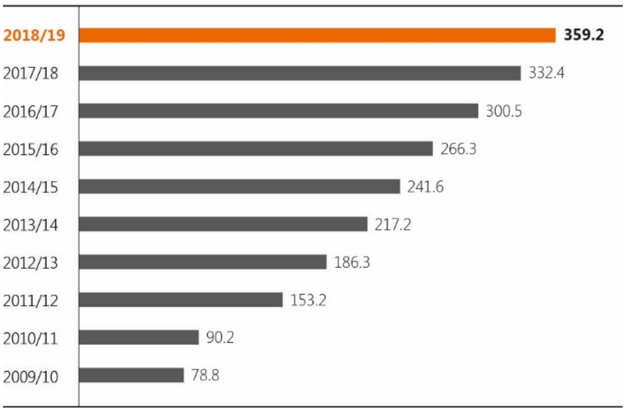
all for one Group

ANNUAL REPORT

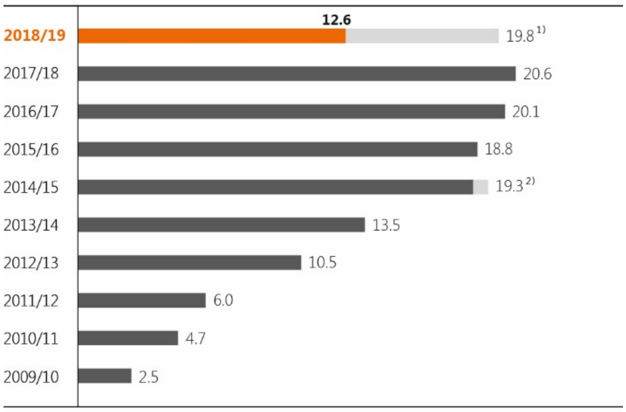
2018/19

KEY FIGURES

SALES IN EUR MILLIONS

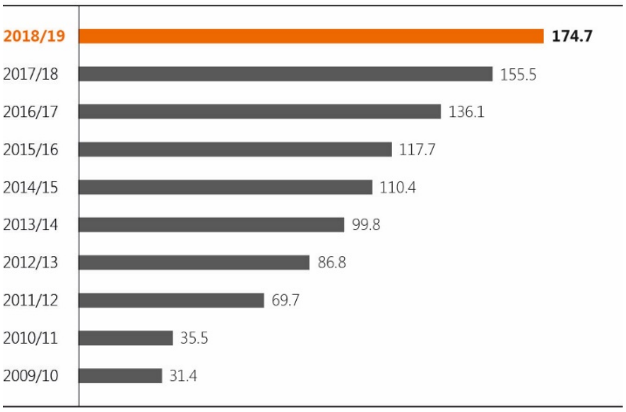


EBIT IN EUR MILLIONS

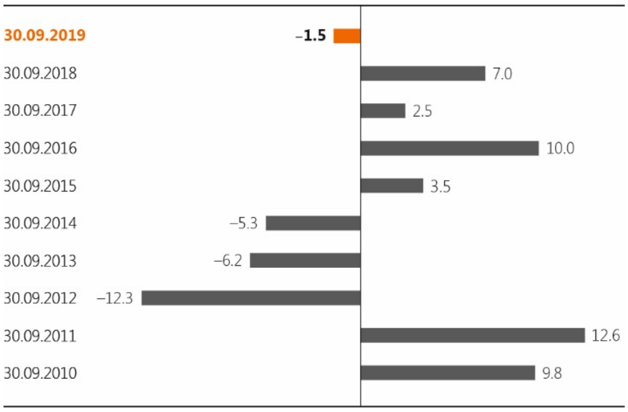


1) 7.2 MEUR extraordinary effects 2) 0.7 MEUR extraordinary income

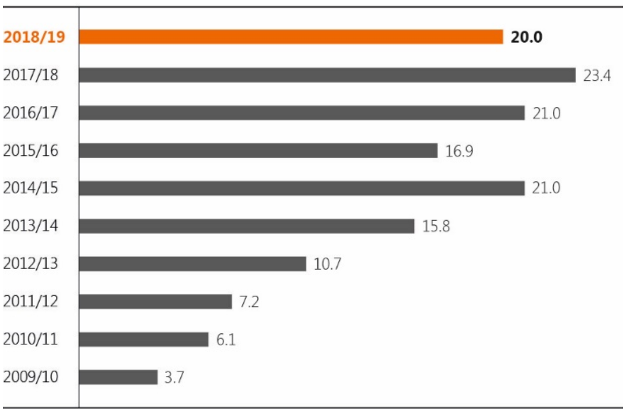
RECURRING REVENUE IN EUR MILLIONS



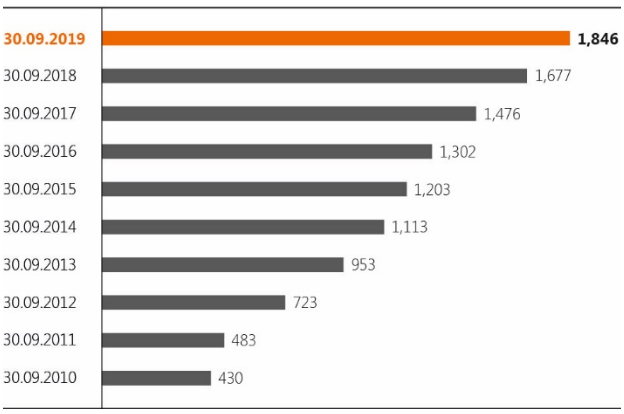
NET DEBT [–]/-LIQUIDITY [+] IN EUR MILLIONS



OPERATIVE CASH FLOW IN EUR MILLIONS



HEADCOUNT AT YEAR END



IFRS in EUR millions unless otherwise stated	10/2018 – 09/2019	10/2017 – 09/2018	Absolute delta	Delta in %
Earnings situation				
Sales revenue	359.2	332.4	26.9	8
EBITDA	25.6	31.2	-5.6	-18
EBITDA margin (in %)	7.1	9.4		
EBITA	18.4	25.4	-7.0	-28
EBIT	12.6	20.6	-7.9	-39
EBIT margin (in %)	3.5	6.2		
Result for the period	10.2	13.7	-3.5	-25
Balance sheet				
Total assets	199.5	183.2	16.3	9
Equity	82.3	77.0	5.3	7
Equity ratio (in %)	41	42		
Net liquidity	-1.5	7.0	-8.5	-121
Employees				
Number of employees (at end of financial year)	1,846	1,677	169	10
Full-time equivalents (ø)	1,598	1,436	162	11
Share				
Number of shares (ø)	4,982,000	4,982,000	0	0
Share price (at end of financial year, in EUR)	40.80	65.05	-24.25	-37
Market capitalisation (at end of financial year)	203.3	324.1	-120.8	-37
Earnings per share (in EUR)	2.05	2.82	-0.77	-27

Non-financial performance indicators				Delta in percentage points
Employee retention (in %)	92.8	91.6		1.2
Health index (in %)	97.5	97.5		0.0

ABOUT US

WE TAKE COMPETITIVENESS IN THE DIGITAL WORLD TO THE NEXT LEVEL

All for One Group AG enhances the competitive ability of its customers in a digital world. The Group unites strategic and management consulting, process consulting, industry insight and technology expertise, IT consulting and services under one roof. With market leading business software solutions based on SAP, Microsoft and IBM together with more than 1,800 experts, All for One Group AG orchestrates all aspects of competitive strength: intelligent Enterprise Resource Planning (ERP) as the digital core of any future-proof corporate IT, strategy, business model, customer & employee experience, new work, big data & analytics, but also IoT, artificial intelligence or cybersecurity & compliance.

ONE IDEA AHEAD

All for One Group AG is assisting more than 2,500 clients with their transformation and the expansion of their ability to compete. Market observers rank the leading consulting and IT group as the number 1 in the German-speaking SAP market. As a founding member of United VARs – the most powerful global alliance of SAP Partners – All for One Group AG also provides a comprehensive portfolio of consulting and other services, together with best-in-class local support in more than 100 countries.

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»EVERYTHING THAT MAKES OUR CUSTOMERS BETTER IN THEIR MARKETS«

Transformation is in full swing, change is tangible – everywhere, regardless of industry, region or size. All for One Group has passed the sales threshold of 350 million euros. Themes and areas of action that were irrelevant just a few years ago are now increasingly dominating the agenda. Including our own. Our strategy offensive is setting the course.

The setup phase of our strategy offensive has been completed successfully and on schedule; all the lights are now green.

LARS LANDWEHRKAMP (CEO)

In the IT industry, four years is a long time. Nevertheless, management board members Lars Landwehrkamp (CEO) and Stefan Land (CFO) are confident the company will generate sales of 550 to 600 million euros and raise the EBIT margin above 7% by financial year 2022/23. The starting point to achieve this performance was mid-November 2018. Which is when the strategy offensive 2022 was launched.

New name, new Group-wide market presentation, new headquarters, new themes, new products and services - isn't that a bit much all at once?
Landwehrkamp: We have indeed unleashed enormous momentum – and it is proving to be enormously positive. Our strategy offensive is designed to run until 2022, which explains the name. But we are setting a course that will progress beyond then. What I find particularly gratifying is the huge acceptance of the »big moves« on the part of our staff and, above all, their commitment. Everyone is pulling their weight!

What changes have already been put in place for customers?
Landwehrkamp: We are focusing unequivocally on everything that makes our customers better in their markets, so on the factors that determine their competitive strength. And covering the whole spectrum, from the ability to respond quickly to change right up to networking with suppliers and customers. From ensuring the customer experience is first rate to acquiring new talent and designing new working worlds. From the artificially intelligent and secure use of data to automated processes. This broad spectrum, ranging »from ... to«, is our trademark and definitely moves our customers forward.

All for One Group apparently plans to become more international. Is that another of your »big moves«?
Landwehrkamp: While we will continue to focus on the D A CH region, our longstanding international partner alliance United VARs has long since evolved into a real USP. Through the network, we are meanwhile represented in more than 100 countries with strong local partners who are familiar with the specifics of the relevant countries. Our own international orientation, by contrast, has some catching up to do. In light of the severe shortage of specialists, we plan to extend our recruitment searches to include staff members whose native language is primarily English.

Talking about purchases. Last year, we talked about TalentChamp at length. Now you have also acquired an engineering specialist for sensor technology in the shape of CDE. Where do they fit into your strategy?
Landwehrkamp: The boundaries between the physical and digital worlds are increasingly fading. As such, our two companies complement each other perfectly. Our customers' focus is increasingly shifting to integrated IoT scenarios and machine learning or AI applications in which sensors and sensor data play a key role. As a recognised sensor to app specialist, CDE is therefore ideal for strengthening our industrial IoT expertise.

We are investing in the right themes and laying the foundations for growth.

STEFAN LAND
(CFO)

Changing sides. A lot of investors were surprised by Nucleus' takeover bid. Is there a simple reason behind it?
Land: Yes. Definitely. Our two anchor shareholders and supervisory board members, Dr Rudolf Knünz (68) and Paul Neumann (35), and their families want to continue actively supporting our successful development over the long term through their investment companies. Which is why the foundations have already been laid to regulate a succession that will become necessary sometime in the future. Paul Neumann's Nucleus Beteiligungs GmbH, for example, has joined the existing voting rights agreement. In formal terms, such a »voting in concert« agreement constitutes an acquisition of control which triggers a mandatory takeover bid. Both have said they do not intend to increase their stake of about 50.1% any further. Without our anchor shareholders, our development would definitely not have been so successful. We were given a lot of time to develop the company.

How has the extended strategy been reflected in your figures so far?
Land: We are witnessing a clear trend. Through our strategy offensive, we are investing in the right themes and areas of action, and laying the foundations for growth. Despite the subdued economic outlook, we have been able to acquire a lot of important new customer projects. Our sales are actually slightly above expectations. Which also shows just how robust our business model is nowadays. Our recurring revenue – which includes not just cloud services & support revenue but also software support sales – are at an all-time high in both absolute terms and relative to total sales.

... but earnings do not seem to be benefiting to any great degree. You actually had to downgrade your EBIT guidance for the first time ever
Land: In terms of earnings – adjusted for the extraordinary effects that we are constantly mentioning – we are also not that far from our targets. We have invested more than planned in our customers. We delivered their add-on projects while our own consultants were spending more time than expected working on our own transformation. As a result, we had to bring in more external consultants from our partner network. Which cost margin. Together with the subdued economic outlook, the rough cost to EBIT has been about 2 million euros. We were well within the range of our revised EBIT forecast.

The capital market does not seem entirely happy with your strategy offensive. The share price has decreased significantly

Land: There is nothing we can do about the share price. We run marathons, not sprints. We are concentrating on moving the company steadily forward and raising it to a level that will allow us to leverage further potential economies of scale. The long-term perspective always plays an important role. This year, again, we held more than 150 meetings with investors. Our ability to repeatedly come up with a rapid, agile sprint is one of our trademarks. To continue the analogy: Sprinters have also repeatedly done well with our shares and have successfully grasped opportunities to invest and disinvest. And quite a few believe that the current share price offers a lot of potential.

Exactly where do you stand at present with the further development of the Group?

Landwehrkamp: We launched our strategy offensive at the right time and with the necessary focus. All the cornerstones were verified and confirmed in 2018/19. We are taking the right actions. The language of the market is very clear in this respect. Specifically, that means the setup phase has been completed successfully and on schedule. We are now operating normally, albeit with ongoing trials and fine tuning, of course.

So EBIT will no longer need to be adjusted for extraordinary effects?

Land: Our 2019/20 EBIT will not be adjusted for extraordinary effects relating to the strategy offensive.

How can you be so sure?

Landwehrkamp: We definitely know what our customers need in this digital age and can offer everything that makes them better in their markets. This diversity is actually relatively unique – or »very cool« as a CIO put it to me at our Midmarket Forum 2019 a couple of weeks ago. Where we also hit an all-time high, by the way – we welcomed more than 1,100 existing and potential customers!

We definitely know what our customers need in this digital age.

LARS LANDWEHRKAMP (CEO)

INVESTOR RELATIONS

SHARES WITH »A LOT OF POTENTIAL«

Following marked declines in share prices, analysts believe that All for One Group AG shares offer »a lot of potential«. The company also plans to uphold its long-term dividend policy.

SHARE PERFORMANCE 2018/19, INDEXED

According to the well-known German finance blog »boersengefluester.de« on 11 October 2019: »Leaving aside a couple of recovery phases, All for One Group share prices have generally been spiralling downwards over the past nearly two years. And yet the IT service provider has a top-notch reputation in capital market circles – and in the IT sector. From a stock market perspective, however, the current problem lies in the fact that the company's earnings are not budging, despite the numerous acquisitions, and that the planned strategy offensive 2022 – no matter how much sense it might make to expand next-generation applications such as new work, industrial IoT or cyber security & compliance – is initially costing profitability«.

MORE THAN 150 MEETINGS WITH INVESTORS

Transformation costs margin for a while. Which is why investors are all the more appreciative of our ongoing, transparent and open communication. When we issued our guidance for financial year 2018/19 back on 16 November 2018, we already made separate mention of the expected additional charges relating to the launch of our strategy offensive 2022. This transparency has continued in our interim reports, as well as in the present Annual Report. Thus, institutional and retail investors, analysts and the financial and business press have always been able to obtain a very clear picture of actual performance. We also held more than 150 individual meetings (2017/18: more than 140) with institutional investors in the year under review. On top of these, we provided detailed reports on the company's business performance at events for investors, press dates, and in telephone and analysts' conferences. Investors can find a wealth of information that is constantly updated in the Investor Relations section on our website (www.all-for-one.com/ir-english).

»A LOT OF POTENTIAL«

When the financial year started on 1 October 2018, the shares closed at EUR 59.40. Just three days later, the share price hit its highest level for financial year 2018/19 at EUR 61.20. It took nearly eleven months for it to reach its lowest level of EUR 37.20 on 29 August 2019. At year-end on 30 September 2019, the shares closed at EUR 40.80. Overall, therefore, market capitalisation over the course of the current year under review decreased by 31% from EUR 295.9 million to 203.3 million. Just a reminder: Back in March 2009, the share price was EUR 1.50. Since then, the shares have not only gained enormously in visibility; they have also become considerably more vulnerable to fluctuations in the market as a whole. Analysts believe the shares have »a lot of potential« at their current price, despite the substantial rise in share prices in early December 2019.

SUSTAINABLE DIVIDEND POLICY

The launch of our strategy offensive 2022 was successfully completed as scheduled in financial year 2018/19. It has not only made our business model more robust; it is also increasingly generating sustainable growth. This success is due in large part to our intense focus on the right areas of innovation and growth. Although extraordinary effects had a considerably adverse effect on earnings in 2018/19, we are still holding firm to our dividend policy. Accordingly, we will again be proposing payment of a dividend of EUR 1.20 per eligible share to the annual general meeting on 12 March 2020.

Relative to Group earnings after tax of EUR 10.2 million in financial year 2018/19 (2017/18: EUR 13.7 million), this equates to a distribution quota of 58% (2017/18: 44%). We plan to continue our sustainable dividend policy in the future.

Key figures	
ISIN / WKN	DE0005110001 / 511 000
Market Segment	Prime Standard
Stock Exchange Centre	Frankfurt Stock Exchange
Date of Listing	30 Nov 1998 (then: AC-Service AG)
Indices	CDAX, Prime All Share, Technology All Share, DAXsector All Software, DAXsector Software, DAXsubsector All IT-Services, DAXsubsector IT-Services
Designated Sponsor	BankM, Baader Bank
Highest Price Financial Year 2018/19 [1)]	EUR 61.20 (4 Oct 2018)
Lowest Price Financial Year 2018/19 [1)]	EUR 37.20 (29 Aug 2019)
Price at Start of Financial Year 2018/19 [1)]	EUR 59.40 (1 Oct 2018)
Price at End of Financial Year 2018/19 [1)]	EUR 40.80 (30 Sep 2019)
Market Capitalisation [2)]	EUR 203.3 million
Earnings per Share in Financial Year 2017/18	EUR 2.05
Share Capital	EUR 14.95 million
Number of Shares	4,982,000 registered shares

1) end-of-day share price (XETRA)

2) based on closing share price on 30 September 2019 (XETRA) and 4,982,000 shares

Shareholders' structure	
Unternehmens Invest AG	approx. 25%
UIAG Informatik-Holding GmbH	approx. 25%
Management and Supervisory Board	approx. 4%

REPORT OF THE SUPERVISORY BOARD

Josef Blazicek
Chairman of the Supervisory

Dear Shareholders,

The past financial year 2018/19 was a transition year that was as demanding as it was successful. Our efforts focused on aligning All for One Group to new growth targets in line with our strategy offensive 2022, for which we laid the key foundations in 2018/19. We completed the launch of our strategy offensive 2022 as scheduled. By carefully expanding our portfolio of products and services, we are strengthening the ability of companies to compete, which is enabling us to acquire a lot of new customers. Our growth is strong, and we are expanding our business as planned. The further development of our business model provides a strong footing, together with a leading position in our target market and the renewed strong increase in recurring revenue. We are building on this and want to drive the further success of All for One Group.

