	817
Social security contributions	506	111
Share-based payment transactions	704	-
Total	5,547	928

The average number of employees is composed as follows:

Number of employees	2020	2019
Employees	113	8
of which senior executives	8	2

The total number of employees in the Group as of the end of the fiscal year under review was 157, eight of whom are senior managers. For expenses and other disclosures relating to share-based payments, please refer to note 8.4 "Share-based payment" and for company pension schemes, please refer to note 8.5 "Employee benefits".

6.5. Other expenses

Other expenses are composed as follows:

kEUR	2020	2019
Legal and consulting fees	5,647	851
Expenses from currency translation	5,068	6
Incidental costs from rent and lease, other occupancy costs	1,539	133
Miscellaneous expenses	3,037	703
Total	15,291	1,693

Other expenses include, in particular, advertising costs, maintenance and repair expenses, mining-specific costs and various other expenses.

6.6. Financial income

The financial income is composed as follows:

kEUR	2020	2019
Interest and similar income	16	-
Net changes from financial liabilities measured at FVTPL	-	180
Total	16	180

6.7. Financial expenses

The financial expenses are composed as follows:

kEUR	2020	2019
Interest and similar expenses	1.398	132
Financial liabilities measured at FVTPL	50.869	591
of which: convertible bond	32.814	591
of which: electricity supply contract	18.055	-
Interest expense from leases	470	120
Interest expenses from effective interest method (loans)	514	180
Reversals of discounting on provision for restoration obligations	1	1
Foreign currency translation	0	0
Total	53.252	1.024

The result from financial instruments in the fair value option (FVTPL) category includes only measurement and realization results. Expenses and income are shown netted in each case. The fair value option (FVTPL) category includes the convertible bond. The electricity supply contract is to be categorized on a mandatory basis as at fair value (FVTPL). Expenses and income are shown in each case on a net basis.

6.8. Income taxes

Income taxes include the actual taxes paid or owed by the consolidated companies as well as deferred taxes.

kEUR	2020	2019
Current tax expense on profits for the period	-7.025	-
Current tax expense/income from previous years	-	-
Total current tax expense	-7.025	-
Deferred tax expense/income due to temporary differences	4.285	-
Deferred tax expense/income due to tax loss carryforwards	2.193	131
Total deferred tax expense/income	6.478	131
Total income taxes	-547	131

Deferred tax income due to temporary differences in the 2020 fiscal year includes, among other items, income from the amortization of the disclosed hidden reserves of Whinstone US, Inc. and Kelvin Emtech Group (kEUR 1,956). Deferred tax income due to tax loss carryforwards includes mainly deferred taxes on the company's tax loss carryforwards (kEUR 2,208), which were capitalized after the acquisition of Whinstone US, Inc. for offsetting with subsequent years' deferred tax liabilities. As a consequence, deferred tax assets totaling kEUR 3,264 were recognized on the previously unrecognized tax loss carryforwards (before netting with deferred tax liabilities) as of the balance sheet date.

The nominal tax rate applicable to Northern Data AG amounted to 27.4 % in the fiscal year under review (previous year: 31.9 %).

The following overview shows the reasons for the difference between the expected and the reported tax expense within the Group:

	2020	2019
Tax rate of the parent company	27,40%	31,90%
kEUR		
Consolidated result before income taxes	-83.712	-9.410
= Expected tax expense/income	-22.916	-3.004
Differing tax rates of subsidiaries	2.018	-
Tax-exempt income	-44	-
Non-deductible expenses	9.799	-
Additions from trade tax	-14	-
Change in tax rates	-3.839	-
Permanent differences	175	-
Effect of temporary differences and losses for which no deferred taxes were recognized	18.128	2.873
Effect from change in temporary differences and losses as well as utilization of tax loss carryforwards	-2.760	-
Total income taxes	547	-131

The tax liabilities reported on the consolidated balance sheet derive from the income taxes of the companies included in the consolidated financial statements for the 2020 fiscal year. The companies are subject to their countries' respective tax laws. When assessing tax assets and tax liabilities, the interpretation of tax legislation may be subject to uncertainties, and a divergent view of the respective tax authority cannot be excluded. Changes in assumptions concerning the correct interpretation of tax regulations are reflected in the accounting treatment of contingent income tax assets and liabilities. Uncertain income tax items are recognized at their most probable value.

Deferred taxes were recognized for temporary differences between the carrying amounts recognized on the Group companies' IFRS balance sheets, including disclosed hidden reserves, and the tax balance sheets, as well as for tax loss carryforwards that are expected to be utilized. For the measurement of deferred taxes, tax rates were used for which it is assumed that they will be valid at the time of the reversal or realization of the deferrals. Due to the move in 2021, a tax rate of 31.9 % was applied to calculate the deferred taxes of Northern Data AG.

Deferred tax assets are based on the following temporary differences and tax loss carryforwards:

In TEUR	31.12.2020	31.12.2019
Rights of use from lease agreements	96	-
Trade receivables / receivables due from affiliated companies	4,047	-
Other assets	312	-
Cash and cash equivalents (mainly currency translation)	169	-
Trade payables	4,512	-
Financial liabilities (convertible bond, derivatives)	3,680	189
Contractual liabilities, deferred revenue	26,122	-
Other accruals and deferrals	34	-
Tax loss carryforwards	6,442	-
Total	45,414	189
Offsetting (per consolidation unit)	-24,942	-
Recognition of deferred tax assets not exceeding the amount of deferred tax liabilities (per consolidation unit)	-20,472	-
Amount recognized on the balance sheet	-	189

The recognition of deferred tax assets on loss carryforwards was based in part on the planned realization of deferred tax assets due to future taxable earnings that are higher than the earnings effects from the reversal of existing taxable temporary differences. The unrecognized deferred tax assets on tax loss carryforwards amount to kEUR 3,178 as of the balance sheet date.

Deferred tax liabilities derive from the following temporary differences:

kEUR	31.12.2020	31.12.2019
Intangible assets	19,669	-
Property, plant and equipment	13,415	-
Trade accounts receivable and payable	376	-
Transaction costs from capital procurement measures	910	-
Trade payables / receivables due to affiliated companies	4,584	-
Financial liabilities (loans)	51	57
Other accruals and deferrals	16	-
Contractual liabilities, deferred revenue	275	-
Total	39,296	57
Offsetting (per consolidation unit)	-24,942	-
Amount recognized on the balance sheet	14,354	57

The deferred tax liabilities arise primarily from the purchase price allocations in connection with the acquisition of Whinstone US, Inc. and the Kelvin Emtech Group. Taking into account the carrying forward of the disclosed hidden reserves and charges up to the balance sheet date, deferred tax liabilities totaling kEUR 19,918 (before netting with deferred tax assets) are recognized for these companies.

The income and expenses from deferred taxes recognized in profit or loss in the fiscal year under review relate to the following temporary differences and tax loss carryforwards:

kEUR	2020
Intangible assets	1,784
Property, plant and equipment	-13,589
Rights of use from lease agreements	102
Trade receivables / receivables due from affiliated companies	3,671
Other assets	312
Cash and cash equivalents	169
Transaction costs from capital procurement measures	-910
Trade payables / receivables due to affiliated companies	-72
Financial liabilities (loans)	3,741
Contractual liabilities, deferred revenue	26,342
Other accruals and deferrals	29
Tax loss carryforwards	5,371
Total (gross amount)	26,950
Recognition of deferred tax assets not exceeding the amount of deferred tax liabilities (per consolidation unit)	-20,472
Total deferred tax expense/income	6,478

6.9. Earnings per share

The following table shows the calculation of basic and diluted earnings per ordinary share attributable to shareholders of the parent company:

		2020	2019
Net result attributable to equity holders of the parent company	kEUR	-84,258	-9,278
Weighted average number of shares for the calculation of earnings per share			
Undiluted (basic)	Number	11,411,172	7,441,500
Diluted	Anzahl	14,789,684	7,441,500
Earnings per share			
Undiluted (basic)	EUR	-7,38	-1,25
Diluted	EUR	-5,7	-1,25