The supervisory board diligently carried out the duties required of it as prescribed by law, the company's articles of association, the standing rules and the German Corporate Governance Code – particularly that of advising and overseeing the management board – during financial year 2018/19. The supervisory board was briefed thoroughly and regularly – usually through written, but also verbal reports by the management board – on the progress with regard to implementation of the strategy offensive 2022, the course of business, the direction the company is taking, the position of the company and Group, the assets, financial and earnings situation including the return on equity, the risk situation, risk management and compliance and also all fundamental issues relating to corporate planning and budgeting (including financial, capital and human resource budgeting), as well as developments, decisions and plans of particular importance for the company. These also included extraordinary events to the extent such were required to be reported.

The supervisory board also requested additional and more in-depth reports as deemed necessary. The management board ensured that the supervisory board was provided with all the required information at all times, and forwarded the essential decision-making documents and files to the members of the supervisory board in good time prior to each supervisory board meeting. There was no cause to warrant special investigations or audits.

The implementation of the strategy offensive 2022 and acquisition projects were the primary orders of business in financial year 2018/19. In between supervisory board meetings, the chairman of the supervisory board was in continuous contact – and also held personal discussions – with the management board, and gathered information about the latest business developments, the status of the projects and other important actions and decisions.

FOCUS OF THE SUPERVISORY BOARD MEETINGS

During its meetings, the supervisory board regularly concerned itself with overseeing the projects, as well as with business development, planning, budgeting, compliance management and corporate governance within the company. The supervisory board gathered information about the risk situation and further improvements in risk management, especially in regard to the risk early warning and internal control system. In so doing, and by performing spot checks of specific cases and instances, the board expressed its confidence in the effectiveness and efficiency of the accounting-based control system. No grounds were found for raising any objections. The board also discussed acquisition projects in great detail, and is satisfied that a comprehensive due diligence and auditing system is in place. Enhancing diversity within the company and dealing with new legal requirements and legislative reforms were also the focus of the supervisory board's work during the reporting year. Furthermore, the supervisory board carried out and then discussed an efficiency review of its own activities, and incorporated the review’s findings and conclusions into its work. In financial year 2018/19, the supervisory board adopted an upskilling programme for its members, which has meanwhile been implemented, and supervisory board members have attended the relevant training courses.

The supervisory board came together for twelve meetings in the reporting year, some of which were in the form of telephone conferences. There were also a number of coordinating discussions held by telephone, as well as decisions made electronically, by telephone or in writing. The following matters were discussed specifically:

During its meeting on 1/2 October 2018, the supervisory board dealt primarily with the budget for financial year 2018/19 and subsequent financial years. Other items on the agenda were the business performance after nine months, the outlook for the full 2017/18 year, the status of acquisition projects, the non-financial statement and the strategy offensive 2022. In addition, a data centre contract was discussed with regard to the expansion of the managed cloud services portfolio. In the supervisory board meeting on 25 October 2018, the strategy offensive 2022 was discussed and a training programme for supervisory board members agreed. Following the meeting on 25 October 2018, changes to a subsidiary were adopted by circulation procedure. At its meeting on 16 November 2018, the supervisory board focused primarily on the final discussion and resolution of the strategy offensive 2022, the budget for 2018/19 and the mid-term plan. Likewise, the premature extension of both management board appointments and a new compensation structure were discussed and agreed. In its telephone conference on 26 November 2018, the supervisory board discussed the status of an acquisition project and gave its authorisation for it.

A report of the material content of the meeting to discuss the annual financial statements on 12 December 2018 was included in the supervisory board's report to the annual general meeting on 13 March 2019 and in the Annual Report 2017/18. Focus at this meeting centred on advising and discussing in detail the documentation for the annual financial statements, finalising the annual financial statements, approving the consolidated financial statements and agreeing the agenda for the annual general meeting. The supervisory board meeting on 13 February 2019 focused mainly on current business development including an outlook for the financial year, the status of company acquisition projects, the implementation of the strategy offensive 2022, the financing strategy and the upcoming annual general meeting. The supervisory board also discussed the planned sale of a subsidiary's entity and approved the project.

At its meetings on 13/14 March 2019, the supervisory board examined the possibility of changing the legal form as well as discussing the current strategies of the business units, and adopted resolutions relating to »Closed Periods«. The resolution governing the change at a subsidiary was adopted by circulation procedure. At its meeting on 8/9 May 2019, the supervisory board focused primarily on current business development and the draft of the half-year financial report. Further items on the agenda for this meeting included a discussion of the outlook for the financial year as a whole, the status of company acquisition projects, the corporate strategy and presentation of further business units, the financing strategy and actions affecting subsidiaries. In a telephone conference held on 27 June 2019, the supervisory board discussed the status of a company acquisition and approved the project. The status of a change being implemented with regard to a subsidiary was also examined. In a telephone conference held on 23 July 2019, the supervisory board focused on changes affecting several subsidiaries, as well as examining a possible change in the legal form. The planned financing strategy was also discussed and approved during the meeting. An updated declaration of compliance with the German Corporate Governance Code was approved by circulation procedure on 18/20 September 2019 in keeping with the company's advancement of its corporate governance, and changes regarding a subsidiary were approved. At its meeting on 30 September/1 October 2019, the supervisory board primarily discussed the budget for financial year 2019/20 onwards. Business performance at the end of nine months was also discussed at this meeting, as was the outlook for financial year 2018/19 as a whole, the status of company acquisition projects, sustainability performance, progress with the compliance system, and the status of the strategy offensive 2022. The efficiency of the supervisory board's work was also examined, and actions discussed.

At the two following meetings in the new financial year 2019/20, on 12 November and 14 November 2019, the supervisory board focused on adopting a resolution with regard to their joint statement in response to a takeover bid.

All members of the board took part in at least 50% of the meetings in financial year 2018/19.

COMMITTEES

Specifically, the audit committee monitors the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, the audit of the annual accounts and, in particular, the auditor's independence, qualifications and performance, including the commissioning of additional, non-auditing services. The audit committee also reviews the effectiveness of the compliance management system. The audit committee consists of three members. Committee chairman is supervisory board member Peter Fritsch. The other committee members during the 2018/19 reporting year were the chairman of the supervisory board Josef Blazicek and the deputy chairman of the supervisory board Paul Neumann. The audit committee held four meetings during the reporting year. At its meeting on 16 November 2018, the audit committee finalised the areas of particular focus for the audit of the annual financial statements. The major subjects of the meeting on 11 December 2018 were presented in the supervisory board's report to the annual general meeting on 13 March 2019 and in the Annual Report 2017/18. The meeting focused on consultations and in-depth discussions of the annual financial statements, and the process of appointing the auditor for the annual and consolidated financial statements 2018/19, whom the supervisory board – on recommendation by the audit committee – proposed for election at the annual general meeting on 13 March 2019. Further resolutions were adopted by circulation procedure. They focused on the examination and advance approval of engagements for non-audit-related services, the definition of areas of internal audit focus in financial year 2018/19 and the approval of a budget for commissioning services not related to audits. Further telephone consultations also took place, and resolutions were adopted by circulation procedure. At its meeting on 12 February 2019, the audit committee commissioned an examination of the process for EU-compliant calls for bids from auditors, and approved services not related to audits. At its meeting on 5 June 2019, the audit committee adopted a resolution governing the call for bids from auditors for financial year 2019/20 and the further steps in the selection process. Further consultations regarding this project took place with the chairman of the audit committee and resolutions were adopted by circulation procedure. At its meeting on 22 October 2019, the audit committee examined the bids submitted by the auditors who had taken part in the tender. At the audit committee meeting on 22 November 2019, the assessment of the bids was finalised and, at the meeting on 10 December 2019, the report on the tender process was validated and the substantiated recommendation for election submitted to the supervisory board.

All members of the board took part in at least 50% of the meetings in the reporting period..

The human resources committee consists of three members. The chairman of the supervisory board Josef Blazicek is committee chairman and coordinates the committee's work. The other committee members during the reporting year were the deputy chairman of the supervisory board Paul Neumann and supervisory board member Dr Rudolf Knünz. This committee is primarily responsible for making recommendations to the supervisory board regarding the appointment and removal of members of the management board, for the agreements with company directors, for making preparations for setting the compensation of company directors, as well as for reviewing the management board's compensation system. The human resources committee held three meetings during the reporting year. In its meeting on 25 October 2018, the human resources committee discussed the premature extension of the management board contracts – which were due to expire on 30 September 2019 – and the compensation system, with a view to extending the same. Resolutions were adopted approving the new management board contracts and the new compensation structure for the management board in the meeting of the human resources committee on 16 November 2018. In its meeting on 12 December 2018 the management board's variable compensation for financial year 2017/18 was approved. Consultations also took place between these meetings.

All members of the board took part in at least 50% of the meetings in financial year 2018/19.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

All for One Group AG's annual general meeting of 13 March 2019 elected the Stuttgart offices of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (»KPMG«) to audit the annual financial and consolidated financial statements for financial year 2018/19. The audit committee engaged KPMG to carry out the audit. KPMG examined the annual financial statements, the consolidated financial statements, as well as the combined management report prepared by the management board pertaining to financial year 2018/19, and issued an unqualified audit opinion.

The documents relating to the annual accounts and the audit reports from the auditor for financial year 2018/19 were duly submitted for review to the audit committee and the supervisory board. The audit committee discussed and examined the documents at length and in detail with the auditor and management board, who were present at its meeting on 10 December 2019, and prepared the supervisory board resolution approving the annual and consolidated financial statements in its meeting on 11 December 2019. The auditor discussed the findings of its audit in the audit committee meeting on 10 December 2019. The auditor's explanations, especially those regarding the earnings, assets and financial situation of the company and the Group, were then discussed at length and in detail. All the audit committee's questions were answered. The audit committee was satisfied that there was no evidence of bias or conflicts of interest on the part of the auditor. The audit committee was also briefed in depth about the services KPMG provided that were not part of the audit itself. In line with its supervisory function, the audit committee also reviewed the Group's internal control and risk management system as well as its compliance management system during its meeting of 10 December 2019 and expressed confidence in its effectiveness. The risk management documents for financial year 2018/19 were presented for examination to the audit committee and supervisory board in good time. Furthermore, the risk manager and the head of internal auditing reported directly to the audit committee about the findings in their reports. The compliance officer also outlined the Group-wide compliance management system and was questioned by the audit committee about compliance violations. All the audit committee's questions were answered. In its meeting on 10 December 2019, the audit committee also discussed at length and reviewed the combined non-financial statement (»Non-Financial Group Report«). The management board provided complete answers to all questions relating to the same. The Non-Financial Group Report has not been externally audited.

During the supervisory board meeting on 11 December 2019 to finalise the financial statements, the audit committee reported to the supervisory board about its deliberations with the auditor and the management board, its oversight and monitoring of the accounting process, and the findings of its own audit. Furthermore, the audit committee described to the supervisory board how, as part of its supervisory function, it concerns itself with the Group's internal control and risk management system, the internal audit and the compliance management system and how it had satisfied itself that the systems were effective and appropriate. The supervisory board also expressed its confidence in the effectiveness and appropriateness of the internal control and risk management system and the compliance management system following its own thorough review. The risk manager, the compliance officer, the head of internal auditing, and the management board answered all the questions that the supervisory board had about this subject. The auditor also gave a detailed report to the supervisory board about the audit and the findings that had been presented and discussed earlier in the audit committee meeting. The supervisory board carefully examined the documents relating to the annual accounts in the presence of the auditor on 11 December 2019 and concluded that the audit by KPMG was conducted properly and that the audit reports and the audit itself complied with statutory requirements. The auditor and the management board answered all the questions raised by the supervisory board. In its evaluation of the situation of the company and the Group, the supervisory board concurred with the assessment expressed by the management board in the combined management report. Based on the final results of its own examination of the annual financial statements, the consolidated financial statements, and the combined management report, the supervisory board raised no objections to the annual and consolidated financial statements prepared by the management board, followed the audit committee's recommendations, and concurred with the findings of the auditor. On 11 December 2019, the supervisory board approved the annual and consolidated financial statements prepared by the management board. The annual financial statements for All for One Group AG were thereby finalised pursuant to Section 172 AktG. After long and careful discussion, the supervisory board approved the management board's recommendation as presented for the appropriation of the net earnings.

At its meeting on 11 December 2019, the supervisory board also examined the substantiated proposals for election submitted by the audit committee for appointment of an auditor for financial year 2019/20. After performing its own validation, the supervisory board raised no objections to the recommendations for election and resolved to propose the audit committee's preferred candidate. The supervisory board also discussed the management and supervisory boards' diversity goals as well as the current business situation and the agenda for the annual general meeting scheduled for 12 March 2020. In its meeting on 11 December 2019, the supervisory board also learned more from the audit committee about the latter's review of the Non-Financial Group Report, and discussed and reviewed the same at length itself. The management board provided answers to all questions asked about the same by the supervisory board. Following the conclusion of its own review, the supervisory board raised no objections to the Non-Financial Group Report compiled by the management board and adopted the recommendations of the audit committee in approving the publication of the same.

DEPENDENT COMPANY REPORT

The management board prepared a report about relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG). The auditor examined this report and issued the following audit opinion:

»Based on our audit and review in accordance with professional standards, we certify that

1. The actual information contained in the report is accurate.
2. The consideration paid by the company for the transactions listed in the report was not inappropriately high.«

The management board informed the audit committee and the supervisory board promptly about the Dependent Company Report and the respective audit report issued by the auditor. The audit committee and the supervisory board thoroughly examined and discussed these documents again in their meetings on 10 and 11 December 2019. These examinations did not give rise to any objections.

CORPORATE GOVERNANCE

During financial year 2018/19, the supervisory board and the management board were both extensively involved in improving and enhancing corporate governance within All for One Group AG and again reviewed the recommendations that the Government Commission on the German Corporate Governance Code made in the version of the code dated 7 February 2017 and which came into force on 24 April 2017. We continue to focus on anchoring the recommendations in our daily business. The management board and supervisory board fulfilled their obligation to prepare a joint Declaration of Conformity pursuant to Section 161 AktG in September 2019. The exact wording of the declaration was published on the company's website at www.all-for-one.com/conformity-declaration. Additional information about corporate governance can be found in the Corporate Governance Report in this annual report. No conflicts of interest arose between the members of the management board and supervisory board during the reporting period, such as would require disclosure to the supervisory board or notification of the annual general meeting.

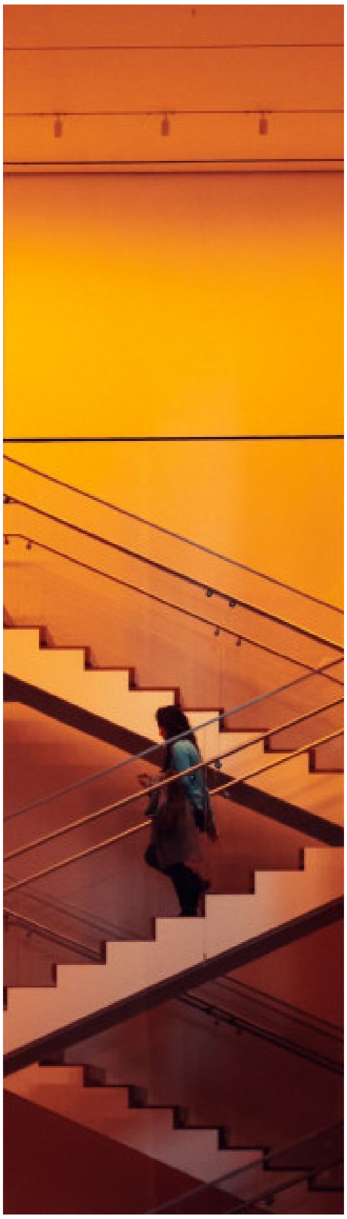
The supervisory board would like to thank the management board, the management team and all employees. Their personal dedication and expertise have enabled our customers and All for One Group AG to take another major step forward. The supervisory board is convinced that further implementing the Strategy Offensive 2022 will provide very good opportunities for successfully growing the business.

Filderstadt, 11 December 2019
For the Supervisory Board

Josef Blazicek
Chairman of the Supervisory Board

CORPORATE GOVERNANCE

Our corporate governance is designed to strengthen the trust of all stakeholders in our company. A detailed discussion of corporate governance at All for One Group can be found in our corporate governance statement on our website.



Transparency, sustainability, responsible governance and control: our shareholders, business partners and employees appreciate our approach to corporate governance at All for One Group, as do the financial markets. The recommendations issued by the government commission responsible for the German Corporate Governance Code (DCGK) always provide key suggestions and inspiration for further improving our corporate governance.

»CODE REFORM 2019«

The government commission proposed new recommendations during our financial year 2018/19, discussed them in detail in consultation proceedings and adopted them as their »Code Reform 2019« on 9 May 2019. The new recommendations have not yet come into effect. The most recent recommendations of the DCGK dated 7 February 2017 that came into effect on 24 April 2017 are therefore still applicable. Nevertheless, companies are at liberty to adopt individual recommendations and suggestions from the »Code Reform 2019« prematurely as »Best Practices«.

CORPORATE GOVERNANCE REPORT AND CORPORATE GOVERNANCE STATEMENT

The previous existence alongside each other of a separate »Corporate Governance Report« (Item 3.10, DGCK 2017) and a corporate governance statement (Section 289f HGB) did not help to make corporate governance reporting procedures clear and understandable. The »Code Reform 2019« therefore recommends making the corporate governance statement the central element of the reporting procedure. In contrast, the former recommendation with regard to a separate »Corporate Governance Report« is no longer included in the »Code Reform 2019«. As a result, the former redundancy has been eliminated.

WWW.ALL-FOR-ONE.COM/GOVERNANCE_E

The supervisory board and management board discuss corporate governance at All for One Group in the annual corporate governance statement (Section 289f HGB), which can be found on our website at www.all-for-one.com/governance_e.

COMBINED MANAGEMENT REPORT

of All for One Group AG.
Financial Year from 1 October 2018
to 30 September 2019.

1. GENERAL INFORMATION

Reporting company

All for One Group AG, Filderstadt/Germany (All for One Steeb AG, Filderstadt/Germany, up to 21 March 2019), a joint stock corporation incorporated under German law, ranks itself as a leading consulting and IT Group operating in the midmarket. The Company is listed in the commercial register of the District Court of Stuttgart under registration number HRB 19539. Its registered office is Rita-Maiburg-Strasse 40 in 70794 Filderstadt/Germany. The change in the Company's name to All for One Group AG was entered in the commercial register on 22 March 2019. All for One Group AG shares are listed in the Prime Standard of the Frankfurt stock exchange (ISIN: DE0005110001).

All for One Group AG and the subsidiaries it controls provide their services mainly in the German-speaking markets of Germany, Austria and Switzerland (DACH region).

Basis of presentation

Accounting and financial statement auditing

All for One Group AG prepares its consolidated financial statements and interim reports in compliance with the applicable rules specified in the International Financial Reporting Standards (IFRSs) as applicable in the EU. The annual financial statements are prepared in accordance with the regulations of the German Commercial Code (Handelsgesetzbuch: HGB).

The option to prepare a Combined Management Report (»management report«) was exercised for the first time for financial year 2018/19. This management report combines the management reports of All for One Group AG and of All for One Group as a whole. The management report has been prepared in accordance with Sections 289, 289a, 289f, 315, 315a and 315d HGB and in compliance with German accounting standards (DRS) Nos. 17 and 20.

Distinction between parent company and Group

To avoid ambiguity as to which disclosures relate to the parent company and which to the Group, the parent company is always referred to as »All for One Group AG«. For disclosures relating to the Group, we use the terms »All for One Group«, »Group«, or just plain »We«. In the absence of these distinctions or any other specific notes, the information relates equally to both the Group and the parent company.

Financial year

At All for One Group AG, the financial year 2018/19 (»the reporting period«) began on 1 October 2018 and ended on 30 September 2019. The corresponding prior year (»comparative period«) covers the period from 1 October 2017 to 30 September 2018.

Rounding differences

Unless otherwise indicated, all amounts are reported in thousands of euros (KEUR). For technical reasons, the information provided in this management report may contain rounding differences of +/-one unit (KEUR, %, etc.).

Gender neutrality

For reasons of simplification, we only use one gender. All other genders are explicitly included.

»Strategy22« is the name given to our strategy offensive 2022

This present reporting year and, consequently, many of the sections and analyses in this report were and are strongly coloured by our strategy offensive 2022. For reasons of simplicity and consistency with the German version of this report, we always use the synonym »Strategy22« when referring to our strategy offensive 2022.

Forward-looking statements

This management report contains statements relating to future developments. These statements reflect both our and third-party estimates and assumptions (such as statistics relating to the IT industry and global economic development) that were valid at the time they were made or when this report was issued. Forward-looking statements are always subject to uncertainty. If estimates and assumptions prove to be mistaken or only partially correct, actual results may deviate – quite substantially – from expectations.

2. PRINCIPLES OF THE GROUP

2.1. GROUP STRUCTURE AND ORGANISATION

Legal Group structure

All for One Group is managed by its parent All for One Group AG which also performs all central management tasks for the entire Group. All offices of the operationally active parent company, without exception, are located in Germany. Germany also accounts for the lion's share of both the sales and workforce of All for One Group. Together with the subsidiaries controlled by the parent company, All for One Group strives to offer its customers the most comprehensive support possible and to establish a leadership role in its markets with the whole Group's expertise. In addition to Germany, the Group is therefore also present, above all, in Austria and Switzerland. The management board of All for One Group AG is supported by a »Group Management Board« that acts solely in an advisory capacity and whose main purpose is to ensure the subsidiaries are included in Group-wide issues and coordination. Given the legal Group structure, the economic situation of the Group is influenced very substantially by the economic situation of the parent company. Which is why the company's management board has combined the report on the state of the Group with that of All for One Group AG into one management report.

The strategy and organisation of All for One Group is designed to earn substantial recurring revenue and to support sustainable profitable growth. We only classify sales as »recurring revenue« if their recurring nature is correspondingly confirmed in a contract (cloud services and support sales and software support sales). Our focus is on helping our customers achieve a competitive advantage by providing the most comprehensive, integrated and lasting support possible to enhance their ability to compete. The consolidated financial statements of All for One Group AG for the financial year 2018/19 that ended on 30 September 2019 include a total of ten German and nine foreign subsidiaries, in addition to All for One Group AG.

Business segments

The management of All for One Group is aligned to its two business segments: CORE and LOB. The CORE segment focuses on solutions and services for companies' core business processes and especially for ERP (»Enterprise Resource Planning«), New Work & Collaboration and »Internet of Things«. The LOB segment (»Lines of Business«) includes our business with IT solutions for departments such as sales and marketing, or human resources, which are increasingly being sourced in the cloud.

Mergers and acquisitions: Strategy and transactions

Strategy

Acquisitions are an important strategic tool for speeding up the expansion of our service portfolio, tailoring our products and services more closely to the needs of our customers, and enabling us to provide integrated support for their digital transformation. Our current acquisition strategy therefore focuses particularly on strengthening our new strong portfolio of cloud-based products and services.

TalentChamp Consulting GmbH (»TalentChamp«)

In our LOB segment, we acquired all the shares in TalentChamp Consulting GmbH, Vienna/Austria, effective 1 January 2019. The company is an acknowledged cloud specialist with years of SAP SuccessFactors expertise and has excellent references in the larger midmarket. With this strategic acquisition, we are striving to become the market leader in the German-speaking SAP HR Cloud market.

CDE – Communications Data Engineering GmbH (»CDE«)

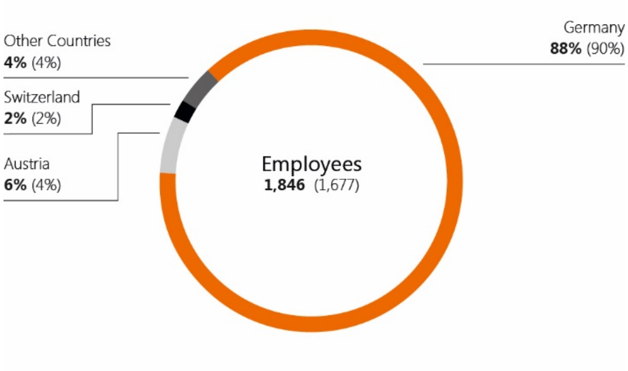
The strategic acquisition of all shares in CDE – Communications Data Engineering GmbH (»CDE«), Hagenberg im Mühlkreis/-Austria, at the end of June 2019 for our CORE segment strengthens our »Industrial IoT Expertise« (internet of things, sensor-controlled business workflows, machine learning). The company is a recognised engineering specialist for »Sensor to App« solutions in the fields of Embedded Systems, App & Web and Analytics.

At the same time, CDE marks the starting point for software developments in the narrower sense of the word that increasingly constitute our »own intellectual property«.

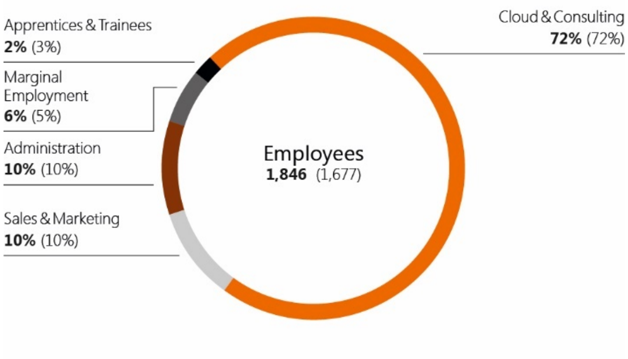
TalentChamp was fully included in our consolidated financial statements from 1 January 2019 onwards, CDE from 28 June 2019 onwards.

Employees

Headcount by country in % (Group, 30 Sep 2019)



Headcount by function in % (Group, 30 Sep 2019)



Part-time workers are included in full in the headcount, not pro rata.

Personnel development

For an IT services company, sustained business success is closely linked to highly qualified and motivated employees. A consistent and sustained programme of personnel development forms an essential pillar of our growth strategy. With these activities we aim to maintain and promote our employees' commitment to performance with an eye towards outstanding service quality and customer satisfaction, as well as managing our human capital resources to match our growth plans.

Likewise, we want to further enhance our image as an attractive employer and be better equipped to deal with the severe shortage of specialists. During financial year 2018/19, we enhanced our recruiting strategy. Its core is made up of »At home at All for One Group«. Particular focus here centres around exciting assignments, flexible work hours, working time accounts for sabbaticals, part-time employment, health promotion schemes and numerous other benefits. »UP Talent« is our talent fostering programme designed to make »high potentials« fit for future challenges. We have also started making our in-house organisation more international.

Overall, we have been able to further increase the number and quality of applications for our numerous vacancies. Contributing to this were special incentive programmes (such as an employee referral programme). We have received multiple awards in employer surveys based strongly on employee assessments in leading online job portals. Some of the distinctions we have earned include having »Germany's Best Jobs with a Future« *(Focus, Jul 2019)* and belonging to the »Top Employers in Germany« *(Focus, Jan 2019)*.

We are also actively involved in training and education. Throughout the Group, we offer training schemes for disciplines that include IT specialists, system integration or application development, and administrative assistants for IT systems or office management. We work together with colleges and universities in the training of students pursuing degrees in accounting and controlling (Bachelor of Arts), business information systems or computer science (both Bachelors of Science). We also serve as advisors for term papers and bachelor's and master's theses. We gladly join in school and university sponsorships and offer both school-age and college students orientation visits and internship opportunities. We have put together exclusive training programmes for both apprentices and trainees (college graduates who we are training to become SAP S/4HANA consultants, for example) in order to better meet our urgent need for skilled workers who are trained and qualified through practical experience. In financial year 2018/19 we also spent considerable amounts on creating entirely new working worlds to encourage agile and collaborative work throughout the Group.

Besides a fixed rate of compensation, salaries include additional and variable performance-based components as well as a results-oriented component. The amounts of the variable and results-oriented components depend on the scope and responsibilities of the job and the position held within the company.

Diversity in the company

Qualifications, professional competence and »cultural fit« are our decisive criteria when filling assignments and positions. Likewise, we are increasingly approaching female applicants, specifically, as part of our »diversity strategy«, and promoting the inclusion of men and women at equal terms in management positions. To improve the compatibility of work and family life, we offer part-time working arrangements at management levels and generally enable working from a home office.

The »Diversity Targets« set in summer 2015 for All for One Group AG are shown below. They remained valid in financial year 2018/19 and serve to guide us in the long term:

Diversity of All for One Group AG

Share of women in %	Target 2018/19	Actual 30.09.2019	Comparison	Actual 30.09.2018	Actual 30.09.2017
Supervisory board	16.66	16.66	Achieved	16.66	0
Management board	20	0	Not achieved	0	0
Second-level management	10	0	Not achieved	0	0
Third-level management	20	18	Not achieved	18	20

»Diversity« remains a huge challenge. Alongside our »UP Talent Programme«, which we launched at the end of financial year 2017/18, we take a lot of small steps to strengthen our diversity in the long run. One such example are our regular »Girls' Days«, where we show schoolgirls technical career possibilities. As a result, we have been able to raise the share of women in the Group to 32.4% (30 Sep 2018: 30.9%).

Workforce (Diversity in the Group)

	30.09. 2019	30.09. 2018
Total employees	1,846	1,677
of which are women	598	518
of which are men	1,248	1,159

Headcount of All for One Group AG

All for One Group AG employs 1,103 employees (30 Sep 2018: 1,005).

2.2. STRATEGY AND BUSINESS MODEL

This section is equally valid for both Group and parent company.

All for One Group sees itself as a leading consulting and IT group, valued digitalisation partner and the number 1 in the German-speaking SAP midmarket. Our strategy is tailored to enhancing the ability of our customers to compete in a digital world. With our expertise and implementation skill we provide companies with comprehensive advice that encompasses all relevant issues, and aims to ensure as perfect and seamless an interaction between people, strategies, processes, data and systems as possible. Our integrated business model combines strategic and management consulting, process consulting, industry expertise, technology expertise, IT consulting and services, and transformation management. In doing so, we work with our subsidiaries to »orchestrate« the interaction of all »assets« and areas of action that are key to establishing the competitive strength of our customers. At the same time, the integrated business model is designed to generate the highest possible recurring revenue from cloud services and support, and software support.

Our customers mainly rank as midmarket, although a growing number ranks as »larger« midmarket. These are companies with annual sales up to a range in the middle single-digit billions yet still with an »SME« culture when it comes to their organisation, processes and how importantly they want to be treated by »their« service provider.

Our industry focus is on companies operating in the fields of machinery and equipment manufacturing, automotive supply, consumer products and project services, whose IT investment decisions are made in German-speaking countries, even those that also relate to their global business activities. In addition, we are increasingly operating in a number of other industries – with comprehensive line-of-business solutions, for example, which only differ marginally from one sector to the next (LOB segment). We mainly use our own resources at numerous offices close to our customers to manage our business relationships in Germany, Austria and Switzerland.

Our sales organisation was again successful in acquiring significant new accounts in financial year 2018/19 (»Specialised Sales«). The support we provide to our legacy customers is also very focused, aided by our »regular customers' hub«, whose management is standardised throughout the Group (Customer Success Management). We are increasingly working digitally in sales to further raise our customer penetration (»Digital Sales Team«). Likewise, we grow stronger by joining forces with a number of carefully selected specialists who we train and develop on an ongoing basis as part of our »All for One Group Business Partner« scheme. We work closely with both partners and customers at all levels.

To secure the global provision of local support to our mostly international customers, we set up the United VARs partner network in 2006. This alliance enables us to offer local support in – meanwhile – more than 100 countries based on uniform quality standards and recognised project methods. In addition to its superb efficiency and performance capability, United VARs also acts as the key to acquiring new accounts in our strongly export-oriented target markets in the German-speaking region. At the same time, United VARs is one of only nine »SAP Global Platinum Resellers«. This outstanding position gives us a »voice that is heard«, even in the global »SAP Channel«, allowing us to spotlight the issues raised by our midmarket customers to the global SAP organisation.

The market unit with the »All for One Steeb« brand forms the core of our Service Portfolio. It offers »SAP excellence« focusing on SAP S/4HANA – highly sophisticated corporate software that forms the basis and »Digital Core« of any business software landscape. Our industry solutions for SAP S/4HANA based on a proprietary, newly developed business process library (»scope items«) can quickly and easily be tested and activated by customers, and contain ready-to-use preconfigured business workflows and scenarios of our target industries. Our service portfolio, which was hugely expanded as part of our »Strategy22«, also includes solutions for »Employee Experience«, »Customer Experience«, »Data & Business Analytics«, »IoT & Machine Learning«, »Cyber Security & Compliance« and »New Work & Collaboration«. We operate and manage the extensive application landscapes of our customers from our Enterprise Cloud (Market Unit »Managed Cloud Services«). We also provide strategic, management and transformation consulting at »C Level« (management level). This comprehensive portfolio enables us to assist our customers on their journey to becoming intelligent, networked, and highly progressive and innovative companies.

The partnership with SAP is the hub of our daily business. SAP presented us with several awards for outstanding performance in financial year 2018/19 (including the SAP Pinnacle Award 2019 »Customer Experience Partner of the Year«, subsidiary B4B Solutions). SAP has also issued a plethora of certifications to All for One Group (including: »SAP-Certified in Cloud Operations«, »SAP-Certified in Application Operations for SAP S/4HANA«, and many more). Our partnership with Microsoft was also significantly enhanced during financial year 2018/19. In recognition of our achievements, Microsoft presented us for the first time with a »Runner Up Award« as »Country Partner of the Year (2019) Germany«. Microsoft has also accepted us into its AGI (»Accelerated Growth Initiative«) partner development scheme to create an integrated cloud portfolio. We claim to be market leaders for »SAP on the Microsoft Azure cloud platform«. In addition to SAP, Microsoft and increasingly IBM, we also work closely with such technology partners as NetApp, Cisco and VmWare.

All for One Group faces intense competition. Besides ERP manufacturers and system resellers outside of SAP, our competitors include other SAP system resellers, Microsoft partners and internationally operating IT outsourcing and technology service providers. The company also competes with specialised suppliers offering software designed for specialised departments, such as for personnel management, the financial sector or sales and marketing. Competitors also include the SAP consulting units of major international IT service groups and, increasingly, our customers' own IT activities.

As part of our »Strategy22«, we have improved our presentation in the marketplace and rolled out a new brand architecture (»Endorsement Strategy«). The resulting visual identity is consistent for the entire Group and its well-established individual brands, including All for One Steeb, avantum, OSC, Process Partner, KWP, allfoye, B4B Solutions or new additions TalentChamp and CDE. The »1« (»one idea ahead«) symbolises our vision of taking our customers to the number 1 spot in their markets and, in doing so, showcasing the comprehensive expertise of the entire Group.

As far as our position in the marketplace is concerned, market observers, such as ISG (Information Services Group GmbH, Frankfurt), teknowlogy Group PAC (Pierre Audoin Consultants GmbH, Munich), Lünendonk (Lünendonk & Hossenfelder GmbH, Mindelheim) or Crisp Research AG, Kassel, rank us among the leading IT providers in sub-markets as well, for example in cloud transformation, big data, business analytics and performance management, human capital and application management services or managed communications and collaboration (see, for example, Provider Lens SAP HANA & Leonardo Ecosystem Partners 2019, Managed Service Provider for Azure, Private/Hybrid Cloud – Data Centre Services & Solution 2019).

2.3. MANAGEMENT SYSTEM – FINANCIAL AND NON-FINANCIAL TARGETS

All for One Group is managed by the management board of All for One Group AG, which is solely responsible for managing the business, defining targets and strategies, and implementing the growth strategy.

The foremost goal of our corporate development is to raise the value of the business in the interests of all stakeholders and to ensure profitable growth. We derive the plans that are necessary to manage the operational units and the resulting need for action from our long-term corporate plan – with due consideration of the trends in our competitive and market environments. The following management indicators are used to manage both the Group and All for One Group AG.

Financial performance indicators

Our planning and management efforts draw primarily on sales and earnings performance. The following two financial performance indicators remained most important in financial year 2018/19 for managing the business targets:

- Sales revenue (IFRS)
- Operating result (EBIT, IFRS)

In terms of sales revenue, our particular focus is on recurring revenue. The performance metrics are aligned to each other with a view to securing a profitable path of growth that is as sustainable as possible. They are adjusted annually in line with our business plans. Management uses earnings before interest and taxes (»EBIT«) for management purposes, and to compare operational performance over time, and issue forecasts.