7. Notes to the balance sheet

7.1. Goodwill and other intangible assets

kEUR	Goodwill	Customer base	Acquired concessions and other rights	Similar rights and assets	Total
Cost					
Balance as of 1-Jan-19	-	-	31	-	31
Balance as of 31-Dec-19	-	-	31	-	31
Additions to consolidation group	43.479	110.749	713	66	155.007
Additions	-	-	2.225	-	2.225
Additions from internally generated intangible assets	-	-	79	-	79
Disposals	-	-	-12	-	-12
Net currency translation differences	-	-10.910	-9	-	-10.919
Balance as of 31-Dec-20	43.479	99.839	3.027	66	146.411
Accumulated amortization and impairment losses					
Balance as of 1-Jan-19	-	-	17	-	17
Additions (amortization)	-	-	6	-	6
Balance as of 31-Dec-19	-	-	23	-	23
Additions (amortization)	-	8.602	166	4	8.772
Additions to impairment losses	-	-	6	-	6
Disposals	-	-	-12	-	-12
Net currency translation differences	-	-537	-4	-	-541
Balance as of 31-Dec-20	-	8.065	179	4	8.248
Carrying amounts					
Balance as of 1-Jan-19	-	-	14	-	14
Balance as of 31-Dec-19	-	-	8	-	8
Balance as of 31-Dec-20	43.479	91.774	2.848	62	138.163

Intangible assets consist mainly of goodwill and customer bases acquired as part of the acquisitions of Whinstone US, Inc. and the Kelvin Emtech Group. Details on the acquisition of Whinstone US, Inc. and the Kelvin Emtech Group can be found in note 5 "Business combinations".

Goodwill is not amortized, but is instead tested for impairment at least once a year in accordance with IAS 36 on the basis of the recoverable amount in accordance with the procedure described in note 3.7.5 "Classification and measurement". The recoverable amount was determined on the basis of the value in use. Based on this impairment test in accordance with IAS 36, no goodwill impairments arose as of the December 31, 2020 balance sheet date.

An after-tax capitalization rate (WACC) of 7.30 % (pretax WACC 9.20 %) was applied to the initial goodwill impairment test for Whinstone US, Inc. as of December 31, 2020. The impairment test was performed at the level of Whinstone US, Inc. as a separate cash-generating unit, and the goodwill arising from the original purchase price allocation was allocated in full to this cash-generating unit. Due to the fact that an impairment test was conducted for the first time, no information is provided on previous comparative values. The discount rate is based on a base rate of 1.75 % and a market risk premium of 5.00 %. Due to the lack to date of historical data and a valid database, a growth rate of 0.00 % was assumed. The carrying amount of goodwill remained unchanged at kEUR 42,471 as of the balance sheet date.

For the first impairment test of Kelvin Emtech Group goodwill as of December 31, 2020, the Kelvin Emtech Group companies were combined into one cash-generating unit. The goodwill was allocated in full to this cash-generating unit. An after-tax capitalization interest rate (WACC) of 6.10 % (pretax WACC 7.60 %) was applied as a basis. The discount rate is based on a base rate of 1.25 %, a market risk premium of 5.00 % and a growth rate of 0.00 %. The carrying amount of goodwill remained unchanged at kEUR 1,008 as of the balance sheet date.

The recoverable amounts of the two cash-generating units were each determined on the basis of value in use from the discounting of free cash flows using EBIT forecasts based on the Management Board's planning for the years 2021 to 2025. The cash flow projections include specific estimates for five years and an estimated terminal value subsequently.

The basic assumptions are derived from the Management Board's assessment of future developments based on internal and external sources:

- ▶ The planned revenues for the planning period are based primarily on customer contracts already concluded. In the case of Whinstone US, Inc., slight growth in the utilization of computer capacity was assumed over the planning years, with an upper limit on total capacity. At Kelvin Emtech Group, slightly increasing revenues were assumed over the planning years.
- ▶ EBIT margins at Whinstone US, Inc. were assumed to increase sharply until 2022 and remain approximately flat thereafter. At Kelvin Emtech Group, slightly increasing EBIT margins were assumed over the planning years.

The Management Board is of the opinion that in each case no realistic change in the key assumptions would cause the carrying amount of the cash-generating units or goodwill to exceed the recoverable amount.

Northern Data capitalized kEUR 79 of development costs for internally generated intangible assets in the reporting period.

7.2. Property, plant and equipment

kEUR	Land and buildings	Data centers: servers, fixtures and fittings, operating equipment	Office and other business equipment	Prepayments and plant under construction	Total
Cost					
Balance as of 1-Jan-19	-	5.431	29	-	5.460
Additions	-	1.102	7	-	1.109
Balance as of 31-Dec-19	-	6.533	36	-	6.569
Additions to consolidation group	55	9.374	2.400	10.763	22.592
Additions	550	5.022	98	210.481	216.151
Reclassifications	10.150	19.179	-	-29.329	-
Net currency translation differences	-636	-2.462	-287	-631	-4.016
Balance as of 31-Dec-20	10.119	37.646	2.247	191.284	241.296
Accumulated depreciation and impairment losses					
Balance as of 1-Jan-19	-	606	17	-	623
Additions (depreciation)	-	923	6	-	929
Balance as of 31-Dec-19	-	1.529	23	-	1.552
Additions (depreciation)	105	2.616	488	-	3.209
Impairment	-	2.512	-	-	2.512
Net currency translation differences	-7	-98	-73	-	-178
Balance as of 31-Dec-20	98	6.559	438	-	7.095
Carrying amounts					
Balance as of 1-Jan-19	-	4.825	12	-	4.837
Balance as of 31-Dec-19	-	5.004	13	-	5.017
Balance as of 31-Dec-20	10.021	31.087	1.809	191.284	234.201

During the 2020 fiscal year, the Group decommissioned parts of its legacy server inventory. Based on lower resale prices, this led to an impairment loss of kEUR 2,512. The recoverable amount of the related assets determined in this manner amounts to kEUR 534 as a result of the closure.

As of December 31, 2020, property, plant and equipment with a carrying amount of kEUR 43,563 is pledged as collateral under a customer contract.

7.3. Leases

Leases as lessee

The existing leases mainly relate to the rental of office space and other operating and office equipment. The term of the lease agreements is typically at least two years with an option to extend. The lease agreements can be extended at the end of the leasing period, as a matter of principle. Lease payments are renegotiated at irregular intervals in order to reflect market trends in an agile manner.

Northern Data rents various smaller office premises with contractual terms of less than one year. Northern Data has elected not to recognize rights of use or lease liabilities for these leases. Expenses for current leases amounted to kEUR 113 in the 2020 fiscal year (previous year: kEUR 5). Expenses for low-value leasing liabilities amount to kEUR 586 (previous year: kEUR 0).

RIGHTS OF USE

kEUR	Land and buildings	Operating equipment	Total
Cost			
Balance as of 1-Jan-19	-	6.331	6.331
Balance as of 31-Dec-19	-	6.331	6.331
Additions to consolidation group	46	15.031	15.077
Additions	17	-	17
Disposals	-	-6.331	-6.331
Net currency translation differences	-5	-1.627	-1.632
Balance as of 31-Dec-20	58	13.404	13.462
Accumulated depreciation and impairment losses			
Balance as of 1-Jan-19	-	-	-
Additions (depreciation)	-	2.960	2.960
Balance as of 31-Dec-19	-	2.960	2.960
Additions (depreciation)	22	3.610	3.632
Disposals	-	-5.913	-5.913
Translation differences	-1	-166	-167
Balance as of 31-Dec-20	21	491	512
Carrying amounts			
Balance as of 1-Jan-19	-	6.331	6.331
Balance as of 31-Dec-19	-	3.371	3.371
Balance as of 31-Dec-20 (current and non-current)	37	12.913	12.950

II AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

kEUR	31.12.2020	31.12.2019
Interest expenses	420	115
Expenses for current leases	168	5
Expenses for low-value leases	757	-
Expenses for variable lease payments not included in the measurement of lease liabilities	5	-

III AMOUNTS RECOGNIZED IN THE CASH FLOW STATEMENT

kEUR	31.12.2020	31.12.2019
Total cash outflows for leases	5.143	3.026

IV EXTENSION OPTIONS

Some real estate leases contain renewal options that are exercisable by the company up to one year prior to the expiration of the non-cancelable lease term. The renewal options are exercisable only by the company and not by the lessor. On the grant date, the Group assesses whether the exercise of renewal options is sufficiently certain. The Group redetermines whether the exercise of a renewal option is sufficiently certain if a significant event or a significant change in circumstances occurs within its control. At present, no renewal options have been classified by the company as sufficiently certain.