Non-financial performance indicators

In addition to the financial performance indicators, the management board also tracks the most important non-financial performance indicators. Given the key importance in many respects of »human capital« in a services company such as All for One Group, our Group-wide management system tracks the following two primary non-financial performance indicators:

- Employee retention
- Health index

Employee retention

The success of our business depends significantly on the quality we offer our clients, business partners, suppliers and shareholders. Personnel continuity and the ability on this basis to establish and maintain business partner relationships that are stable, sustainable, and resilient play a crucial role in how the quality of our service and support is perceived. We therefore use employee retention (100% minus the ratio of unwanted departures to headcount at the beginning of the reporting period, plus additions to the workforce during the financial year) as a performance metric.

Health index

The aim of our health management programme is to maintain and enhance our workforce's high level of capability and effectiveness. We also want to proactively counteract potential health-related absences. A health index (100% minus the ratio of number of days off sick to target work days in any reporting period) serves as a control indicator to help us achieve these objectives.

A standardised system is used to calculate, analyse and plan these non-financial indicators on a group-wide basis and then monitor them in terms of achieving the benchmarks and their impact on attaining the financial objectives. Detailed discussions of the development of the financial and non-financial performance indicators can be found in the sections Report on

Economic Position and Outlook. Other non-financial performance indicators at subsidiary, department and team leadership levels are used for fine tuning purposes. These involve what are primarily qualitative goals. As an example, specific qualification programmes are an integral part of the performance objective agreements for many employees in the consulting field.

2.4. RESEARCH AND DEVELOPMENT

Neither All for One Group nor the parent company All for One Group AG conducts research in the narrower sense of the word. Development activities to date have focused primarily on configuration and »customising« add-on solutions. Add-ons such as these include our newly »developed« comprehensive business process library (»scope items«) for SAP S/4HANA. They give our customers a clear competitive advantage while at the same time speeding up rollout projects. We are increasingly »developing« add-on solutions for Microsoft (Collaboration) and IBM software, as well, which are being used by a lot of customers. »Development expenses« such as these are not capitalised by All for One Group as the processes between customer-specific and non-customer-specific development phases are generally iteratively closely connected and reliable segregation of the expenses is therefore not possible.

3. REPORT ON ECONOMIC POSITION

3.1. REVIEW OF BUSINESS PERFORMANCE

Overall economic development and development of our target markets

Economic momentum faded noticeably in Germany in financial year 2018/19. Signs of declining demand were increasingly visible, especially from abroad.

From an international perspective, German businesses are nevertheless in a good position, not least thanks to a strong labour market and continued robust private spending. Trade conflicts, weak growth in the global economy, declining exports and fewer incoming orders in industry are increasingly heralding an economy caught between low growth and recession, and thus the end of a ten-year boom. Leading economic researchers cited these signs as the reason for lowering their forecasts for gross domestic product in 2019 from 0.8% (Spring 2019) to presently 0.5% *(source: joint diagnosis, inter alia, from RWI, DIW, ifo Institut, IfW, IWH, Spiegel Online, 2 Oct 2019)*. Moreover, in July, the Industry Climate Index compiled by ifo Institut dropped its farthest, from an already low level, since the financial crisis of 2009 *(source: Handelsblatt, 15 Aug 2019)*.

As the year progressed, our target markets – machinery and equipment manufacturers and the automotive supply industry, which are strongly dependent on exports – reduced their expectations. In order to cope with the challenges of shifting to electromobility, the automobile industry is facing not inconsiderable investments in plant and machinery. The German Mechanical Engineering Industry Association (Verband Deutscher Maschinen und Anlagenbau, VDMA) is predicting that production will shrink by 2% *(source: Handelsblatt, 6/7/8 Sep 2019)* – the first time it will be negative since 2013. Increasingly, business prospects among companies organised in the German Electrical and Electronic Manufacturers' Association (Zentralverband Elektrotechnik und Elektroindustrie e.V., ZVEI) are also noticeably subdued *(source: ZVEI, Business Climate Index, Sep 2019)*. Unlike the aforementioned sectors, which are very dependent on exports, economic development in our consumer goods target market is driven strongly by private consumer spending. Consumer business proved to be largely intact in Germany in financial year 2018/19. Unlike the industrial markets, there are scarcely any visible signs of a subdued outlook. The sector was boosted, in particular, by higher wages and an increase in the number of people in employment to 45.1 million, 0.3 million more by year on year comparison *(source: Statistisches Bundesamt, Oct 2019)*.

Trends in the IT industry

At present, the IT markets in Germany are only being marginally affected by the decline in overall economic development. So far, market observers are still forecasting growth of 2.0% to EUR 170.3 billion in 2019. Growth in the German markets for software (plus 6.3% to EUR 26.0 billion) and for IT services (plus 2.4% to EUR 40.9 billion) is expected to be much stronger than the IT market as a whole in 2019. The ongoing digitalisation of the economy as a whole is seen as the main driver of growth *(sources: Bitkom, Bundesverband Informationswirtschaft, Telekommunikation and neue Medien, 31 Jul 2019)*.

SAP, the world's largest maker of business software, intensified the marketing of its SAP HANA real-time application platform, advanced the commercial launch of its entirely new generation of SAP S/4HANA enterprise software and expanded its portfolio of cloud applications. SAP's leading partners, including All for One Group, are most notably the ones playing large roles in marketing this extended range of products. Microsoft, the world's largest maker of software overall, also expanded its focus on the cloud (»Infrastructure as a Service«) strongly and successfully in financial year 2018/19 and further enhanced the appeal of the Azure platform for running SAP solutions.

Comparison of actual performance with the forecasts issued in our Outlook report 2017/18

Forecast 2018/19 (as reported in Group- / Management Report 2017/18) versus actual			
in EUR millions, unless otherwise stated	Forecast 2018/19	Actual 2018/19	Comparison
Group			
Sales revenue (IFRS)	345 to 355	359.2	Overachieved
EBIT (IFRS)	13 to 19	12.6	Not achieved
Employee retention (in %)	Stabilisation 91.6	92.8	Achieved
Health index (in %)	97.0 to 98.0	97.5	Achieved
All for One Group AG			
Sales revenue (IFRS)	240 to 250	257.9	Overachieved
EBIT (IFRS)	5 to 11	6.5	Achieved
Employee retention (in %)	Stabilisation 95.5	95.0	Achieved
Health index (in %)	97.2 to 98.2	97.7	Achieved

3.2. FORECAST AND ACTUAL PERFORMANCE OF THE GROUP

Financial year 2018/19 was a year of transition. Initialising our »Strategy22« to align the entire Group to new growth targets took a heavier toll on the organisation than planned. By expanding our portfolio of products and services, restructuring in-house, changing our name, rolling out a new brand architecture and moving to our new headquarters, we have laid the foundations for a vastly improved scalability, speed and flexibility of our organisation. Putting this all in place did, however, require more in-house and external resources than originally planned. Added to which, the economic downswing in our target industries was stronger than expected, especially among businesses along the automotive supply chain.

With sales on budget and two acquisitions during the course of the year, we were able to exceed our sales forecast for financial year 2018/19 as predicted in the group management report 2017/18 (revenue in the range of between EUR 345 million and 355 million) by EUR 4.2 million. We fell just short – by EUR 0.4 million – of our EBIT target of between EUR 13 million and 19 million (including extraordinary effects).

With regard to sales, this deviation was due, above all, to the progress made in restructuring our sales organisation (»Specialised Sales« and »Customer Success Management«), which took effect sooner than expected. With cloud transformation progressing in our customer markets, we were able not just to exceed our sales targets with cloud services and support. Since the expected decline in revenue from the sale of conventional software licenses was also less severe than expected, we also clearly exceeded our targets with regard to software licenses. And since software support contracts are entered into when software licenses are sold, the growth in this area was also better than expected. Likewise, our recurring revenue – comprised of revenue from cloud services and support, and software support sales – were above budget, as a result. Consulting and services sales fell short of expectations, one of the consequences of a more severe economic downturn than expected and its impacts, especially on our consulting services for »Lines of Business« solutions. The two acquisitions accounted for around 1% of sales revenue in financial year 2018/19.

The deviation between the EBIT forecast for financial year 2018/19 that was indicated in the group management report 2017/18 and the actual EBIT result reflects the effects of changes in accounting rules (IFRS 9 and IFRS 15), which resulted in an unscheduled extraordinary effect of EUR 0.2 million. In addition, due to the economic slowdown being more severe than expected, we suffered more negative effects on earnings than planned (customer insolvencies, impairment expenses on financial assets, fluctuations in consultant capacity utilisation). The capacity utilisation of our consultants was, in some cases, less than expected. Overall, missing our EBIT target by EUR 0.4 million at the lower edge of the bandwidth was due to the fact that, as a transition year, 2018/19 was difficult to budget while at the same time, economic development was more subdued than expected.

Despite the heavy additional workload that our staff had to cope with through initialisation of our »Strategy22« and the strong demand for well-trained experts, we managed to achieve our expectations with regard to both employee retention and our health index.

The analysis of the deviations between guidance and actual Group performance is largely valid for All for One Group AG as well. The following section therefore focuses primarily on analysing the specific deviations that affected the parent company All for One Group AG.

3.3. FORECAST AND ACTUAL PERFORMANCE OF ALL FOR ONE GROUP AG

In the management report for the individual financial statements for 2017/18, we predicted sales (IFRS) in financial year 2018/19 in a range between EUR 240 million and 250 million. Revenue was actually EUR 7.9 million higher. We reached our EBIT target (IFRS) of between EUR 5 million and 11 million.

With regard to sales, higher-than-expected consulting and services revenue contributed to this development – alongside the same factors applying to the Group, as analysed above. Despite economic development being much more subdued than expected, transformation pressure was greater, especially among new customers. As a result, core business processes required increasing adjustment.

Although sales were much higher than budgeted, on the earnings side, All for One Group AG recorded EBIT that was only at the lower end of the guidance range. The negative effects of slower economic development, which were more severe than expected – as already discussed in the Group analysis – also largely applied to All for One Group AG, as did the effects of changes in accounting rules (IFRS 9 and IFRS 15).

We reached our 2018/19 targets for employee retention and the health index at All for One Group AG.

3.4. GROUP EARNINGS SITUATION

Revenue in EUR millions		EBIT in EUR millions	
10/2018 – 09/2019	10/2017 – 09/2018	10/2018 – 09/2019	10/2017 – 09/2018
359.2	332.4	12.6	20.6
+8%		-39%	

Recurring Revenue in EUR millions		EBIT (adjusted) in EUR millions	
10/2018 – 09/2019	10/2017 – 09/2018	10/2018 – 09/2019	10/2017 – 09/2018
174.7	155.5	19.8	20.6
+12%		-4%	

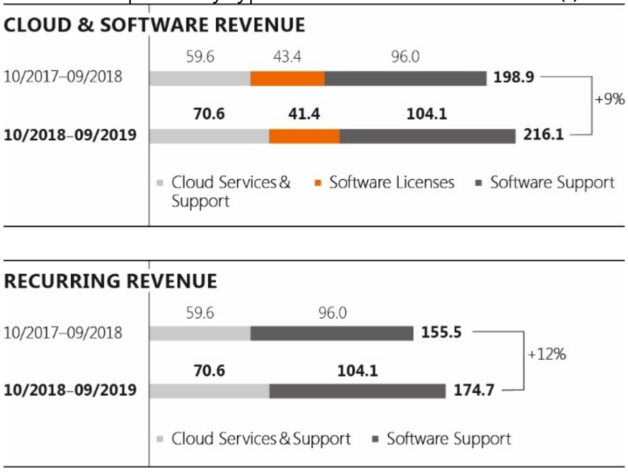
Analysis of sales revenue

Cloud transformation is causing shifts in types of revenue

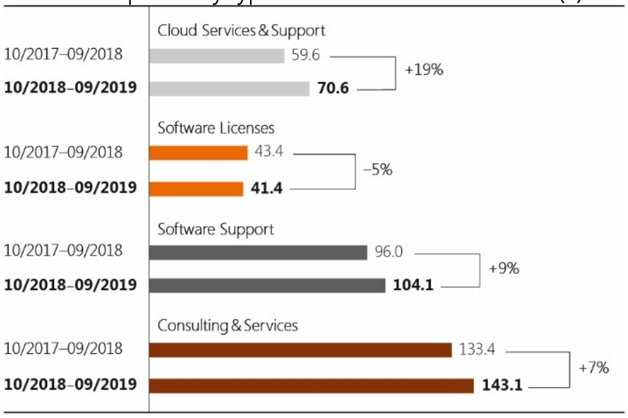
From the market perspective, the 8% increase in sales revenue in financial year 2018/19 was primarily due to specific advancements in cloud transformation and the knock-on effects on the sale of software licenses. Line-of-business solutions (LOB segment), in particular, are increasingly being »consumed« from the cloud. Moreover, the increase in sales was largely organic, only 1 percentage point was attributable to the acquisitions of TalentChamp (1 Jan 2019) and CDE (28 Jun 2019). The growth in sales was, furthermore, increasingly driven by new customer acquisitions. By contrast, an increasing number of projects involving regular customers were put on hold as the economy lost pace.

As cloud transformation progressed, non-recurring revenue from the sale of software licenses declined by 5% to EUR 41.4 million. On the other side, we were able to significantly increase recurring cloud services and support revenue – by 19% in financial year 2018/19 to EUR 70.6 million. Overall, recurring revenue increased by 12% to EUR 174.7 million. The figure includes both the aforementioned cloud services and support revenue and the software support revenue which are linked to the sale of software licenses and increased by 8% to EUR 104.1 million. As such, the share of total sales attributable to recurring revenue increased to 49% (2017/18: 47%). Transformation projects require comprehensive strategic, management, process and technology consulting. Despite the subdued economic outlook, we were able to raise the revenue generated with consulting and services by 7% to EUR 143.1 million.

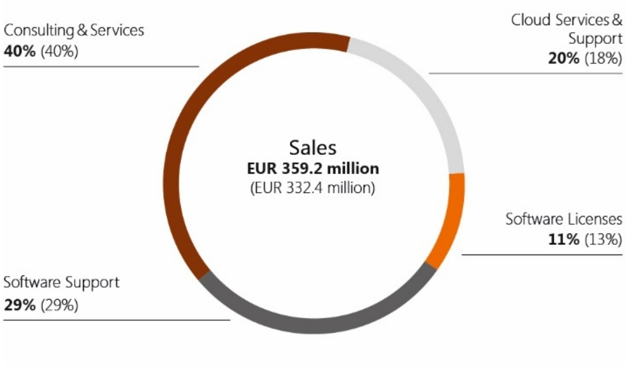
Sales development by types of revenue in EUR millions (1)



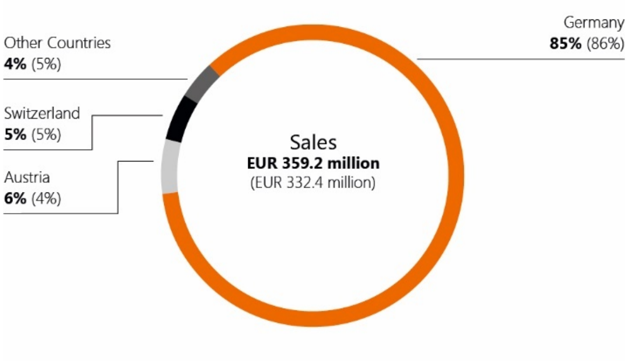
Sales development by types of revenue in EUR millions (2)



Breakdown of sales by types of revenue in %



Breakdown of sales by country in % 1)



1) Based on domicile of the customer

Analysis of earnings situation

Earnings performance

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Sales revenue	359,215	332,357
Cost of materials and purchased services	-127,025	-119,921
Personnel expenses	-154,160	-139,848
Depreciation and impairment losses on intangible assets and fixed assets	-12,972	-10,629
Impairment expenses of financial assets	-974	–
Other operating expenses/income	-51,452	-41,382
EBIT	12,632	20,577
Financial result	-535	-1,021
EBT	12,097	19,556
Income tax	-1,862	-5,849
Result for the period	10,235	13,707

Extraordinary effects adversely affected earnings performance to the tune of EUR 7.2 million in total

As already expected and discussed in the prior year, the extraordinary effects relating to the launch of our »Strategy22« in financial year 2018/19 – which ultimately came to EUR 7.0 million in total – had a significantly adverse effect on our EBIT. A further EUR 0.2 million were attributable to effects in connection with first-time application of the new accounting standards IFRS 9 and IFRS 15. If these extraordinary effects totalling EUR 7.2 million were to be disregarded, EBIT would therefore have declined by 4% to EUR 19.8 million.

Cost of materials – including purchased services – increased to EUR 127.0 million. The rise of 6% was proportionately lower than the increase in sales (plus 8%). The figure includes extraordinary charges of EUR 0.3 million relating to »Strategy22«. While volumes for the procurement of software licenses have declined in the wake of decreasing licensing revenue, services purchased for the purpose of delivering customer projects increased – at the expense of the margin. Overall the cost of materials ratio decreased to 35% (2017/18: 36%). By contrast, the increase in personnel expenses to EUR 154.2 million (plus 10%) was clearly disproportionate to the increase in sales. This was partly due to efforts to increase the workforce but the figure for personnel expenses also includes extraordinary charges of EUR 3.2 million relating to personnel measures (redundancies) in connection with »Strategy22«. Accordingly, the ratio of employee expenses to sales increased to 43% in total (2017/18: 42%). Adjusted for the aforementioned HR-related extraordinary charges relating to »Strategy22«, personnel expenses would have increased by 8% proportionate to sales growth and the ratio of personnel expenses to sales would have remained unchanged year on year at 42%.

The increase of 22% in depreciation and impairment on intangible assets and fixed assets to EUR 13.0 million (2017/18: EUR 10.6 million) was partly due to higher technology investments in the cloud infrastructure of the data centres we use, but also to the creation of new working worlds in our new headquarters. The figure also includes extraordinary charges of EUR 0.7 million relating to »Strategy22« for impairment on intangible assets following strategic adjustments to the portfolio.