Information on the residual terms of the lease liabilities is provided in the table in note 7.8 "Composition and remaining term".

7.4. Inventories

Inventories of kEUR 11,875 (previous year: kEUR 58) mainly relate to services from contract manufacturing for the provision of server containers that had not yet been invoiced as of the reporting date.

7.5. Other assets

The following assets are reported on the consolidated balance sheet under other assets:

kEUR	31.12.2020	31.12.2019	01.01.2019
Financial assets – non-current			-
Security deposits	20.814	-	-
Total	20.814	-	-
Total non-current	20.814	-	-
Financial assets – current			
Security deposits	6	8	-
Accrued income and prepayments	400	-	-
Loans to staff	330	-	-
Creditor accounts in debit	39	-	-
Other receivables	5	-	-
Total	780	8	-
Non-financial assets – current			
Taxes other than income taxes	5.913	-	149
Miscellaneous current assets	9	184	72
Total	5.922	184	221
Total short-term	6.702	192	221

Security deposits primarily relate to agreements that Whinstone US, Inc. has with power suppliers, as well as long-term leases. The accrued income and prepayment items relate, in particular, to prepayments made in the course of the planned construction of data centers.

7.6. Equity

7.6.1. PRINCIPLES AND OBJECTIVES OF CAPITAL MANAGEMENT

The Northern Data Group's primary objective in relation to capital management is to ensure a sound capital and liquidity base for the Group's operations and for its sustainable growth. In this context, the trust and confidence of shareholders and their expectations in terms of shareholder returns are also to be safeguarded, with stakeholders' interests given due consideration.

As a young and growing corporate group, Northern Data monitors capital on the basis of the equity ratio and the (EBITDA) return on equity. No externally defined target exists for the ratio of equity to debt.

Capital increases and the issue of new shares as part of mergers with other companies are realized in order to meet growth targets and to secure the capital and liquidity base. In addition, procurement transactions are pre-financed with prepayments from customers as part of operating activities by means of appropriate contractual arrangements. In order to enable balanced equity and debt financ-

ing in the future, the Group is considering concluding financing agreements with various banks.

The ratios applied to monitor capital are as follows:

	31.12.2020	31.12.2019
Equity ratio (%)	35,1	-*

	2020	2019
Return on equity (%)	-7	-*

* no calculation due to negative equity as of December 31, 2019

7.6.2. NOTES CONCERNING EQUITY

The subscribed share capital amounts to EUR 14,639,684 as of the reporting date (previous year: EUR 7,441,500), and is divided into 14,639,684 shares with a nominal value of EUR 1 per share.

A non-cash capital increase was implemented at Northern Data as part of the merger with Whinstone US. In the previous year, the Management Board passed a resolution to increase the company's share capital by EUR 3,720,750.00 against a non-cash capital contribution, by issuing 3,720,750 no-par value bearer shares, each with a notional interest in the share capital of EUR 1.00 (Approved Capital 2019/I). Shareholders' statutory subscription rights were excluded in this context. The shareholders of Whinstone US, Inc. were admitted to subscribe against contribution of their respective shares in Whinstone US, Inc. The capital increase was completed in the first quarter of 2020 in the full amount of EUR 3,720,750.00 against non-cash capital contributions. The non-cash capital contributions were realized by transferring all of Whinstone's shares to the company upon entry in the commercial register on March 9, 2020. After the non-cash capital increase, the company's share capital amounted to EUR 11,162,250.00. The difference between the fair value (stock market price) on the transaction date and the nominal value of the shares issued (totaling kEUR 116,087) was transferred to the capital reserve.

By making partial use of the Approved Capital 2020/I, as approved by the Ordinary Annual General Meeting on December 30, 2019, and entered in the commercial register on March 16, 2020, a share capital increase of EUR 685,000.00 to EUR 11,847,250.00 against cash capital contributions was implemented in April 2020. The gross proceeds from the capital increase amounted to approximately EUR 30.1 million. The amount exceeding the nominal value of the issued shares (in total kEUR 29,455) was transferred to the capital reserve. In July 2020, a further share capital increase of EUR 431,225.00 to EUR 12,278,475.00 against cash capital contributions was completed. Gross proceeds of EUR 21.6 million were generated, of which a total of kEUR 21,130 was allocated to the capital reserve.

Based on the conditional increase of the share capital approved on August 30, 2019, as amended by resolution of the Annual General Meeting on December 30, 2019 (Conditional Capital 2019/I), subscription shares with a nominal value of EUR 2,277,875 have been issued in the 2020 fiscal year in connection with the servicing of the convertible bond. As a consequence, the share capital of Northern Data AG increased to EUR 14,556,350.00. The difference between the nominal value of the shares issued and the value of the convertible bond attributable to them (in total kEUR 15,945) was transferred to the capital reserve.

As part of the merger with Groupe Kelvin Emtech Inc., a further non-cash capital increase was implemented in December 2020. In this context, on the basis of the authorization issued by the Annual General Meeting of December 30, 2019, the share capital was increased by EUR 83,334 to EUR 14,639,684.00 through the issuance of 83,334 no-par value bearer shares, each with a notional share of EUR 1.00 in the share capital. The shareholders of Group Kelvin Emtech Inc. were admitted to subscribe against contribution of their respective shares in Group Kelvin Emtech Inc. The capital

increase was completed in the fourth quarter of 2020 in the full amount of EUR 83,334.00 against non-cash capital contributions. The non-cash capital contributions were realized by transferring all shares in Northern Data AG with entry in the commercial register on December 3, 2020. The difference between the fair value (stock market price) on the transaction date and the nominal value of the shares issued (totaling kEUR 4,700) was transferred to the capital reserve.

By making partial use of the Approved Capital 2020/I, as approved by the Ordinary Annual General Meeting on November 10, 2020, and entered in the commercial register on December 8, 2020, a share capital increase of EUR 900,000.00 against cash capital contributions was initiated in December 2020. This share capital increase was filed with the Frankfurt am Main District Court on December 23, 2020, and entered in the commercial register on January 6, 2021. The gross proceeds from the capital increase already received in December 2020 amounted to approximately kEUR 52,470. As of December 31, 2020, the amount is reported under equity, under the item "Contributions rendered to implement the approved capital increase".

The transaction costs incurred in connection with the capital raising measures were deducted directly from the capital reserve.

Accumulated effects from the value adjustment of the convertible bond (kEUR 30,594) are reported as an allocation to the capital reserve.

The translation differences derive from the translation of the financial statements of Whinstone US, Inc, Northern Data CA Ltd., and the companies of the Kelvin Emtech Group.

7.7. Provisions

KEUR	Balance as of 01-Jan-20	Addition	Consumption	Release	Discounting/ reversal of discounting	Balance as of 31-Dec-20
Financial statements and auditing	25.000	550.193	25.000	-	-	550.193
Site restoration obligations	19.817	-	-	20.327	510	-
Archiving requirements	4.700	500	-	-	-	5.200
Other	0	349.044	-	-	-	349.044
Total	49.517	899.737	25.000	20.327	510	904.437

KEUR	Balance as of 01-Jan-20	Addition	Consumption	Release	Discounting/ reversal of discounting	Balance as of 31-Dec-20
Financial statements and auditing	21.000	25.000	21.000	-	-	25.000
Site restoration obligations	19.315	-	-	-	502	19.817
Archiving requirements	2.000	2.700	-	-	-	4.700
Total	42.315	27.700	21.000	-	502	49.517

7.8. Financial liabilities

7.8.1. COMPOSITION AND RESIDUAL TERMS

Contractual maturities: kEUR	< 1 year	1-5 years	> 5 years	01.01.2019
Trade payables	2.601	-	-	2.601
Lease liabilities	2.906	3.405	-	6.311
Loan liabilities	-	-	4.562	4.562
Total	5.507	3.405	4.562	13.474

Contractual maturities: kEUR	< 1 year	1-5 years	> 5 years	31.12.2019
Trade payables	980	-	-	980
Loan liabilities	-	-	4.547	4.547
Lease liabilities	2.968	437	-	3.405
Convertible bond	-	11.041	-	11.041
Total	3.948	11.478	4.547	19.973

Contractual maturities: kEUR	< 1 year	1-5 years	> 5 years	31.12.2020
Trade payables	20.246	-	-	20.246
Loan liabilities	10.633	16.933	-	27.566
Lease liabilities	896	2.563	11.311	14.770
Convertible bond	-	176	-	176
Derivatives from electricity contracts	-	-	16.925	16.925
Other financial liabilities	1	-	-	1
Total	31.776	19.672	28.237	79.684

For the liabilities shown in the previous table (convertible bond, loan), which are not traded on an active market, measurement is performed applying the method described in note 3.7.3 "Financial instruments".

In addition to trade payables, financial liabilities include a customer loan of kEUR 25,498 as a significant item. The lease liabilities derive mainly from rental and lease agreements. The convertible bond and the electricity supply contract are explained separately in the corresponding notes 8.2.1 "Convertible bond" and 8.2.2 "Electricity supply contract to be classified as a financial instrument". In essence, only the loan is interest-bearing. In the first conversion window, a conversion is made by the holders of the convertible bond on the basis of the company's financial performance, with the result that the convertible bond has an insignificant interest burden.

7.8.2. DAY-ONE GAIN OR LOSS

Differences arose between the transaction price on the date of initial recognition of the liabilities and the fair value determined by means of the valuation method described in 3.7.3 "Financial instruments".

The differences still to be recognized in profit or loss amounted to kEUR 708 as of the end of the fiscal year under review (previous year: kEUR 2,050).

The difference for the convertible bond is distributed over the expected remaining term of the liability by calculating the annual amount that will result in the redemption amount at the maturity date of the liability. As a consequence, the differential amount for the convertible bond (see note 8.2.1 "Convertible bond") is distributed pro rata temporis over the remaining term of the bond amount not yet converted.

Compliance and non-compliance with loan conditions

During the 2020 and 2019 fiscal years, Northern Data did not default on any of its principal or interest payment obligations, and met all of its obligations. Loan conditions were complied with and no violations occurred.

7.9. Other liabilities

kEUR	31.12.2020	31.12.2019
Current other liabilities		
Liabilities from value added tax	3.525	40
Liabilities to third parties	213.346	-
Miscellaneous other liabilities	1.067	436
Total	217.938	476
Non-current other liabilities		
Security deposits	2.037	-
Total	2.037	-

Other current liabilities to third parties mainly include prepayments for hardware components by Bitfield Group and Decentric, which were acquired in August 2021 and September 2021 (see also note 8.10 "Events after the reporting period", note 8.3.1 "Related companies" and the Group management report).

8. Other notes

8.1. Notes to the consolidated statement of cash flows

The statement of cash flows shows how cash and cash equivalents changed during the fiscal year under review. In accordance with IAS 7 "Statements of Cash Flows", a distinction is drawn between changes in funds from operating, investing and financing activities.

The changes in liabilities from financing activities in the 2020 fiscal year are as follows:

kEUR	Balance as of 31-Dec-19	Cash		Non-cash			Balance as of 31-Dec-20
		Other cash flows	Change in scope of consolidation	Change in fair value	Exchange rate changes	Other	
Loan liabilities	4.547	-2.500	27.113	159	-2.808	1.054	27.565
Lease liabilities	3.405	-4.578	17.266		-1.685	363	14.771
Wandelanleihe	11.041	4.657	-	-	-	-17.742	176
Convertible bond	11.041	4.657	-	2.220	-	-17.742	176
Other financial liabilities	-	1	-	-	-	-	1
Total	18.993	-2.420	44.379	19.304	-4.493	-16.325	59.438

The other effects relating to the convertible bond (kEUR 17,742) arise from conversion.

The prepayments for hardware components reported under other liabilities (cf. note 7.9 "Other liabilities") were recognized in the expectation that revenues will be realized at a later date. Accordingly, the change in these liabilities (totaling kEUR 135,073) was allocated to cash flow from operating activities in the consolidated cash flow statement.

The changes in liabilities from financing activities in the 2019 fiscal year are as follows:

kEUR	Balance as of 31-Dec-19	Cash		Non-cash			Balance as of 31-Dec-20
		Other cash flows	Change in scope of consolidation	Change in fair value	Exchange rate changes	Other	
Loan liabilities	4.562	-	-	-	-	-15	4.547
Lease liabilities	6.311	-3.025	-	-	-	119	3.405
Convertible bond	-	10.450	-	591	-	-	11.041
Total	10.873	7.425	-	591	-	104	18.993

8.2. Notes concerning financial instruments

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. This table does not show fair values for financial assets and financial liabilities if their carrying amount represents a reasonable approximation of fair value.

kEUR	Measurement category according to IFRS 9	Carrying amount	Amortized cost	FVOCI	FVPL	Total carrying amount	Level within the fair value hierarchy (fair value)		
							1. Level	2. Level	3. Level
31.12.2019									
Assets/liabilities									
Cash and cash equivalents	FAAC	3.248	3.248	-	-	3.248	-	-	-
Trade receivables	FAAC	0	0	-	-	0	-	-	-
Interests in other companies	FVOCI	4	-	4	-	4	-	-	4
Trade payables	FLAC	980	-	-	-	980	-	-	-
Loans to shareholders	FLAC	4.547	-	-	-	4.547	-	-	-
Convertible bond	FVTPL	11.041	-	-	11.041	11.041	-	-	11.041
31.12.2020									
Assets/liabilities									
Cash and cash equivalents	FAAC	73.862	73.862	-	-	73.862	-	-	-
Trade receivables	FAAC	2.293	2.293	-	-	2.293	-	-	-
Interests in other companies	FVOCI	1.451	-	1.451	-	1.451	-	-	1.451
Trade payables	FLAC	20.246	-	-	-	20.246	-	-	-
Loans to customers	FLAC	25.498	25.498	-	-	25.498	-	-	-
Loans to shareholders	FLAC	1.164	-	-	-	1.164	-	-	-
Convertible bond	FVTPL	176	-	-	176	176	-	-	176
Derivatives from electricity contracts	FVTPL	16.925	-	-	16.925	16.925	-	16.925	-

Cash and cash equivalents, trade receivables as well as other current financial assets and liabilities mainly have short residual terms. For this reason, their carrying amounts as of the balance sheet date approximate to their fair value. The carrying amount of current financial liabilities represents an approximation of the fair value on the reporting date.

Financial assets and financial liabilities measured at fair value are determined by applying a measurement technique that includes significant unobservable inputs (Level 3). For the valuation of embedded options in structured financial liabilities, significant unobservable inputs as well as historical volatilities for equities are used for the valuation.

Northern Data's maximum credit exposure is equal to the carrying amount of assets subject to credit risk.

The table below shows the reconciliation of the opening balance to the closing balance for Level 3 fair values.