The increase in other operating expenses was clearly disproportionate to sales growth, rising 18% to EUR 54.6 million due to »Strategy22«. Moreover, the prior-year figure (2017/18: EUR 46.4 million) for other operating expenses includes impairment expenses of EUR 0.3 million on financial assets, which must be recognised separately in the current reporting year 2018/19 following changes to accounting regulations (2018/19: EUR 0.9 million), albeit without adjusting the prior-year figures. The share of other operating expenses attributable to »Strategy22« – for changing the name of the company, for example, and »rolling out« a new Group-wide brand architecture, to name just two – amounted to EUR 2.8 million in total in financial year 2018/19. Adjusted for this extraordinary charge and the changes in recognition policy, other operating expenses would only have increased by 12%. The decline of EUR 1.8 million in other operating income to EUR 3.2 million is partly due to a drop in marketing support in connection with the lower license sales.

The financial result improved significantly to minus EUR 0.5 million (2017/18: minus EUR 1.0 million), partly as a result of interest income of EUR 0.3 million relating to a different period, as explained below.

EBT declined by 38% to EUR 12.1 million (2017/18: EUR 19.6 million), while the result for the period (earnings after tax) decreased by 25% to EUR 10.2 million (2017/18: EUR 13.7 million). The result for the period was materially influenced by tax and interest income of EUR 3.2 million that was recognised through profit in March 2019 and stemmed from loss carry forwards that had initially been disputed (Section 8c German Corporation Tax Act (Körperschaftsteuergesetz)). As a result, income tax expenses decreased from EUR 5.8 million (2017/18) to EUR 1.9 million. The Group tax rate relative to EBT was 15% (2017/18: 30%). The average number of shares in free float was unchanged in financial year 2018/19 at 4,982,000. Accordingly, earnings per share decreased by 27% to EUR 2.05 (2017/18: EUR 2.82).

Other comprehensive income totalled minus EUR 0.1 million (2017/18: minus EUR 0.2 million) and was mainly influenced by the remeasurement of the net liability from defined benefit pension plans to minus EUR 1.2 million in total (2017/18: plus EUR 0.2 million) due to the low level of interest rates in Switzerland. The figure also includes unrealised gains of EUR 0.8 million from currency translation (2017/18: minus EUR 0.3 million).

Revenue and earnings performance by segment

Sales development (+7%) in the **CORE segment** (ERP and collaboration solutions for companies' core business processes) was mainly influenced by the market-driven increase in cloud services and support sales and software support sales, whereas license sales decreased. In addition to the extraordinary effects arising from »Strategy22«, extensive capital expenditure on SAP S/4HANA (expertise, building experience, business process library) and platform business (SAP Leonardo, Microsoft Azure, AWS) continued to weigh on earnings performance. In our much smaller **LOB segment** (»Lines of Business«), we are at an advanced stage of building the business. Sales (+11%) were driven particularly by the increased use of cloud-based line-of-business solutions. As a result, we were able to turn the segment earnings trend from the prior year around. Extensive capital expenditure on staffing (sales, marketing, consulting) and, correspondingly, on recruiting and training, is increasingly bearing fruit.

	CORE		LOB	
in KEUR	10/2018 – 09/2019	10/2017 – 09/2018	10/2018 – 09/2019	10/2017 – 09/2018
Statement of profit and loss				
External sales revenue	298,308	277,956	60,907	54,401
Intersegment revenue	4,266	3,857	10,616	9,932
Sales revenue	302,574	281,813	71,523	64,333
Segment EBIT	12,294	21,386	328	-827
IFRS 9 / IFRS 15	189	0	46	0
Extraordinary expenses for »Strategy22«	6,023	0	945	0
Adjusted segment EBIT	18,506	21,386	1,319	-827

Orders on hand

Orders on hand do not constitute a separate performance metric at All for One Group. The figure is not calculated for the business as a whole. In light of the heterogeneous nature of the individual types of business (such as license sales, project business, cloud subscriptions, managed cloud services agreements, software support), such a metric would only have very limited meaning. To a certain extent, our »recurring revenue« act as a meaningful indicator of our orders on hand. Their revolving nature is underpinned by corresponding contracts governing cloud services and support, and software support.

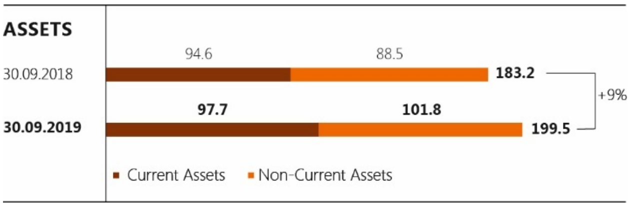
3.5. GROUP ASSETS AND FINANCIAL SITUATION

Analysis of assets situation

Assets situation

	30.09.2019	30.09.2018	Δ in %	Definition
Equity ratio (in %)	41	42	-2	Equity / Total capital
Cash and cash equivalents (in KEUR)	28,498	36,331	-22	Cash and cash equivalents as per balance sheet
Net liquidity (in KEUR)	-1,506	7,021	-121	Liabilities to financial institutions, lease liabilities less cash and cash equivalents as per balance sheet
Days of sales outstanding (in days)	50	51	-3	Ø Trade receivables / Sales revenue x 360
Equity to assets (in %)	90.5	96.8	-7	Equity / (Fixed assets + intangible assets)
Return on equity (in %)	12.8	18.7	-31	Result for the period / Ø equity
Return on total capital (in %)	5.3	7.8	-31	Result for the period / Ø total capital

Balance sheet: asset structure in EUR millions



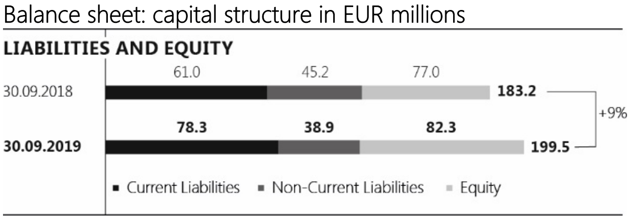
First-time application of the new accounting standard (IFRS 15) resulted in both changes in recognition and in reclassifications in the balance sheet in 2018/19. Corresponding adjustments to the balance sheet as at 30 September 2018 were not required. As such, comparison with the prior-year figures is limited in some instances.

The decline of 22% in cash and cash equivalents to EUR 28.5 million (30 Sep 2018: EUR 36.3 million) was partly due to acquisitions (EUR 8.1 million) and partly to increased technology investments and capital expenditure on our new headquarters (EUR 10.0 million in total). Our operational funding lines of credit were EUR 8.5 million as at 30 September 2019.

Trade receivables in the prior year (30 Sep 2018: EUR 47.3 million) still included the sales recognised using the POC method (time-based, in step with service provision) which now have to be recognised separately as contract assets, a new balance sheet item. As such, direct comparison with the trade receivables of EUR 49.6 million as at 30 September 2019 is only meaningful to a limited extent.

The increase in assets in financial year 2018/19 was primarily due to the first-time consolidations of TalentChamp and CDE (preliminary). As a result, goodwill increased by 30% in total to EUR 30.7 million (30 Sep 2018: EUR 23.6 million). Moreover, we invested considerable amounts in technology to expand the data centres we use, in order to cope with the growth, and spent large sums on tenant fixtures to create new working worlds at our new headquarters. Accordingly, fixed assets increased by 36% to EUR 23.4 million (30 Sep 2018: EUR 17.3 million).

Balance sheet: capital structure in EUR millions



Equity was influenced not just by the Group profit (EUR 10.2 million) and the dividend distribution (EUR 6.0 million), but also by a positive effect of EUR 1.5 million from first-time application of the new accounting standard (IFRS 15). Overall, equity increased by 7% to EUR 82.2 million (30 Sep 2018: EUR 77.0 million). The equity capital ratio declined by 1 percentage point to 41% (30 Sep 2018: 42%). The development of current and non-current liabilities reflects changes in the due dates of liabilities to financial institutions. The current portion amounted to EUR 8.5 million and constitutes a tranche of promissory note bonds that is due for repayment on 30 April 2020. Overall, liabilities to financial institutions continue to include EUR 23.5 million in promissory note bonds. New promissory note bonds with a volume of EUR 33.5 million were issued at the start of financial year 2019/20 (see the notes to the consolidated financial statements, Section »26. Subsequent Events«).

Analysis of financial situation

Financial situation

in KEUR	30.09. 2019	30.09. 2018
Cash flow from operating activities	20,001	23,407
Cash flow from investing activities	-17,872	-7,743
Cash flow from financing activities	-10,121	-8,947

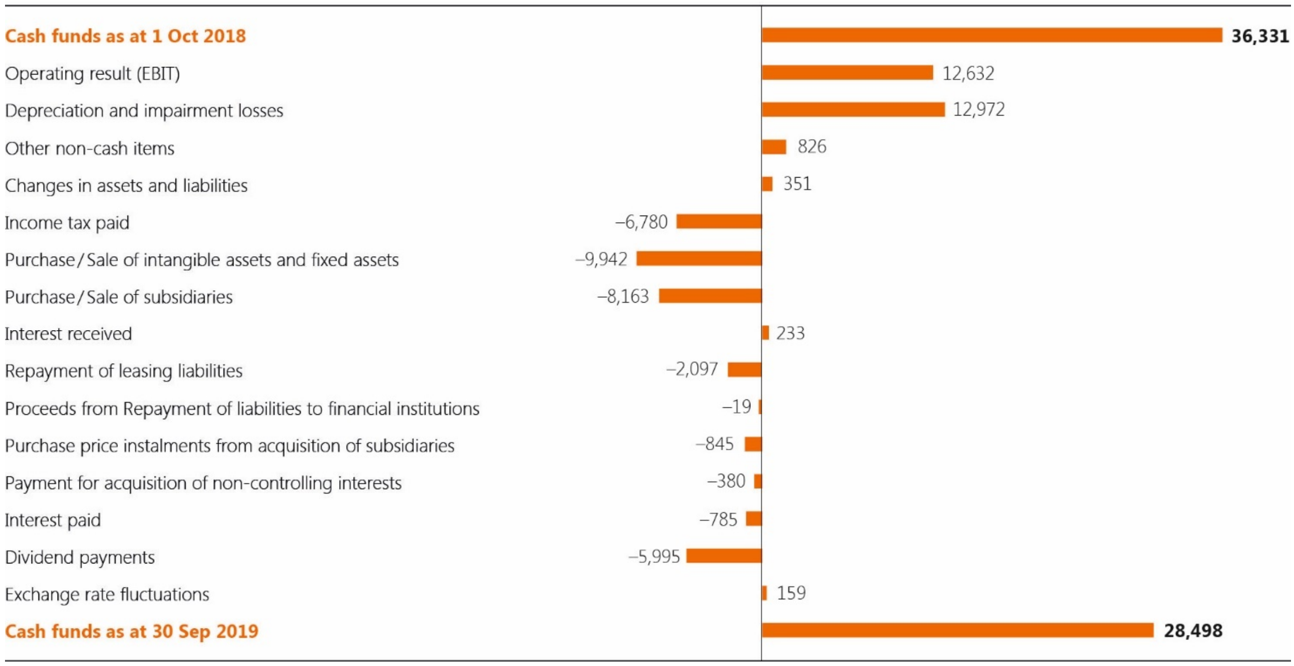
Cash flow: Higher income tax payments, acquisitions and increased capital expenditure

The decline in cash flow from operating activities by 15% to EUR 20.0 million (2017/18: EUR 23.4 million) was primarily caused by the lower earnings and by higher income tax payments, which accounted for cash outflows of EUR 2.7 million in the prior-year period compared to EUR 6.8 million in the financial year 2018/19. Trade payables posted a strong increase of EUR 4.0 million in financial year 2018/19 (2017/18: plus EUR 0.6 million).

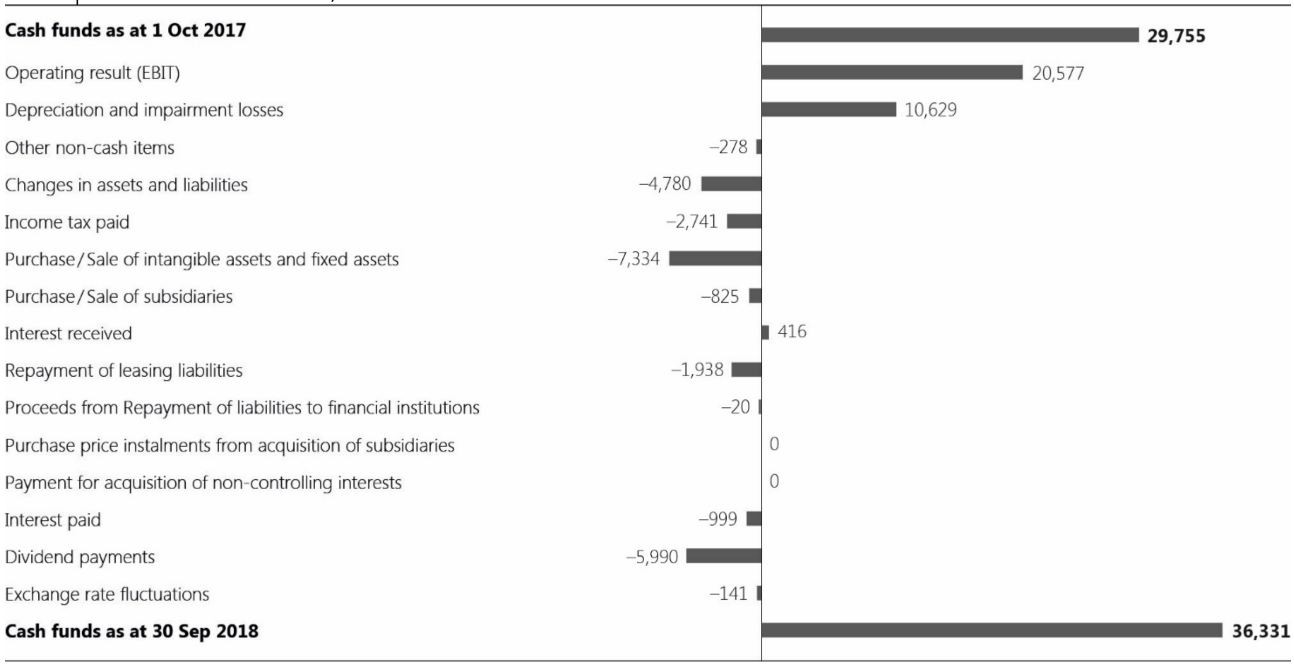
In addition to increased technology investments for expanding our cloud services, cash flow from investing activities also included the net outflows for our acquisition of TalentChamp and CDE (EUR 8.1 million in total) and for tenant fixtures in our new headquarters (EUR 2.6 million).

Cash flow from financing activities was substantially influenced by the payment of a dividend that remained unchanged at EUR 6.0 million. The increase of EUR 1.2 million in cash outflow compared to financial year 2017/18 was mainly due to the payment of an earn-out component for an acquisition completed in 2017. No promissory note bonds were repaid in financial year 2018/19. As a result, cash funds as at 30 September 2019 totalled EUR 28.5 million (30 Sep 2018: EUR 36.3 million).

Development of cash funds 2018/19 in KEUR



Development of cash funds 2017/18 in KEUR



Overall assessment of business performance and the economic position of the Group

Based on the aforementioned analysis of business performance and of the earnings, financial and asset situation, and after consideration of all relevant facts and circumstances, the management board of All for One Group AG believes that the Group is still in a solid economic position. Looking beyond the end of financial year 2018/19 and after completion of the first weeks of financial year 2019/20, we believe that the economic position of All for One Group also remains very solid.

Group financial management principles and objectives

Financial management at All for One Group is primarily understood as liquidity management, capital structure management and the management of interest rates. Currencies are of only minor importance. The financial management function at All for One Group strives to preserve financial independence by assuring the availability of sufficient liquidity. In doing so, it aims to sustain the good financial strength of the Group at all times. Risks should be avoided to the greatest possible extent, while risks to operational business need to be effectively hedged. Accordingly, All for One Group does not engage in speculative forward transactions nor does it currently make use of any derivative financial instruments. One particular area of financial management focus is also to monitor and ensure compliance with the covenants governing the promissory note bonds used to fund the company. The financing and liquidity risks are discussed in Section »4. Opportunities and Risk Report«.

The Group is strongly influenced by its operationally active parent company All for One Group AG. As such, the annual financial statements of All for One Group AG indicate that business performance was very similar to that discussed in the consolidated financial statements of All for One Group.

3.6. ASSETS, FINANCIAL AND EARNINGS SITUATION OF ALL FOR ONE GROUP AG

The annual financial statements of All for One Group AG are prepared in line with the generally accepted accounting principles as specified in Sections 242 – 256a and 264 – 288 HGB, together with the special regulations specified in the German Stock Corporation Act (Aktiengesetz: AktG).

Analysis of assets, financial and earnings situation

Balance sheet of All for One Group AG (short version, HGB)

in KEUR	30.09. 2019	30.09. 2018
Intangible assets	20,749	23,400
Fixed assets	22,131	15,859
Financial assets	59,258	49,289
Inventories	0	1
Receivables and other assets	36,107	31,812
Cash resources	9,325	19,623
Accruals	4,889	2,782
Total assets	152,459	142,766
Equity	70,360	67,764
Provisions	21,364	23,325
Liabilities	56,374	46,473
Deferrals	983	842
Deferred tax liabilities	3,378	4,362
Total liabilities	152,459	142,766

Statement of profit and loss of All for One Group AG (short version, HGB)

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Sales revenue	245,945	239,359
Change in inventory	12,291	3,390
Other operating income	7,317	7,483
Cost of materials	-110,040	-105,981
Gross profit	155,513	144,251
Personnel expenses	-99,909	-88,193
Depreciation and amortisation	-10,478	-9,312
Other operating expenses	-43,740	-36,576
Operating result	1,386	10,170

Earnings situation

The increase in sales at All for One Group AG in financial year 2018/19 was also primarily driven by could transformation progress and its knock-on effects on the sale of software licenses. Sales revenue in financial year 2018/19 increased by 3% in total to EUR 245.9 million (2017/18: EUR 239.4 million).

The development of cloud services and support revenue (plus 16% to EUR 56.9 million) shows the pace at which cloud transformation is progressing. In return, sales of software licenses declined (minus 8% to EUR 33.8 million). Recurring revenue (plus 10% to EUR 147.9 million, 60% share of total revenue) include both the aforementioned cloud services and support revenue, and software support sales (plus 7% to EUR 91.1 million) which are linked to the sale of software licenses. As the economic outlook worsened, sales from consulting and services decreased by 7% to EUR 62.2 million.

Work in progress increased by EUR 12.3 million (2017/18: increase of EUR 3.4 million) and includes, above all, a growing volume of consultancy projects that have already commenced but are not yet, or have only been partially, completed. Other operating income decreased by 2% to EUR 7.3 million (2017/18: EUR 7.5 million) and includes benefits in kind to employees and declining marketing support in the wake of fewer software license sales.