KEUR	Total	of which gains and losses recognised in other comprehensive income	of which gains and losses recognised in financial expenses
Balance at start of fiscal year (liability amount)	-11.037	-	-
Addition of shares in affiliated companies – net change in fair value	1.447	-	-
Convertible bond - net change in fair value	10.865	-	10.865
Balance at end of fiscal year (asset amount)	1.275	-	10.865

Further notes to the table with the change in fair values of Level 3: The decrease in financial liabilities measured at fair value based on utilization of the fair value option is due to the investors' exercise of conversion rights relating to the convertible bond and the repayment of the subordinated loan.

The loan was disbursed to Northern Data at nominal value. A fixed interest rate below the market rate at the time the loan was issued was agreed as the loan interest rate for the entire term of the loan. As a consequence, the loan amount received or the transaction price do not represent fair value at the time of addition. The fair value of the loan was determined applying a discounted cash flow (DCF) method.

The loan is a subordinated loan liability that must be repaid from future proceeds at any time, albeit no later than December 31, 2025, with the interest payments also to be met from future proceeds.

The loans to shareholders were subjected to a scenario analysis. The interest rate was identified as a key input. Based on the available data, a scenario analysis was performed on the basis of alternative time periods. An alternative spread calculation also simulates the possibility of an alternative rating assessment. A hypothetical calculation of the spread over a period of 12 months leads to an increase in the interest rate of 1.58 percent. This reduced the impact on the fair value on addition by kEUR -368. Furthermore, in addition to a longer term, the spread calculation was adjusted to 3 months, which leads to a reduction of the interest rate by -1.15 percent and increases the value on addition by kEUR 296.

For financial liabilities designated as at fair value through profit or loss, companies are required to

present separately the amount of gain or loss recognized in other comprehensive income and the amount recognized in profit or loss.

Northern Data is exposed to a number of different financial risks, which are explained in the management report as electricity price risk, liquidity risk, counterparty risk, currency risk and interest rate risk. Risk management is performed by the Group Finance Department. The Group Finance Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. Changes in the risk situation are responded to with appropriate process changes. The aim of risk management is to reduce financial risks through planned measures.

8.2.1. CONVERTIBLE BOND

The convertible bond issued by Northern Data was placed in the nominal amount of kEUR 10,450 in the 2019 fiscal year and the remaining kEUR 9,550 at the beginning of the 2020 fiscal year. Due to the structure of the convertible bond, investors exercised their conversion rights for a conversion volume of kEUR 19,395 as of the first date when they were able to exercise their conversion rights. Northern Data exercised the convertible bond issuer's right in the first conversion period until June 30, 2020 to the effect that the Group serviced part of the conversion in 2,214,250 shares and settled kEUR 4,412 in cash. In the second half of 2020, further investors exercised their conversion rights with the result that kEUR 509 in conversion volume on the part of Northern Data was fulfilled exclusively in shares. For the nominal amount of kEUR 82 remaining as of December 31, 2020, Northern Data exercised its right as the issuer to draw the clean-up call (see note 8.10 "Events after the reporting period"), and consequently, the remaining fair value of the convertible bond (Level 3 of the fair value hierarchy) is not subjected to a sensitivity analysis for reasons of materiality, as any resulting fluctuations in value would have an immaterial effect.

Due to the placement of the convertible bond over a longer period of time or over a period in which the share price performed positively, the transaction price, the respective nominal amount of the shares acquired from the bond, could no longer be used as the fair value at the time of placement. The fair value was determined using a DCF method and the CRR option pricing model.

The convertible bond is a structured financial liability (see note 3.7.3.5 "Classification and measurement"), which consists of a fixed-interest debt instrument and a derivative component to be classified as debt, which also has treasury shares as the underlying asset.

The convertible bond was arranged with a term of five years, with a fixed interest rate of 5 percent per annum. The conversion price was EUR 8.00 per share, although the company was entitled to pay a cash amount of EUR 21.00 instead of delivering shares. The total volume of the convertible bond amounts to kEUR 20,000. The conversion right may be exercised by a bondholder from May 15, 2020 onwards on the last five banking days of each calendar quarter until the repayment date.

8.2.2. ELECTRICITY SUPPLY CONTRACT TO BE CLASSIFIED AS A FINANCIAL INSTRUMENT

Northern Data purchases a fixed volume of electricity each month at a fixed payable price, regardless of actual usage. In the event of additional requirements, Northern Data can purchase the required additional volumes on the basis of agreed additional volume conditions. However, Northern Data did not identify any demand for additional volumes. In the event that Northern Data does not have the originally planned requirement, Northern Data may resell the unutilized quantities back to the power supplier at the current market price. The contract includes a Net Settlement Option, and the Own Use Exemption does not apply due to the specific design of the factual situation. For this reason, the power contract is to be classified as FVTPL.

Northern Data is required to provide an initial security of USD 7.5 million. In addition, Northern Data

must also provide an ongoing security, determined by market price developments.

Electricity forward contracts are valued individually at their forward rate or price on the balance sheet date using the electricity price model that is customary in the market and that is also used to determine the margin. The forward rates or prices are based, as far as possible, on market quotations, taking into account forward premiums and discounts where applicable.

Uncertainties arise for Northern Data not only from the following, simulated market values but also from the multiplicity of internal factors (e.g. actual electricity consumption of a unit) as well as external factors (e.g. weather conditions and temperatures).

A hypothetical change in the electricity costs for MW/h as of the balance sheet date of EUR +0.82 (1 USD), would lead to a theoretical change in the market values of kEUR 8,697.

Risks are explained in more detail in the risk report within the management report.

8.3. Related party transactions

Related parties as defined in IAS 24 are natural persons or entities that can be influenced by Northern Data, that can exercise influence over Northern Data, or that are subject to the influence of another party related to Northern Data.

8.3.1. RELATED COMPANIES

As of the balance sheet date and throughout the past fiscal year, no party was able to exercise a controlling influence over Northern Data AG. Significant influence was exercised by the Block.one Group.

Firstly, the related parties are non-consolidated subsidiaries. Northern Data maintains relationships with certain of its unconsolidated subsidiaries in the ordinary course of its business. Transactions with such Group companies are disclosed below. The transactions relate to calls on liquid funds and settlements under the Group's internal credit facility agreements.

kEUR	31.12.2020	31.12.2019
Receivables		
Whinstone Security LLC.	-	-
Northern eCloud ehf. DRÖG	41	-
Northern Data NOR AS	226	-
Total	267	-

The open balances at the end of the reporting period are unsecured, and are settled by cash payment or the offsetting of receivables and payables.

Secondly, hardware and other supply contracts in particular were concluded with a subsidiary of Block.one and a further associated company in the 2020 fiscal year. Deliveries in the amount of kEUR 86,999 were realized. As the company is of the opinion that the agreements did not meet the criteria for a contract as defined by IFRS 15.9 as of December 31, 2020 and no transfer of economic control occurred, no revenue was recognized with these companies concerning deliveries in 2020. As of the balance sheet date, liabilities from these business relationships exist due to payments received in the amount of kEUR 213,346.

No guarantees exist for receivables due from, or liabilities due to, related parties. No valuation allowances were applied to receivables due from related parties.

8.3.2. RELATED PERSONS

Related parties are those persons who have significant influence over the financial and operating policies of Northern Data, including their close family members. These include the members of the Management and Supervisory boards of Northern Data.

Management Board

During the past fiscal year, the Management Board of Northern Data comprised the following individuals:

- ▶ Aroosh Thillainathan, Chief Executive Officer, Frankfurt am Main; since January 1, 2020.
- ▶ Dr. Mathias Dähn, Chief Financial Officer, Frankfurt am Main; since September 7, 2020.
- ▶ Stefan Sickenberger, Chief Operating Officer, Frankfurt am Main; since August 1, 2020.
- ▶ Mathis Schultz, Chief Financial Officer, Frankfurt am Main; until September 6, 2020.