Cost of materials increased at a disproportionately higher rate than sales, by 4% to EUR 110.0 million (2017/18: EUR 106.0 million). Expenses for the purchase of software licenses decreased by EUR 2.8 million year on year, whereas expenses for external consulting resources (»Freelancers«) from our partner network increased by EUR 1.1 million over the same period, and were used in the delivery of customer projects. Purchased services for software maintenance increased by EUR 4.3 million. The cost of materials ratio increased slightly from 44% (2017/18) to 45% (2018/19). Gross profit therefore increased by 8% to EUR 155.5 million (2017/18: EUR 144.3 million).

At the level of All for One Group AG, launching our »Strategy22« in financial year 2018/19 incurred charges (mainly personnel expenses and other operating expenses) totalling EUR 7.2 million, which are classified as extraordinary effects.

Personnel expenses, for example, increased by 13% – a much higher rate relative to sales – to EUR 99.9 million (2017/18: EUR 88.2 million). Accordingly, the ratio of personnel expenses to sales increased to 41% in total (2017/18: 37%). The personnel expenses do, however, include extraordinary effects of EUR 2.9 million relating to personnel measures (mainly redundancies) in connection with »Strategy22«. Disregarding these effects, the ratio of personnel expenses to sales would have been 39%.

Of the increase – of 13% to EUR 10.5 million (2017/18: EUR 9.3 million) – in depreciation and amortisation at the level of All for One Group AG, EUR 5.7 million (2017/18: EUR 4.5 million) were attributable, above all, to depreciation of cloud technologies, such as server and storage systems in the data centres.

The increase of 20% in other operating expenses to EUR 43.7 million was essentially due to extraordinary expenses of EUR 3.0 million (»Strategy22«, changing the name of the company, new brand architecture, for example) and to increased costs as a result of business expansion (travel expenses, data centres, for example).

The marked decline in operating profit – minus 86% to EUR 1.4 million year on year – is, accordingly, primarily due to disproportionately large growth in personnel expenses (plus 13%) and other operating expenses (plus 20%), while sales increased by 3%. In addition to the extraordinary effects in connection with the launch of »Strategy22«, the operating result also reflects the continued increased expenditure on, and investment in, expanding future areas of growth business. For example, we extended the design of our data centres and invested in new technologies, expanded our digital market and strengthened our sales organisation. We drove the further development of our industry and add-on solutions based on SAP S/4HANA. In addition, we invested large amounts in training and knowledge management focusing on digital transformation.

The tax income of EUR 1.3 million recognised in financial year 2018/19 (2017/18: tax expense of EUR 4.2 million) was substantially influenced by the provisions for tax liabilities – which we reversed back in the first half of the financial year 2018/19 – amounting to EUR 2.9 million in total (accruals of loss carry forwards, Section 8c German Corporation Tax Act (Körperschaftsteuergesetz)) and the marked decline in earnings. Net income for the year declined by 30% from EUR 12.2 million (2017/18) to EUR 8.6 million (2018/19).

Assets and financial situation

The balance sheet total as at 30 September 2019 of All for One Group AG increased by 7% year on year to EUR 152.5 million (30 Sep 2018: EUR 142.8 million).

Intangible assets declined by 11% from EUR 23.4 million (30 Sep 2018) to EUR 20.7 million (30 Sep 2019). The scheduled and unscheduled amortisation in connection with »Strategy22« were only partially offset by minor additions. Fixed assets increased – mainly as a result of technology investments in expanding the data centres we use in order to extend our cloud services and investment in our new headquarters – from EUR 15.9 million (30 Sep 2018) to EUR 22.1 million (30 Sep 2019). Capital expenditure on fixed assets totalled EUR 13.5 million in financial year 2018/19 (2017/18: EUR 10.8 million). As at 30 September 2019, additional investment commitments existed for legal and/or business reasons. With a total volume of EUR 3.0 million (30 Sep 2018: EUR 0.2 million), they mainly relate to planned technology procurements (purchase commitments).

At EUR 59.3 million, financial assets were higher year on year (30 Sep 2018: EUR 49.3 million), mainly as a result of the investments in TalentChamp and CDE. The write-down relating to the shares in Grandconsult GmbH had a countervailing effect of EUR 0.9 million (2017/18: EUR 0.1 million).

Inventories balanced out at zero (30 Sep 2018: KEUR 1). and include both EUR 43.7 million for consultancy projects that have commenced but not yet been completed (30 Sep 2018: EUR 31.4 million) and an equivalent amount for advance payments received for purchase orders. In total, receivables and other assets increased by 14% year on year to EUR 36.1 million as at 30 September 2019. The increase was due to higher trade receivables (plus EUR 2.2 million to 25.1 million) in the wake of business expansion, and to growth in other assets (advance tax payments) of EUR 2.0 million to 3.9 million (30 Sep 2019). Compared to 30 September 2018, cash and cash equivalents decreased from EUR 19.6 million (30 Sept 2018) to EUR 9.3 million (30 Sep 2019) due, partly, to paying cash to acquire TalentChamp and CDE (EUR 8.1 million in total) and for the tenant fixtures to create new working worlds at our new headquarters (EUR 2.6 million).

Provisions decreased by 8% to EUR 21.4 million following the reversal of EUR 2.9 million in tax provisions included in the prior-year figure (30 Sep 2018: EUR 23.3 million). The change in liabilities, which increased by EUR 9.9 million to 56.4 million, was largely the result of higher trade payables, which rose by EUR 5.1 million to 22.3 million (30 Sep 2019) in the wake of business expansion. Since the net income of the prior year was only partially distributed, equity increased in total from EUR 67.8 million (30 Sep 2018) to EUR 70.8 million (30 Sep 2019). Accordingly, the equity ratio was 46% (30 Sep 2018: 48%). Net debt increased to EUR 14.2 million (30 Sep 2018: EUR 3.9 million).

The financial position of All for One Group AG as at 30 September 2019 is stable, despite the marked decrease in cash and cash equivalents and the increase in net debt. New promissory note bonds with a volume of EUR 33.5 million were issued at the start of financial year 2019/20 (see the notes to the annual financial statements of All for One Group AG, Section »26. Subsequent events«).

The merger in May 2019 of the 100% stake in Webmaxx GmbH, Munich/Germany, into All for One Group AG did not have any substantial effects on sales and earnings.

Financial management principles

The same principles apply for financial management at All for One Group AG as for the Group as a whole.

Overall assessment of the assets, financial and earnings situation of All for One Group AG

After consideration of all relevant facts and circumstances and completion of the first weeks of financial year 2019/20, the management board believes that the economic situation (assets, financial and earnings situation) of All for One Group AG is still very solid.

3.7. ALL FOR ONE GROUP AG RATING

In light of the solid financing structure and financial instruments used by the company, there was no need to obtain external ratings. Accordingly, no official external rating is available for All for One Group AG. There are, however, some indications of how All for One Group AG would be externally rated.

Based on the annual financial statements as at 30 September 2018, Deutsche Bundesbank continued its practice of previous years and rated the company as possessing central bank eligibility. That means that lending banks can use loan receivables owing from All for One Group AG as collateral for refinancing purposes with Deutsche Bundesbank.

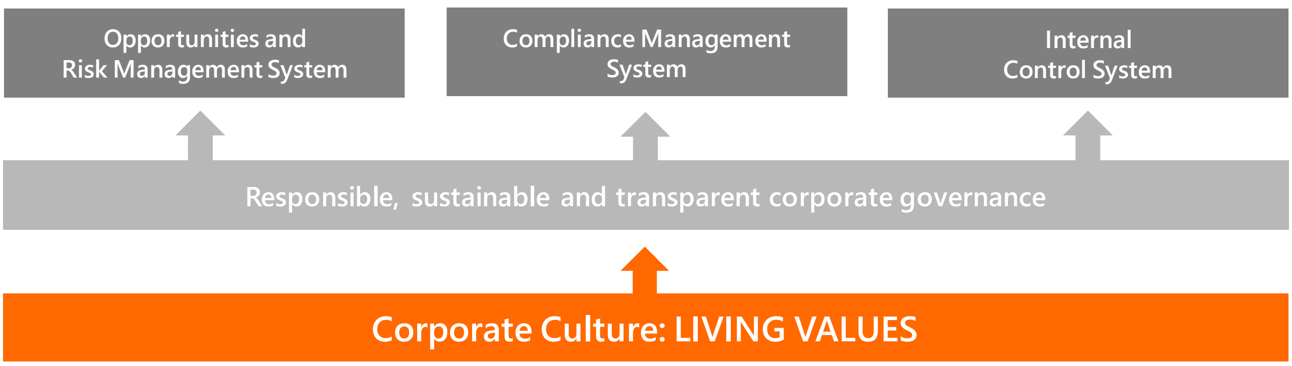
4. OPPORTUNITIES AND RISK REPORT

Unless indicated otherwise, the disclosures in this opportunities and risk report are valid equally for both Group and parent company.

»All for One Group Governance Model«

The management of All for One Group is based on values. The company operates in a dynamic market environment. We have established the All for One Group Governance Model to ensure the successful implementation of our strategies, sustainably profitable growth, and the achievement of our financial and non-financial targets and forecasts. This model is continuously being improved and developed. It builds on our company culture LIVING VALUES and the principles of good corporate governance: responsible, sustainable and transparent leadership. The following three pillars form the framework within which our governance model is designed:

- Opportunities and risk management system
- Compliance management system
- Internal control system (with internal audits)



Each pillar has specific »mechanisms« for planning and managing financial and non-financial issues, and their interactions and interdependencies. Our approach to opportunities and risk management (identification methodology, monitoring, assessing opportunities and risks) is the same for both financial and non-financial issues. As part of our opportunities and risk management system, we also monitor non-financial aspects.

4.1. OPPORTUNITIES AND RISK MANAGEMENT SYSTEM

Opportunities management

The innovative strength and quality of our solutions are critical for the businesses of our customers. We show how to successfully digitalise business workflows or even how to design and expand new business models in order to secure competitive advantages and, at the same time, make our own company fit for the future. The numerous individual »opportunities« offered by digital transformation therefore define our entire opportunities management to a very considerable degree. At the same time, our own workflows benefit from the specific use of new technologies, becoming more efficient and helping us to successfully grasp the opportunities.

Our work focuses on those sub-markets, industries and specialised departments in which we can secure and maintain leading positions. An essential part of our opportunities management effort is carefully examining the current and future needs of our customers and their industry-specific success factors in particular with regard to ongoing digital transformation. We analyse market, industry and technology trends, opportunities, SAP, Microsoft and IBM innovations and their related software solutions, and how these can be employed to benefit our customers. In order to enhance our enterprise value, we always take a values-based approach to opportunities. We also assess opportunities in terms of investments, personnel resources, capabilities, and other factors that are vital for best accessing and using the identified opportunities. We then reconcile these with the appropriate risk mitigation measures in order to strike a careful balance between opportunities and risks.

Our revenue and earnings forecasts (see Section »5. Outlook«) take into consideration that portion of the opportunities described below that we consider as being likely to arise. Opportunities from the trend towards further consolidation on the market, such as through acquisitions, were, however, ignored.

Risk management

All for One Group AG, with its parent company All for One Group AG, is exposed to a number of different risks. As part of its overall responsibility for the Group, the management board established a risk management and internal control system specifically for the purpose of identifying, analysing and implementing effective countermeasures against existential risks as early as possible. In addition, we have established a compliance management system that is applied uniformly across the entire Group. This system forms the basis for adequately ensuring achievement of our financial, operational and strategic goals and compliance with rules and regulations. Early risk warning and internal controls are integral parts of our budgeting, control, and reporting processes and as such are firmly anchored within our business processes and workflows in the form of a number of monitoring and management mechanisms.

Consequently, our risk management system represents an important cornerstone for making our business decisions. The entities included in the risk consolidation are the same as those within the scope of the consolidation of All for One Group. All identified risks (gross risks, i.e. before exposure-mitigating countermeasures) are recognised for the purpose of risk reporting and hence also include those risks that have largely been mitigated thanks to appropriate countermeasures. The actual report is divided into various risk groups (see Section »4.5. Risks Associated with Future Business Development« and specifically the sub-section »List of Individual Risks«).

The basic structure of the risk management organisation has not changed from the prior year. The organisation is headed by the risk manager under whose leadership the risk management team performs its operational risk management functions. Risk officers from the various areas and departments of the lead operating company form the core of this team. The subsidiaries also appoint risk officers. They continuously monitor the development of risks and the effectiveness of measures to limit risks within their respective areas or subsidiaries, and on the basis of this prepare a risk analysis and assessment, and report regularly to the risk manager. The risk manual prescribes a standardised method, documents the risk management processes, and provides tools for continuously recording and tracking the results. The risk management team periodically attends workshops under the direction of the risk manager. The findings and results of these workshops are incorporated into the risk report that the risk manager prepares and submits to management. Alongside this, individual risks are monitored on a decentralised basis within each of the departments and subsidiaries by means of special analyses and additional assigned duties and responsibilities. The management board and the risk manager discuss the identified risks in detail, examine and update countermeasures, and assess any residual exposure.

This risk management system is fully integrated within the organisational and operational structure and provides the foundation for early risk warning and control. Our internal control system and compliance management system are closely linked to our risk management system.

4.2. COMPLIANCE MANAGEMENT SYSTEM

Our established Group-wide compliance management system is designed to ensure adherence to all laws, ordinances, regulations, guidelines, contractual obligations and voluntary commitments, as well as conformity with standards. The core is formed by a code of conduct that is derived from our corporate values and sets forth a binding set of rules about behaviour that applies to each and every employee and executive. Our compliance management organisation oversees adherence to our code of conduct. This organisation is led by a compliance manager and staffed by compliance officers from subsidiaries. Every employee is given access to, and may review, the individual elements of our compliance management system on our intranet. Tip-offs and suspected misconduct can be reported via an externally accessible whistleblowing portal that is valid throughout the Group (https://all-for-one.integrityline.org).

Our compliance management efforts were expanded during financial year 2018/19. Here the focus was on training about compliance issues, the expansion of the data management system with an eye toward the implementation of the EU-wide General Data Protection Regulation (GDPR), and further improving information security to provide effective safeguards against cyber criminality as well as rolling out the externally accessible whistleblowing portal.

4.3. INTERNAL CONTROL SYSTEM

Our Internal Control System is based on the pillars of the »principle of dual control«, »segregation of duties«, »integrated reporting« and »internal audits«. The » principle of dual control« is implemented operationally and monitored within the Group with the help of structured and uniform policies, such as signatory guidelines, operational rules, and organisational guidance. Another effective control and security mechanism is the carefully crafted and tailored rights and authorisations concept that applies across the entire management organisation, and which precisely defines and limits the access and activities of individuals and groups of people to what are predominantly SAP-based and Microsoft-based applications and functional features. We refined these internal systems and applications, along with their respective rights and authorisation concepts, in the course of the acquisitions we made. The »segregation of duties« relating to critical business processes further enhances the security, reliability and quality of the workflow. Individual groups of people are also assigned horizontal duties, so that a system of mutual checks and balances is implemented across the various departments and areas of responsibility.

Integrated reporting includes a detailed planning, control and reporting system with numerous analyses and reports about the Group's situation, position and outlook. The planning process runs from the bottom up and on a monthly basis. In addition, regular forecasting is carried out for the individual business units, their companies and departments in order to further improve management controls, to recognise any discrepancies or deviations as early as possible and to be able to counteract them with appropriate measures. The current Group information system is supplemented by management meetings and business reviews on various levels within the individual departments, companies and business units. At these meetings and reviews, risks are also discussed, tracked and evaluated, and documented in reports and minutes.

As part of internal audits, selected companies and Group processes and procedures undergo a separate audit each year which, among other things, examines their compliance with internal regulations and the quality of the internal control system. The risk manager, compliance officer and head of internal audits report their findings to the management board and directly to the supervisory board.

Accounting-related internal control and risk management system

Sections 289 (4) and 315 (4) HGB require that All for One Group AG describes the key characteristics of this accounting-related internal control and risk management system in its management report. With regard to the Group accounting process, the internal control and risk management system aims to ensure the identification and assessment of risks that could jeopardise the aim of assuring the legal conformity of the consolidated financial statements. The system needs to provide adequate assurance that the financial reporting procedures for both the consolidated financial statements of All for One Group and the individual financial statements of all subsidiaries included in the consolidation are compliant with both pertinent laws and generally accepted accounting principles.

The internal control and risk management system for the accounting processes is embedded in the Group-wide risk management system and includes both principles and methods, as well as actions for assuring that the accounting processes are not only effective, cost efficient and proper, but also comply with pertinent laws and standards. Key features of the system include clearly defined control mechanisms (designed as technical and manual coordination processes), the segregation of duties (»principle of dual control«) and the availability of and compliance with policies and work instructions. Regardless of the design of an internal control system (»ICS«), it can never completely guarantee that material misstatements in the accounts will be avoided or discovered. They may occur, for example, as a result of misguided discretionary judgements, inadequate controls, or criminal activity.

The companies belonging to All for One Group prepare their financial statements locally and are responsible both for complying with local regulations and for correctly reconciling their local financial statements to the IFRS reporting packages that are prepared using accounting and measurement methods that are the same throughout the Group. In-house IFRS accounting policies govern the standardised accounting and measurement principles for the companies in Germany and abroad that are included in the consolidated financial statements. The accounting manual issued by All for One Group aims to provide unambiguous instructions to restrict the discretionary scope of the staff when recognising, measuring and stating assets and liabilities, thus minimising the risk of inconsistent accounting practices within the Group. The process of preparing the consolidated financial statements is coordinated and monitored centrally by Group Accounting using a specified schedule of deadlines and activities.

Key changes to accounting processes in the wake of new laws, amendments to laws or changes to in-house processes are analysed promptly by Group Accounting to determine their effects and – where relevant – to integrate them into the accounting manual. Certain accounting or complex issues that are exposed to particular risks or require special expertise are monitored and addressed centrally. If necessary, external experts are engaged, especially for impairment testing or measuring pension provisions.

All key accounting-related processes are standardised throughout the Group and mapped in an IT environment. This integration of all key financial systems assures the integrity of the data relating to the individual and consolidated financial statements. Together with the accounting manual that is mandatory throughout the Group, the use of a standardised account plan throughout the Group and the centralised maintenance of the account system ensures the standardised accounting treatment of similar business transactions. This standardisation ensures, above all, standardised, proper and prompt accounting of all material business transactions. This also serves as the basis for legally compliant Group consolidation.

Specific accounting-related risks might occur, for example, in connection with unusual or complex transactions. In addition, a latent risk exists with regard to business transactions that are not processed routinely. A limited number of people have had to be granted discretionary scope with regard to the recognition and measurement of assets and liabilities, which could give rise to further potential accounting-related risks.

Group Accounting is centrally responsible for all consolidation actions and requisite coordination activities. Subsidiaries use the Group-wide standardised report schedule to submit their financial data to Group Accounting for purposes of consolidation. System controls are used to technically validate the financial statement figures submitted by the Group companies. In addition, the individual financial statements submitted by the consolidated entities are validated centrally in conjunction with the reports issued by the auditors. Proper and complete elimination of intra-Group transactions is ensured by system-based deduction and formalised enquiries. The in-house auditing function routinely evaluates the effectiveness of the internal accounting control system.

Risk reporting procedures relating to the use of financial instruments

The risks associated with financial instruments are discussed in detail in Note »21. Additional Information about Financial Instruments«.

4.4. OPPORTUNITIES OF FUTURE BUSINESS DEVELOPMENT

Our customers rely on us to enhance their ability to compete in a digital world. We strive to meet these expectations to the best of our ability. To this end, we have identified opportunities as part of our »Strategy22« which are discussed in more detail below and which we plan to focus on driving in the future.

Opportunities offered by digital transformation in our large customer base

The pressure to transform continues to intensify. The actual implementation of digital transformation in our target markets is, by contrast, only just beginning. The potential is therefore huge. Successful evolution into an intelligent, networked company with a »Smart Factory« is, however, virtually unattainable without a »digital core« comprised of an entirely new generation of business software – SAP S/4HANA based on the SAP HANA in-memory database. Cloud computing constitutes a further key to digital transformation. Which is why we are spending more on expanding our cloud services above and beyond both the transformation of our customers to SAP S/4HANA as their new »Digital Core« and the development of new solutions for specific lines of business. Bearing in mind our large base of more than 2,500 customers with whom we actively do business, the digitalisation potential is huge and could provide sustainable growth opportunities for many years to come. We believe that the base of SAP customers whom we support on an ongoing basis is the largest in the German-speaking region. Recurring revenue could therefore also increase further and the planability and scalability of the business could be further improved. If penetration of our target markets – especially with our expanded portfolio – were to exceed expectations, the impact on our assets, financial and earnings situation could be positive as could the deviations from our revenue and earnings forecast (see Section »5. Outlook«).

Opportunities as an all-inclusive, integrated provider and strong group, in both the main and larger midmarkets

We position ourselves as an integrated provider and group that works closely with its subsidiaries. Likewise, we are strengthening our Group-wide management organisation, our key account management organisation (»Customer Success Management«) and our organisation for expanding our innovation culture. In doing so, we are extending our market access to include companies at the larger end of the midmarket. As a result, we will increasingly have the opportunity to craft new or extended integrated solutions, to add to solutions, to offer our customers ongoing and comprehensive support in all areas of digitalisation and to enhance their ability to compete. In doing so, the opportunities for providing comprehensive support to customers even in phases of declining economic development and for gradually embedding our entire range of services and solutions above and beyond the initial sale of services will also increase. In response to the pioneering role adopted, not just by the IT department but also by the specialist departments, in particular, when it comes to numerous new topics, we have specifically adapted our portfolio and market approach, opening up opportunities to specifically drive the use of such services and, at the same time, further raise the added value for our customers. If these trends can be implemented ever more quickly and comprehensively than planned, the benefits will not only be reaped by our assets, financial and earnings situation. On the contrary, such strong development could also produce positive deviations from our revenue and earnings forecasts (see Section »5. Outlook«).

Opportunities of a portfolio that extends beyond »ERP«

Many of our customers are going to have to change fundamentally to remain fit for the future and to expand their competitive ability. Smarter business processes and better technologies are important but not sufficient on their own. Without the right strategy, sophisticated »Customer Experience« for our customers' customers, agility of new working worlds (»New Work and Collaboration«) or motivated experts (»Employee Experience«), it is rare for a corporate transformation to be sustainably successful. As a valued partner for digitalisation among SMEs, our portfolio therefore extends far beyond business process and technology solutions for enterprise resource planning (»ERP«). The expansion of our portfolio in connection with our »Strategy 22« is increasingly focusing on the fact that digital transformation affects every single area and department in a company and thus presents a whole host of new challenges. As a result, the opportunities for conquering sub-markets related to »ERP« are growing. Executing more projects than budgeted could impact our assets, financial and earnings situation and produce positive deviations from our revenue and earnings forecasts (see Section »5. Outlook«).

Opportunities of our Group-wide brand architecture

Our brand architecture has created a visual identity that is consistent throughout the Group. In doing so, it gives us the opportunity to further raise our visibility in our target markets. In collaboration with our subsidiaries, this development could enable us to secure even closer involvement as the consulting, solutions and services partner of choice in IT projects for digitalising business workflows and business models than has so far been the case. Our position in the SAP midmarket, our leadership role in the generation change to SAP S/4HANA and our good visibility within SAP and – increasingly – in the Microsoft and IBM organisations also offer good opportunities for the sale of cloud subscriptions and licenses. Our assets, financial and earnings situation could reap more benefit from a stronger-than-planned increase in our visibility in the marketplace, which could also produce positive deviations from our revenue and earnings forecasts (see Section »5. Outlook«).

Opportunities offered by our strong partner network

Our strong partner network enables us to support our customers »from a single source« comprehensively, effectively and efficiently in strengthening their ability to compete in a digital world. Our »All for One Group Business Partners« expanded partner scheme is increasingly proving to be a competitive advantage in this respect. Supported by these partners, we can penetrate even further into our target markets, and sell and efficiently implement additional licenses and cloud subscriptions. At international level, the United VARs cooperation constituting »SAP Global Platinum Value Added Resellers« assures low-risk, well-established and good quality global customer support in – meanwhile – more than 100 countries. Likewise, our strongly expanded partner network puts us in an outstanding position vis-à-vis SAP. The performance of our indirect sales organisation and the expansion of our partner relationships impact our assets, financial and earnings situation: Better-than-planned progress could produce positive deviations from our revenue and earnings forecasts (see Section »5. Outlook«).

Opportunities of our buy & build strategy

Transformation pressure and the pace of innovation are increasing further in our markets. Together, they are both driving the trend towards specialisation in the provider landscape. As a leading consulting and IT Group, this development increases our opportunities for external growth above and beyond our organic growth targets (see Section »5. Outlook«). Further successful acquisitions could significantly influence our assets, financial and earnings situation. As has been our practice in the past, because these opportunities can only be planned to a very limited extend, such transactions are only included in our revenue and earnings forecasts for financial year 2019/20 if they are already sufficiently realistic.

Overall, we have further increased the aggregated opportunities in connection with our »Strategy22«.

4.5. RISKS ASSOCIATED WITH FUTURE BUSINESS DEVELOPMENT

The identification and assessment of the risks associated with future business development are also substantially determined by the launch of our »Strategy22«. When developing said strategy, we performed comprehensive analysis of our environment including a thorough review of our strategic cornerstones, which included »focus on the midmarket«, »focus on selected industries«, »focus on the D A CH market« and »portfolio of products and services«. Led by Allfoye, our management and strategy consulting arm, numerous members of staff were involved in this painstaking »bottom up« process, together with external participants that included both numerous customers and partners such as SAP, Microsoft, Amazon, Google and IBM, not to mention analysts and market observers. The resulting base was used not just to define new growth targets but also to systematically define the associated risks and corresponding mitigation measures in order to monitor the implementation of the same.

Risk assessment

We use the following tables to assess identified risks in terms of their probability of occurrence and their impact on our assets, financial and earnings situation and our revenue and earnings forecasts:

Probability of occurrence	Description
Less than 1%	Unlikely
1% to 5%	Remote
6% to 10%	Infrequent
11% to 30%	Probable
31% to 50%	Frequent

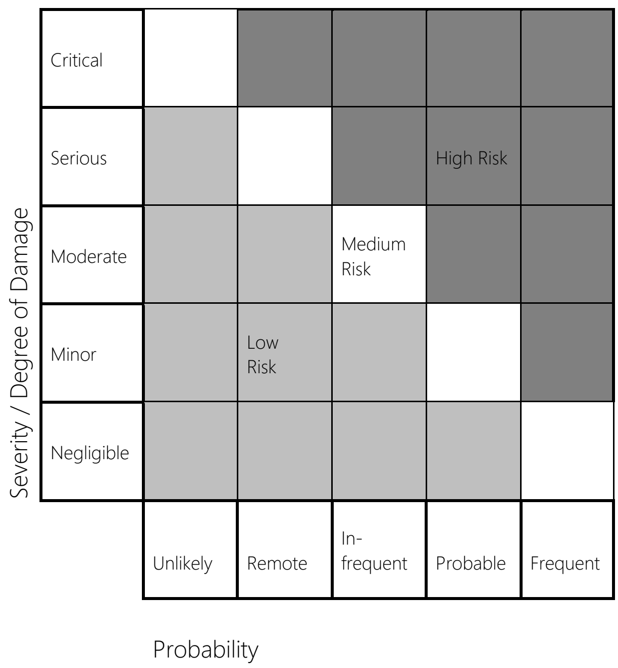
Our risk catalogue does not include those risks with a probability of occurrence greater than 50%, as we have not identified any such risks. In addition to our own experience and outside appraisals, we also include comparative values from other market participants in our assessment.

The severity or degree of damage that these identified risks can present ranges from »negligible« to »critical« according to the following scale. This rating depends on the expected impact the damage will have on our assets, financial and earnings situation as well as on our revenue and earnings forecasts (see Section »5. Outlook«). The timeframe for the assessment of these impacts corresponds at least to the forecast period specified in the Outlook section.

Severity / Degree of damage	Description
Negligible < EUR 0.2 million EBIT	Negligible negative impact on assets, financial and earnings situation
Minor EUR 0.2 – 0.5 million EBIT	Limited negative impact on assets, financial and earnings situation
Moderate EUR 0.5 – 2.0 million EBIT	Some potential negative impact on assets, financial and earnings situation
Serious EUR 2.0 – 4.0 million EBIT	Considerable negative impact on assets, financial and earnings situation
Critical > EUR 4.0 million EBIT	Detrimental negative impact on assets, financial and earnings situation

Risk matrix

We have compiled both assessments – namely the probability of occurrence and severity/degree of damage – in the form of risk priority benchmarks in the following risk matrix. In this way, the corresponding risk classification, which ranges from »low risk« to »medium risk« up to »high risk«, is determined for each individual risk.



List of individual risks

The following provides a list of risk factors that we have identified and are addressing as part of our risk management system. For the purpose of internal control and management, we do not quantify the individual risks depicted here according to a consistent Group-wide methodology. These individual risks are instead classified qualitatively as part of an overall assessment of their probability of occurrence and severity. The following table provides a concise overview of individual risks that also includes risk assessments. This list shows those risks most inclined to endanger our assets, financial and earnings situation, as well as our revenue and earnings forecasts:

Individual risks

	Probability of occurrence	Impact	Risk category
Environmental risks			
Risks associated with social, political, overall economic and regulatory developments	Probable	Serious	High
Market and industry risks	Infrequent	Moderate	Medium
Strategy risks			
Risks associated with »co-competition« with strategic partners	Infrequent	Serious	High
Financial risks			
Financial and liquidity risks	Unlikely	Moderate	Low
Risks associated with bad debts and customer insolvencies	Infrequent	Moderate	Medium
Operational risks			
Risks associated with the operation of data centers	Unlikely	Critical	Medium
Cyber risks	Remote	Serious	Medium
Data protection risks	Remote	Serious	Medium
Risks associated with human resources	Infrequent	Moderate	Medium
Risks associated with acquisitions	Infrequent	Moderate	Medium
Project risks	Infrequent	Moderate	Medium
Risks associated with legal disputes	Remote	Serious	Medium
Compliance risks	Infrequent	Moderate	Medium

Environmental risks

The »environmental risks« category is where we address and examine the risks stemming from overall economic, political, social and regulatory changes and developments. They include transformation risks to which we are exposed in both the IT market and our target industries by virtue of our business model and our product and service portfolio. Our more detailed assessment of these risks is as follows:

Risks associated with social, political, overall economic and regulatory developments

The global economy is threatened. Trade wars, national protectionism and government intervention in competition are increasingly resulting in trade restrictions, such as customs tariffs, and could cloud the prospects for our core geographical markets Germany, Austria and Switzerland. Both the machinery and equipment manufacturing, and automotive supply sectors are strongly dependent on exports. For this reason, their ability to grow and expand beyond domestic demand is determined to a great extent by the health and condition of global sales and procurement markets as well as their access to markets.

Societal developments and the enactment of stricter regulatory requirements can also adversely impact our business performance. Among these, we include both transformation processes and the knock-on effects, such as the progress of e-mobility, and regulatory measures and their targets – for climate protection, energy management and pollutant emissions, for example. Conforming with aspects of sustainability, such as compliance with environmental, social and ethical standards, changes to laws and regulations and their interpretations in the fields of taxation and accounting, or generally the growing density of regulations for capital market-oriented companies are all exposed to risks.

The ramifications of the risks discussed above are mostly beyond our direct control. Although difficult to estimate, we categorise it as »probable« that such risks will materialise. We consider the potential impact on our assets, financial and earnings situation, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »serious«. For this reason, we have categorised these risks in our overall assessment as »high«.

Market and industry risks

Industries such as the automotive sector are facing fundamental changes in respect of their product and services portfolios as focus centres on expanding new mobility concepts. Accordingly, our large customer base in the supply industry is also affected. Machinery and equipment manufacturing and consumer goods – other target industries of ours – are facing similar »disruption«. Technologies such as 3-D printing could result in the growth of customer-specific »batch size 1« production, while at the same time business models evolve more towards user-based billing rather than conventional sales of equipment and machinery. This core transformation of our customers could compete more than planned with investments in IT solutions and services and thus impair our business development.

As a »trusted advisor«, trendsetter and driving force behind the change processes of our customers, we are still particularly exposed to an »innovator's dilemma«. We need to establish and expand a whole host of new topics and, in doing so, quickly leverage additional growth accelerators. At the same time, we need to continue servicing our large base of regular customers and their business-critical application landscapes before we can gradually and seamlessly migrate them to the new world – a process that will probably take several years. The risks associated, for example, with managing and prioritising our financial and human resources are considerable.

Even the IT market itself is undergoing far-reaching changes from such innovations as big data, cloud computing, Industry 4.0, the internet of things, artificial intelligence or even blockchain technology. And naturally there are risks involved with the generational change from a sophisticated and well-established SAP business suite that has been on the market for more than two decades to a new type of SAP S/4HANA application. Factors such as delays in the delivery of features, functions and releases could further exacerbate what are already highly volatile licensing sales. A lack of customer confidence stemming from concerns about security, integration capacity, scalability, configurability and reliability could also impair our marketing and distribution of cloud solutions. Sustained and successful marketing of cloud solutions could, on the other hand, lead to weaker-than-planned non-recurring revenue from the sale of conventional software licenses before these can be more than offset, after a few years, by what would be lower, albeit recurring, revenue from using cloud-based software. There is also a risk of future software landscapes in the world of business increasingly migrating to »Public Cloud« environments rather than opting for our »Private Cloud« data centres. As market consolidation progresses and in light of the rapid speed of innovations – such as the increasing incorporation of artificial intelligence in software landscapes – capital expenditures to further expand our solutions and services portfolio could be higher than planned, the shortage of specialists could worsen, and competitive pressure could become fiercer than expected. Such trends could, moreover, increase price and margin pressure more than anticipated.

The launch of our »Strategy22« marked the first step towards strengthening our Group-wide organisation, specifically expanding our portfolio, and significantly extending our customer base. We are also expanding our market access to include not just SMEs but also the »larger« midmarket. Likewise, we are improving our ability to grow internationally with our customers, as well. To this end, we are strengthening cooperation within our United VARs alliance. This strengthening of our strategic cornerstones should contribute considerably towards improving our position in the environment surrounding the present competitive landscape. Likewise, we are, however, increasingly venturing into new sub-markets that expose us to new market and industry risks. We place great importance on integrated market presentation as a Group and on adopting an approach to customers that is comprehensive, level-oriented and managed uniformly throughout the Group (»Customer Success Management«). We are increasingly acting as a »conductor« who has mastered both the business software platforms operated by the leading providers SAP, Microsoft, IBM and, above all, the integration of the same and can therefore »orchestrate« our customers' entire software landscape and the operation of the same. With our cloud services managed from data centres localised in Germany, we are also getting increasingly closer to major public cloud operators (»hyperscalers«), more and more of whom are also working from Germany. Unlike many of our competitors, and since 2007, we have been consistently utilising the co-location services of leading providers and their facilities for the data centres that we use ourselves. Doing so gives us greater flexibility and scalability, reduces total assets, and helps mitigate risks.

Despite these measures, market and industry risks remain whose probability of occurrence we estimate as being »infrequent«. We consider the potential impact on our assets, financial and earnings situation, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »moderate«. For this reason, we have categorised these risks in our overall assessment as »medium«.

Strategy risks

Our analysis of »strategy risks« encompasses the examination of the impacts of changing competitive situations along our supply chains and in our »business networks«. These include, in particular, the risks associated with strategic partnerships, especially with SAP and, increasingly, Microsoft and IBM, their solutions, technologies, partnering models and resulting competitive situations (»co-competition«). Our detailed assessment of these trends and the associated risks is as follows:

Risks associated with »co-competition« with strategic partners

Immense transformation pressure could result in even greater restructuring of our present competitive landscape than expected and could impair our business development. For example, customers could launch strategic initiatives to raise the loyalty of their customers by increasingly establishing their own industry platforms and business models and by making more of their own arrangements than anticipated by ourselves to procure the requisite IT resources and services, or procuring them straight from strategic partners. In addition, our suppliers – operators of major platforms (»hyperscalers«), for example – could successfully attempt to offer our customers their own higher quality support on top of their infrastructure-based services and thus increase the price and margin pressure on our service portfolio.

Furthermore, our »Strategy22« focus on the portfolio of the world's three leading business software providers – SAP, Microsoft and IBM – is exposed to risk. The continued success of our services and products in the marketplace, and the sustainability of midmarket strategies and associated rules and conditions governing partner sales, cannot be definitively predicted. The commercial success of our new business process solutions for S/4HANA could be limited by the strategy SAP is pursuing to step up the marketing of its own cloud services for S/4HANA (SAP S/4HANA Public Cloud Edition). In connection with the generational change from the SAP Business Suite to SAP S/4HANA, we are also investing a great deal in transforming our consulting teams, a process which by its very nature is vulnerable to significant risks.