Members of the Management Board held the following positions within the Group:

- ▶ Aroosh Thillainathan, Chief Executive Officer, Whinstone US, Inc., Rockdale Texas (Mr. Thillainathan was a director of Whinstone US, Inc. prior to its acquisition by Northern Data)

The total compensation of the Management Board is as follows:

kEUR	2020	2019
Current payments (compensation)	1,107	90
Share-based payments	337	-
Total	1,444	90

Supervisory Board

Name	Profession	Member since	Appointed until / stepped down on	Further mandates in 2020 (during the term of office)
Eerik Budarz	Economist	17.04.2019	10.11.2020	
Marc Schönberger	Lawyer	17.04.2019	10.11.2020	Supervisory Board Pantaflix AG, Supervisory Board Bitfield AG
Dr. Tom Oliver Schorling	Independent lawyer	10.11.2020	2023	Deputy Chairman of the Supervisory Board of Exaloan AG, Frankfurt Chairman of the Supervisory Board of Dioscure Therapeutics SE, Bonn
Dr. Bernd Hartmann	Managing Director	25.07.2014	2023	Partner and Managing Director of Roskos & Meier OHG
Hermann-Josef Lamberti	Business executive	10.11.2020	2023	Member of the Board of Trustees of the Frankfurt Institute for Advanced Studies (FIAS)

The compensation of the Supervisory Board in the past fiscal year amounted to kEUR 143. In addition to reimbursement of their expenses, each member of the company's Supervisory Board receives fixed annual compensation of kEUR 30. The Chair of the Supervisory Board receives fixed annual compensation of kEUR 60, and the Deputy Chair of the Supervisory Board receives kEUR 45.

8.3.3. DIRECTORS' DEALINGS

Pursuant to Article 19 (1) of the Market Abuse Regulation (MAR – Regulation (EU) No. 596/2014), the members of the Management and Supervisory boards, as well as certain relatives, must immediately disclose all sales and purchases of Northern Data shares and other related rights if the value limit of EUR 20,000 is exceeded within the calendar year.

The following table shows a list of transactions published in the 2020 fiscal year:

Notifying individual	Notification date	Date	Transaction type	Price	Aggregate volume
					kEUR
Aroosh Thillainathan	09.03.2020	09.03.2020	Acquisition of shares with a nominal value of EUR 1.00 subscribed for on February 17, 2020, in accordance with the notification pursuant to Article 19 MAR of February 19, 2020, as part of a capital increase against non-cash capital contributions at Whinstone US Inc.	EUR 1.00	744

8.4. Share-based payment transactions

8.4.1. DESCRIPTION OF SHARE-BASED PAYMENT ARRANGEMENT

As of December 31, 2020, there is a Share Option Scheme 2020 ("SOP 2020"), i.e. share-based payment arrangement, within the Group which provides for settlement by equity instruments.

On August 4, 2020, Northern Data introduced the SOP 2020, which entitles members of the company's Management Board and employees, as well as members of management bodies and employees of affiliated companies, to acquire shares in Northern Data AG. Under the program, holders of exercisable options have the right, subject to certain conditions, to purchase shares at the exercise price (which corresponds to the unweighted arithmetic mean of the prices determined in the closing auction in XETRA® trading, or a comparable successor system, or a successor price, during the last ten trading days prior to the date on which the option is granted).

All options are to be settled by physical delivery of the shares, as a matter of principle. However, the company is entitled to effect, at its discretion, fulfillment by granting a cash settlement amount. The cash settlement amount granted is calculated as the difference between the exercise price and the unweighted arithmetic mean of the prices of the shares of Northern Data AG as determined in the closing auction in XETRA® trading or in a comparable successor system or as a successor price during the last ten trading days prior to the exercise of the option.

Between August 10 and December 15, 2020, a total of 628,949 share options were issued to members of the company's Management Board and employees, as well as to members of the management bodies and employees of affiliated companies. The options can be exercised for the first time after the expiry of a holding period of four years from the respective issue date. Furthermore, the exercise conditions stipulate that the option holders can only exercise the options if, as a matter of principle, the option holder remains with the company for more than three years (vesting period), and the compound annual growth rate (CAGR) of the Group's revenue in the reference period amounts to at least 25 percent.

8.4.2. DETERMINING FAIR VALUES

The fair value of the SOP 2020 was determined by applying the Black-Scholes formula. Service and non-market performance conditions associated with the transactions were not included in determining fair value.

The parameters used in determining the fair values on the SOP 2020 grant date include, in particular:

- ▶ the share price on the respective grant date (average share price EUR 50.92); the value also corresponds to the average exercise price of the options
- ▶ expected volatility of 54.6 percent
- ▶ expected life of 4.0 years (weighted average)
- ▶ expected dividends equivalent to 0.0 percent of the share price
- ▶ risk-free interest rate – 0.5 percent

The expected volatility is based on the 180-day volatility from an appropriate peer group, as Northern Data currently has very high, unrepresentative volatility due to the development and growth of its business.

The expected life of the instruments is based on the general behavior of option holders. The first opportunity to exercise the options is four years after the grant date. The option holder then has the right to exercise the options over a period of five years. As part of measuring the options, it is assumed that the option holders will exercise the right to subscribe for the shares immediately after four years.

8.4.3. RECONCILIATION OF OUTSTANDING SHARE OPTIONS

The number of share options under the SOP 2020 shows the following changes:

Thousands of options	AOP 2020
Outstanding as of January 1, 2020	-
Expired during the year	-
Exercised during the year	-
Granted during the year	629
Outstanding as of December 31, 2020	629
Exercisable as of December 31, 2020	-

8.4.4. EXPENSES RECOGNIZED IN PROFIT OR LOSS

In connection with the SOP 2020 share-based payment arrangement, expenses of kEUR 704 (previous year: kEUR 0) were recognized under personnel expenses in the 2020 fiscal year.

8.5. Employee benefits

The Group has company pension schemes in the form of defined contribution plans.

Defined contribution plans exist in the form of retirement, disability and survivors' benefits, the amount of which depends on length of service and salary. Employer's contributions to the statutory pension insurance to be paid in Germany are to be regarded as such defined contribution plans. Payments to defined contribution plans in the Group relate predominantly to contributions to the statutory pension insurance scheme in Germany. In the reporting period, expenses in connection with defined contribution plans amounted to kEUR 176 (previous year: kEUR 98).

8.6. Entity-wide disclosures

Due to the Northern Data Group's organizational structure, no delineation of reporting segments was presented in the 2020 fiscal year. In the following, information is provided at entity level in accordance with IFRS 8.31 et seq.

The revenue of the Northern Data Group can be analyzed by geographical region (location of the companies included) as follows.

kEUR	2020	2019
Germany	-	10.132
Abroad	16.377	-
Total	16.377	10.132

The carrying amounts of non-current assets are composed as follows.

kEUR	31.12.2020	31.12.2019
Germany	192.091	8.396
Abroad	193.207	0
Total	385.298	8.396

For the presentation of information on geographical regions, revenues as well as non-current assets are stated according to the registered office of the respective Northern Data company. Non-current assets by region comprise non-current assets less deferred tax assets, interests in other companies, and other financial assets.

8.7. Other financial obligations

Other financial obligations amounted to kEUR 133,701 as of the balance sheet date (previous year: kEUR 807). The other financial obligations include, in particular, current purchase commitments based on hardware contracts in an amount of EUR 133,097. In addition, financial obligations arise from low-value and short-term rental and lease agreements with a remaining term of up to one year in an amount of kEUR 205, and with a remaining term of one to five years in an amount of kEUR 399. For financial obligations from rental and lease agreements, please also refer to note 7.8 "Financial liabilities".

8.8. Auditor's fees and services

Pursuant to Section 315e (1) HGB in conjunction with Section 314 (1) No. 9 HGB, the fees and services for the auditor of the consolidated financial statements must be disclosed as follows:

kEUR	2020
Audit of financial statements	406
Other certification services	110
Total	516

The fees for auditing services provided by KPMG AG Wirtschaftsprüfungsgesellschaft related to the audit of the consolidated financial statements and the company's separate annual financial statements, as well as various audits of the annual financial statements of its subsidiaries. Moreover, a review of the interim financial statements was performed in the 2020 fiscal year.

8.9. List of shareholdings of Northern Data AG pursuant to Section 313 (2) Nos. 1 to 4 HGB

Subsidiary	Domicile	Interest in %	Full consolidation (F) Participation (P)	Equity	Net profit or loss
				EUR	EUR
			31.12.2020	31.12.2020	31.12.2020
Groupe Kelvin Emtech Inc.	Montreal (Canada)	100	F	1.452.060	-158
Kelvin Emtech Inc.	Montreal (Canada)	100	F	1.137.077	78.247 ^{*)}
Kelvin Emtech Technologies Inc.	Montreal (Canada)	100	F	186.036	-45.727 ^{*)}
Kelvin Emtech Technologies Inc.	Montreal (Canada)	100	F	128.947	-32.678
Lancium Technologies Corp.	Houston (USA)	7,01	P	n/a	n/a
Northern Data CA Ltd.	Ontario (Canada)	100	F	-658.092	-661.398 ^{**)}
Northern Data NL BV	Eygelshoven (Netherlands)	100	V	-53.433	-53.533 ²⁾
Northern Data NOR AS	Oslo (Norway)	100	P	2.865	0
Northern Data Software GmbH *	Frankfurt (Main)	100	F	2.881.809	2.856.809
Northern eCloud ehf. DRÖG	Reykjavík (Iceland)	100	P	-52.336	-44.887
Whinstone Security LLC	Rockdale (USA)	100	P	-23.685	-25.266
Whinstone US, Inc.	Rockdale (USA)	100	F	-24.276.210	-17.011.673 ³⁾

Northern Data Software GmbH has made use of the exemption pursuant to Section 264 (3) HGB for the 2020 fiscal year and has submitted the declarations required for this purpose to the electronic Federal Gazette (Bundesanzeiger) for publication.

* Short fiscal year from November 1, 2021 to December 31, 2021

** Equity and earnings according to IFRS

*** Equity and earnings in accordance with IFRS; short fiscal year from November 1, 2021 to December 31, 2021

8.10. Events after the reporting date

February 2021

In February 2021, Northern Data announced that it would repay its 2019 convertible bond early. The full repayment of the outstanding small partial nominal amount of EUR 82,000.00 plus accrued interest was realized in accordance with the bond terms and conditions on March 15, 2021. Pursuant to the bond terms and conditions, the company would have been entitled to pay a cash amount of EUR 21.00 per share in lieu of shares in the event of conversion, to which the bondholders would otherwise have been entitled. Given this, and taking into consideration the short period until the repayment date, Northern Data decided to treat all remaining bondholders as if they had converted on time, and to pay them a cash amount of kEUR 2.6 per outstanding bond rather than the nominal amount plus interest. The repayment was realized on March 15, 2021.

March 2021

On March 31, 2021, Northern Data AG approved a capital increase from Approved Capital. The share capital was increased from EUR 15,879,707 to EUR 16,443,675 through the issue of 563,968 new no-par value bearer shares. The shares were issued against cash capital contributions, making partial use of the existing Approved Capital and excluding existing shareholders' subscription rights. The shares were issued at an average placement price of EUR 107.63 per share. The total gross proceeds from the issue thereby amount to approximately EUR 60.7 million. The proceeds will be used to strengthen the balance sheet and to expand the shareholder structure, and are to be deployed to accelerate the growth of existing business activities as well as for general corporate purposes. Strategic financial investors participated to a large extent in the capital increase.

In March 2021, the acquisition of a data center site in Boden, Sweden, was completed. The acquisition was effected by issuing shares from approved capital and a cash component of EUR 4 million (adjusted for selected liabilities and receivables). The highly efficient data center is powered by 100 per cent renewable electricity, and is used to run Northern Data Group's own GPU-based high-performance computing hardware. The related purchase price allocation had not yet been completed as of the date when the consolidated financial statements were prepared.

April 2021

On April 8, 2021, Northern Data sold its US subsidiary Whinstone US, Inc. which operates the high-performance data center at its Rockdale, Texas, location, to Riot Blockchain, Inc. (NASDAQ: RIOT), a US-based publicly traded bitcoin miner in North America. The purchase price consists of a cash payment (cash- and debt-free) of approximately EUR 67 million, and an additional 11.8 million common shares in Riot Blockchain, Inc. The total value of the shares, based on the last Riot Blockchain share price (reference date of April 7, 2021: USD 48.37), corresponds to approximately EUR 481 million. The total volume of the transaction consequently amounts to approximately EUR 548 million. Following the closing of the transaction, which the company announced on May 27, 2021, Northern Data holds an approximately 12.3 % interest in Riot Blockchain, Inc. This leads to an estimated disposal value of EUR 383 million.

May 2021

In May 2021, Northern Data signed a contract with Canadian blockchain technology company Digihost Technology Inc. (TSXV: DGHI) as a new crypto customer. The agreement includes the sale of high performance mining equipment, and at the same time a long-term hosting agreement including a profit sharing agreement.

August 2021

On August 12, Northern Data AG reached an agreement with Block.one concerning the acquisition of Decentric Europe BV. The transaction comprises a cash component and/or offset as well as a vendor loan totaling EUR 195 million, which will be paid within 12 months, and 2.3 million shares in Northern Data AG (valued at that time at approximately EUR 171 million), which will be issued by way of a capital increase against non-cash capital contributions with the exclusion of shareholders' subscription rights. The capital increase was approved on August 12. The related purchase price allocation had not yet been completed as of the date when the consolidated financial statements were prepared.

September 2021

Northern Data has acquired an approximately 86.6 percent interest in Bitfield N.V., thereby valuing the company up to a total amount of EUR 400 million, and has signed binding purchase agreements with the major shareholders. The transaction takes the form of a capital increase against non-cash capital contributions in return for the issue of up to 5.1 million shares in Northern Data AG.

These announcements relating to events after the reporting date do not lead to any effects on the separate and consolidated financial statements for the 2020 fiscal year. Above and beyond this, the company is not aware of any further events or developments after the reporting date that are specific to the Group and that might have led to any material change in the reporting or measurement of individual assets or liabilities as of December 31, 2020.

8.11. Date of release for publication

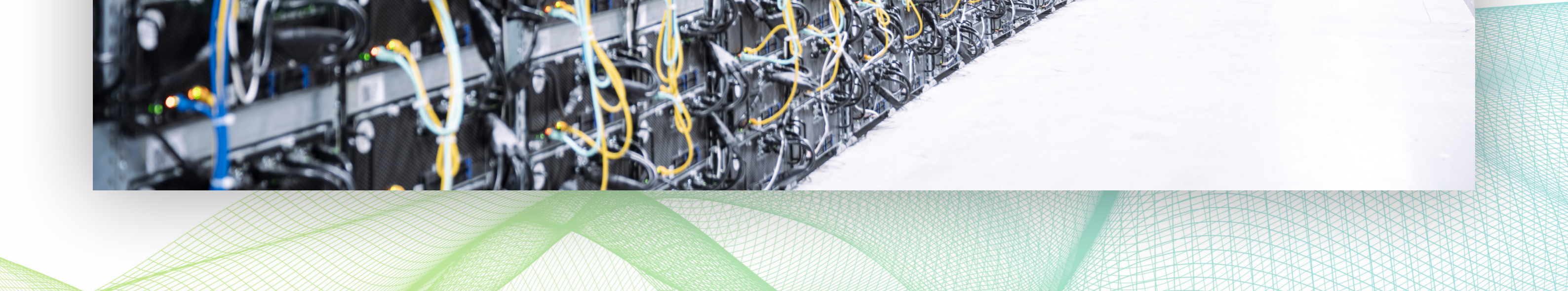
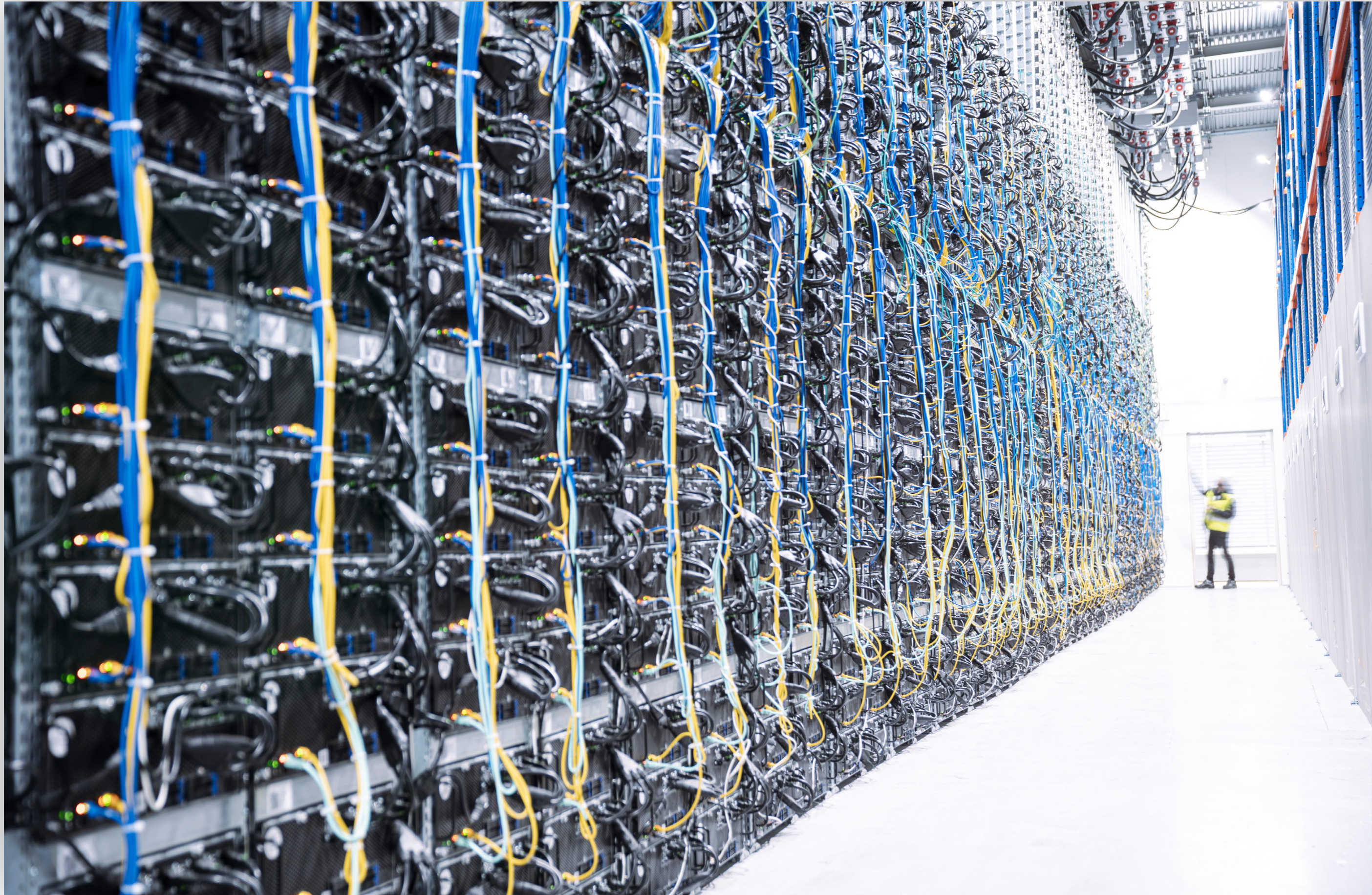
The consolidated financial statements were approved by the Management Board for publication and forwarding to the Supervisory Board on November 9, 2021. The Supervisory Board approved the consolidated financial statements on the same date.

8.12. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, financial position and performance, and the Group management report includes a fair review of the Group's development and performance of its business and position, together with a description of the principal opportunities and risks associated with the Group's expected development.

Frankfurt am Main, November 9, 2021

Aroosh Thillainathan	Dr. Mathias Dähn	Stefan Sickenberger
Chief Executive Officer	Management Board member	Management Board member



9. Unqualified audit opinion

9.1. Independent Auditor's Report

Independent Auditor's Report

To Northern Data AG, Frankfurt am Main

Opinions

We have audited the consolidated financial statements of Northern Data AG, Frankfurt am Main (until 10 January 2020: Northern Bitcoin AG), and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Northern Data AG for the financial year from 1 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

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

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

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. 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 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 and/or the Supervisory Board are/is responsible for the other information. The other information comprises the information in the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for dis-

closing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

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

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

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

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

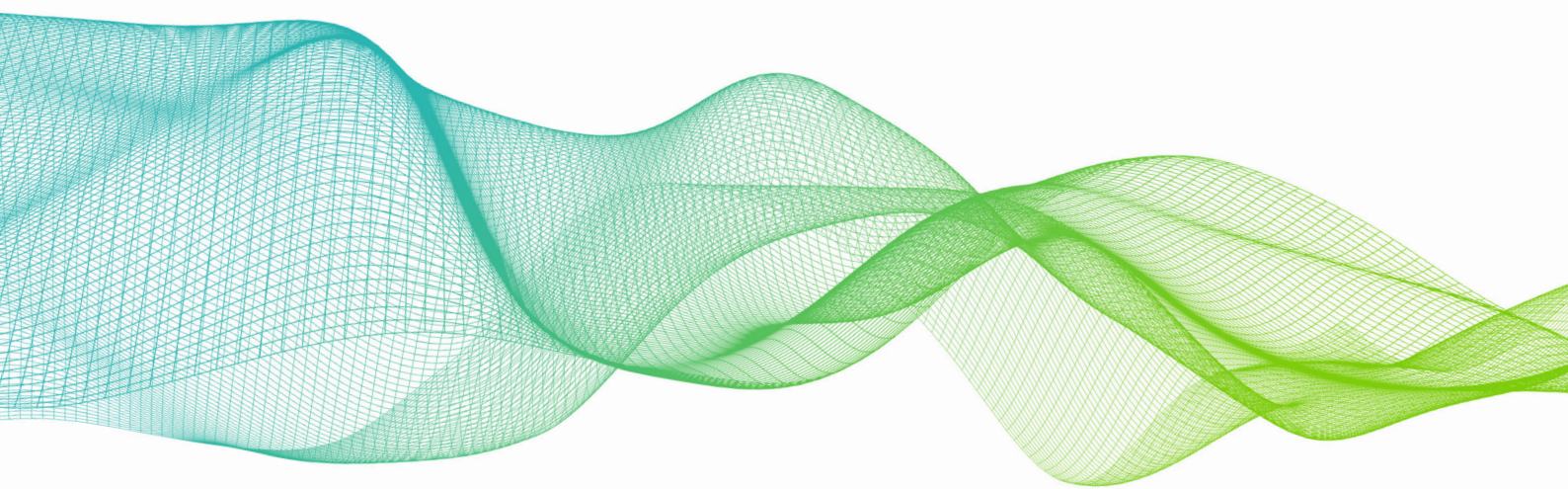
The terms governing this engagement, which we fulfilled by performing the aforementioned audit of the consolidated financial statements, are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on 1 January 2017. By taking note of and using the information as contained in our independent auditor's report, each recipient confirms to have taken note of the terms and conditions stipulated in the aforementioned General Engagement Terms (including the liability limitations specified in Item No. 9 included therein) and acknowledges their validity in relation to us.

Mannheim, 9 November 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Rackwitz
Wirtschaftsprüfer
[German Public Auditor]

Forstreuter
Wirtschaftsprüfer
[German Public Auditor]



ANNUAL REPORT
2020