Bearing in mind the increasingly digitalised and agile worlds of work (»new work«), we further expanded our »communications & collaboration activities« in financial year 2018/19, together with Microsoft. We have also developed new, Microsoft-based service portfolios – to better protect data and identities (»security & privacy«), for example, or to simplify the use of operating platforms (Microsoft Azure) or to map business workflows as continuously as possible. In addition to SAP, Microsoft is increasingly becoming the focus of our strategy risks. Moreover, we are collaborating more with IBM on topics such as »Data & Business Analytics« (Watson). In addition to SAP, Microsoft and IBM, the successful expansion of our cloud services and support business also results in further partnerships – with NetApp and Cisco, for example. Further risks are inherent in their technology, product and partner strategies and the resulting competitive situations (»co-competition«).

Innovations on the part of our strategic partners could also result in unexpected shifts and changes in direction. Trends, such as connectivity and interaction within enterprise software landscapes (internet of things), could take a different direction to the one we planned, temporarily result in gaps in our service portfolio, inhibit the quality of our customer service and support, and provide an opening for our new competitors.

To mitigate the risks, we expended a lot of time and effort while developing our »Strategy22« on analysing the expansion of our portfolio and the effects of the same on our dependency on strategic partners. In doing so, we always identify in detail the add-on services we can use to enhance the standard scope of the solutions to fit our target customers' needs. The emergence of more mutual dependencies also helps to mitigate the risks. Our strong performance as the Number 1 in the SAP midmarket segment and as a member of United VARs – one of the leading SAP global platinum resellers – is important for the progress of SAP's own business. Microsoft and IBM also want to further speed up the growth momentum of their indirect business and are therefore depending, above all, on large and highly innovative partners.

We assess as »infrequent« the probability that those risks associated with new competitive situations and strategic partnerships, will materialise. We do, however, consider their potential impact on our assets, financial and earnings situation, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »serious«. For this reason, we continue to categorise these risks in our overall assessment as »high«.

Financial risks

The »financial risks« category is where we primarily address financial- and liquidity-related risks and risks associated with bad debts and customer insolvencies. Our more detailed assessment of these risks is as follows:

Financial and liquidity risks

Our liabilities to financial institutions largely comprise promissory note bonds (see Section »3.5. Group Assets and Financial Situation« together with the additional discussion in the notes to the consolidated financial statements in Section »26. Subsequent Events«.

The promissory note bonds are not subordinated and are unsecured. Should certain events occur, the holders of the promissory notes are authorised to raise the interest margin or, as applicable, to call the promissory note bonds due immediately. These events primarily involve adhering to the agreed targets for the amount of equity and the equity ratio and the relationship between total net debt and EBITDA. Should there be certain changes in the shareholder structure of All for One Group (change of control), the creditors will also be authorised to completely cancel their loan commitments and call the loans due immediately. The management board carefully monitors compliance with the terms and conditions of the promissory note bonds. Furthermore, earnings, as well as the assets and financial situation, are monitored monthly using a Group-wide reporting system and variances to budget are analysed to counteract any unplanned outflows or too few inflows of cash as quickly as possible. The management board is confident of its ability to comply with the »Covenants« governing the promissory note bonds, not just with regard to the financial year 2018/19 just ended, but also in the future.

We estimate the probability of these financial and liquidity risks occurring as being »unlikely«. We consider the potential impact on our assets, financial and earnings situation, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »moderate«. Our overall assessment categorises these risks as »low«.

Risks associated with bad debts and customer insolvencies

The risks associated with bad debts and customer insolvencies are also included within the category of »financial and liquidity risks«. We further refined our systems and practices – including a vigorous receivables management programme – for the early detection of risks of insolvency among customers in order to specifically limit exposure. Insurance is also used to mitigate the risks posed by bad debts.

Given the subdued economic outlook, we estimate the probability of these risks occurring as being »infrequent«. We consider the potential impact on our assets, financial and earnings situation, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »moderate«. For this reason, we have categorised these risks in our overall assessment as »medium«.

Operational risks

Risks associated with the operation of data centres, cyber risks, data protection risks, risks associated with acquisitions, project risks, risks associated with human resources, and risks associated with legal disputes are all addressed under »operational risks«. Our more detailed assessment of these risks is as follows:

Risks associated with the operation of data centres

All for One Group is exposed to the specific risks inherent with the operation of data centres. Unscheduled service interruptions can not only seriously impair our customers' and our own business operations, but can also negatively impact our business performance, reputation and outlook (see Section »5. Outlook«).

All for One Group employs extensive measures to reduce these risks. Systems and applications are operated redundantly in modern buildings and infrastructures that are located entirely separately. In the event of an interruption in systems operations, which in the case of disaster could extend as far as to the failure of an entire data centre, operations can be continued essentially without interruption from other data centres. We also invest in sophisticated and cutting-edge technologies – for data mirroring and backup purposes, for example – from preeminent manufacturers.

We estimate the probability of these risks materialising as »unlikely«. We consider the potential impact on our assets, financial and earnings situation, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »critical«. Therefore, we have categorised the risks associated with the operation of data centres in our overall assessment as »medium«.

Cyber risks

Our business, and that of our customers, depends to a great extent on unimpaired enterprise data and processes together with data communications that comply with regulations and requirements. Criminal and other unlawful or malicious acts, such as cyberattacks against critical enterprise software applications, intrusions into information systems and data networks, or intentionally misleading employees with the goal of them disclosing confidential information (fake president), can significantly damage the integrity, authenticity and confidentiality of business data (including personal information). Cyberattacks against companies are becoming increasingly sophisticated and are by no means just an »external« threat; on the contrary, they can be launched by employees in house or indirectly as a result of stolen smartphones and tablets. Besides disrupting business and manufacturing procedures, attacks such as these can also be used to manipulate payment transactions, access systems, and the operation of machinery and facilities (Internet of things) or cause data losses. Cyberattacks can, moreover, intentionally spread »fake news« or trigger »shitstorms« and thus cause harmful damage to our reputation, which could significantly impair our business prospects.

In order to mitigate such risks most effectively, we again increased investments in cyber security while further expanding our information security management system. Our service management processes reflect and adhere to strict process definitions, and compliance is monitored on an ongoing basis. Thorough special cyber training of the workforce and audits with periodic re-certifications – according to the requirements of the Sarbanes-Oxley Act, ISAE 3402 or ISO 27001, for example – empower us to fully anchor the high quality of our operations within our day-to-day business. We also took even more additional precautions and conducted further training during financial year 2018/19 mainly with the intent of increasing our already high security standards in such areas as monetary transactions. Our extensive rights and authorisations systems are always used to control access to our information systems and the data contained therein. This is yet another way we achieve and maintain a very high level of security and protection for the data of both our customers and our own business. Our data centres are located exclusively in Germany. In order to maintain and further expand our high standards of security, protection and process quality, we are constantly looking into further certification options. With the aid of external service providers, our »Security Board« coordinates measures for mitigating cyber risks throughout the Group so that – if waves of attack are recognisable – it can respond quickly and trigger agreed countermeasures. In addition, we have insurance cover – including a special cyber risk policy – to further contain the potential damage. We also use our well-established customer communication formats – such as the All for One Group forum for the midmarket – which are in high demand in the marketplace, and actively communicate the dangers associated with cyberattacks in workshops and seminars as well as advising on how to implement and handle countermeasures and the appropriate technologies (»identity management«, »security governance«). The increased attention attracted by the enforcement of the EU's General Data Protection Regulation on 25 May 2018 has also raised the awareness of our customers further as far as cyber risks are concerned. In order to anchor effective strategies as firmly and pro-actively as possible with each individual customer, we significantly expanded our cyber security & compliance consulting portfolio as part of the launch of our »Strategy22«. In spite of these extensive precautions, cyber risks and their economic consequences – including reputational damage – cannot be entirely ruled out. Furthermore, events beyond our control, such as the public announcement of cyberattacks against other companies, could compromise customer willingness to invest in our cloud services.

We estimate the probability of cyber risks materialising as »remote«. We consider the potential impact on our assets, financial and earnings situation, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »serious«. Therefore, we have categorised the risks associated with the operation of data centres in our overall assessment as »medium«.

Data protection risks

As a cloud services and HR business process outsourcing provider, we handle huge amounts of personal information on behalf of our customers that may concern their workforce, suppliers, clients and business partners. In addition, we process a wide variety of other business information, including that relating to trade secrets and intellectual property. We also handle an extensive array of personal data and information concerning trade secrets with our proprietary systems and applications that are used strictly for internal processes. Such data is highly sensitive and subject to extremely stringent requirements in terms of privacy and data protection. The new EU General Data Protection Regulation has been bindingly applicable since 25 May 2018. This will once again significantly raise the bar on what is already a high level of protection offered to personal information. This regulation gives users more rights and control over their personal data. Moreover, service providers like All for One Group will have to fulfil significantly greater information, documentation, verification and notification requirements. Each violation is subject to very heavy fines.

Even in the run-up to these new regulatory developments, we had already begun adapting our data protection organisation to comply with the EU General Data Protection Regulation. We were one of the first companies on the market to successfully undergo certification of its data protection processes to ISO 27008 (data protection for cloud services) in addition to the earlier audit completed in accordance with ISO 27001 (information security).

We also undertook a number of individual steps to expand and enhance our data protection landscape in financial year 2018/19. We estimate the probability of data protection risks materialising as »remote«. We consider the potential impact on our assets, financial and earnings situation, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »serious«. Therefore, we have categorised the data protection risks in our overall assessment as »medium«.

Risks associated with human resources

In the case of service companies, sustained business success is inextricably linked to having highly qualified and motivated people working for you. Should we fail to adequately develop and retain our current employees, promote and reward talent, recruit enough new personnel resources, and effectively manage, lead and develop our entire workforce, we may no longer be able to successfully grow and expand our business. It is when more employees than planned leave the company without being able to smoothly transition their duties and responsibilities to qualified replacements that we face the risk of deterioration in service quality and customer satisfaction, and consequently the impairment of the business.

Accordingly, human resource risks will continue to be dominated by the increasing shortage of experts. This trend applies to both the IT market and our customer markets in virtually equal measure. Moreover, projects such as the launch of our »Strategy22« and the associated restructuring of our organisation are bound to further increase the risks associated with human resources.

To counter these risks, we have continued to further expand our personnel development programmes. Given the very tight labour markets and our additional need for manpower to handle the upcoming generational change from the SAP Business Suite to SAP S/4HANA markets, we have increased our recruiting resources and expanded our training programmes (see Section »2.1. Group Structure and Organisation« and, specifically, the sub-section »Employees«). In addition, our management system includes selected non-financial performance indicators relating to human resources to enable a faster and more targeted response to any signs of increased occurrence of risks associated with human resources.

Given the increased risks associated with human resources during the launch of our »Strategy22«, we developed a special programme for in-house communication. We organised formats such as workshops, conclaves, Group-wide video conferences and intranet newsletters to report as transparently and promptly as possible on progress. By doing so, we were able to clearly emphasise the huge responsibility of each individual with regard to project target achievement and – building on surveys conducted alongside – to quickly identify upsets, take appropriate actions and assure high levels of acceptance.

In spite of these measures, the risks associated with tight labour markets – which could hinder the planned expansion of our team and its progression over time – can only be mitigated to a limited extent.

We estimate the probability of these risks occurring as being »infrequent«. Despite our increased efforts, ongoing monitoring and enhanced sensitivity during our »Strategy22«, therefore, risks associated with human resources remain. The »moderate« assessment of the possible impacts of the additional risks discussed in this report on our assets, financial and earnings situation and on our revenue and earnings forecasts (see Section »5. Outlook«) therefore produces an overall assessment of these risks as »medium«.

Risks associated with acquisitions

We successfully completed two acquisitions in financial year 2018/19 (see Section »2.1. Group Structure and Organisation« and, specifically, the sub-section »Mergers and Acquisitions: Strategy and Transactions«). Such transactions are, by their very nature, exposed to integration risks, particularly with regard to the acquired customers and employees. Equally, incorrect financial and economic estimations or disputes with former shareholders or remaining minority interests can seriously harm business development and, accordingly, the balance sheet value of the acquired investment interests. Despite our wealth of experience with company acquisitions and the care we take with preparation, due diligence and integration of the new customers and employees, risks always remain.

We estimate the probability of these risks occurring as being »infrequent«. We consider the potential impact on our assets, financial and earnings situation, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »moderate«. For this reason, we have categorised these risks in our overall assessment as »medium«.

Project risks

One key element of our business model is the planning, rollout and integration of extensive business-critical software landscapes at our customers' locations. These projects can extend over periods of several years. In addition to our own teams of consultants, we engage partners to help deliver the projects. But most importantly, our customers contribute a great deal of their own resources to delivering a successful project outcome.

Implementation projects can take longer than planned, such as when recommended best practices result in new functional requirements or deviations or when the dynamics of the customer's business demand that resources be directed more to their daily operations than to the project. For this reason, our own costs might exceed the agreed revenue, especially in the case of fixed-price projects. What's more, customers who are dissatisfied with the implementation may hold back payment, harm our good reputation on the market and make it more difficult for us to win additional projects. Special project risks, such as those relating to the capacity to meet service, features and performance commitments or scheduling and cost targets, are an inherent part of the generational change from the SAP Business Suite to the completely new SAP S/4HANA solution.

In order to reduce the impact of project risks, we generally concentrate our project business on selected industries and applications in countries where German is spoken. This concentration has enabled us to establish a high degree of business process competence that is reinforced by the ongoing skills qualification of our consultants and consulting partners. Thanks to that, we can identify and appropriately manage quality and completion risks mostly at an early stage. The integrated project management methods we have developed ourselves also help to ensure compliance with the agreed project objectives. For example, we monitor aspects such as quality and risks, project progress and resources, cost and communication within the project on an ongoing basis. Our own business process and add-on solutions offer considerable help in containing project risks as does our global partner network United VARs in the case of international projects. In order to limit the project risks associated with the generational change from the SAP Business Suite to the SAP S/4HANA solution, we continue to invest heavily in the training of our consultants. We are also completely redesigning our business process and add-on solutions for SAP S/4HANA to also limit as much as possible the risks associated with the transition to this new generation of software. We are also working closely with SAP to this end. With respect to the remaining project risks, insurance coverage is in place that can further mitigate losses from project risks. Adequate safeguards are also undertaken by including these risks in our financial planning and budgeting. Despite these measures, we cannot rule out any project risks.

We estimate the probability of project risks occurring as being »infrequent«. We consider the potential impact on our assets, financial and earnings situation, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »moderate«. For this reason, we have categorised these risks in our overall assessment as »medium«.

Risks associated with legal disputes

In light of the strong growth we have been experiencing continuously for years, we are of course also exposed to the increased risk of possible legal disputes that can arise in the wake of the individual risks described above. For example, disputed rollout projects or gaps in the implementation of the General Data Protection Regulation could lead to bad debts and fines, or even claims for damages. In addition, we continue to invest significant amounts in expanding our lines-of-business strategies and also plan to develop proprietary products. These actions could, for example, infringe the existing proprietary rights of others. In addition, we are increasingly exposed directly and indirectly (through our supply chain) to compliance risks – in connection with employee, social or environmental matters, for example. Legal risks can also arise in connection with anti-corruption or human rights violations, such as discrimination or harassment of any kind. The major increase in the size of our workforce could result in more employment-related litigation.

To limit the risks associated with legal disputes, we have further expanded our own legal and compliance department and refined our strategies and processes to enable better management of legal risks. We are also seeking greater assistance from specialised external legal counsels and have extended and better tailored our insurance coverage.

We estimate the probability of risks associated with legal disputes occurring as being »remote«. We consider the potential impact on our assets, financial and earnings situation, the other risks discussed in this report, and on our revenue and earnings forecasts (see Section »5. Outlook«) to be »serious«. For this reason, we have categorised the risks associated with legal disputes in our overall assessment as »medium«.

Compliance risks
One core element of our compliance management system is our »Code of Conduct« (»DO IT RIGHT«). It contains our values and rules governing responsible, ethical, sustainable and law-abiding actions. Specifically, the Code addresses issues such as integrity, responsibility for the company's reputation, business dealings with partners, sponsorship and donations, how to behave if conflicts of interest arise, anti-corruption, environmental protection, health & safety or dealing with information, especially insider knowledge. Compliance risks include all types of violations of applicable laws and our regulations, such as the Code of Conduct, and the consequences of the same, such as fines, prosecution, claims by harmed parties or damage to our reputation. Both the Group and the parent company could suffer considerable damage as a result of failure to comply with applicable laws or our standards of integrity, for example collusion with third parties to »help« get contracts concluded, or as a result of ethically reprehensible or fraudulent conduct by the staff, of violations of anti-corruption and bribery legislation or even through the accidental provision of insider information.

To avoid such damages, each of our members of staff must know our Code of Conduct and must understand, apply and obey its content and objectives. Our Code of Conduct is available to all members of staff on our intranet. We also organise training programmes focusing on their applications and – with the aid of proprietary programmes – strive constantly to firmly anchor the individual elements of our Code in our daily business. New recruits are familiarised with our values and rules as soon as they attend their induction training.

We classify the occurrence of compliance risks as »infrequent«. The possible impacts of the additional risks discussed in this report on our assets, financial and earnings situation and on our revenue and earnings forecasts (see Section »5. Outlook«) are judged to be »moderate«. In our overall assessment, the risks are classed as »medium«.

4.6. OVERALL RISK PROFILE

We created a strong dynamic when we launched our »Strategy22«. Moreover – in the interests of presenting a balanced picture of the opportunities and risks – a qualitative overall assessment of both the aforementioned opportunities and the aforementioned risks is appropriately reflected in our revenue and earnings forecasts (see Section »5. Outlook«).

In our overall assessment, and in spite of the apparent domination of reported risks as compared to the aforementioned opportunities (see Section »4.1. Opportunities and Risk Management System«), we believe that the opportunities outweigh the risks. Given our market position and the large and ever-growing number of regular customers, and in light of our highly trained and dedicated employees, and our further expanded foundation of solutions and services, we are confident that we can successfully meet the new challenges posed by this latest overall risk profile.

The digitalisation of business processes within our customer markets and the generational change to the new SAP S/4HANA enterprise software with close connections to innovative cloud solutions for lines of business will probably gain momentum and are expected to continue over the medium and long terms. We continue to specifically gear both our organisation and our products and services to the powerful momentum of these trends as we are determined to underscore our claim to a permanent place in the relevant set of IT contract awards and projects.

5. OUTLOOK

5.1. OUTLOOK: ECONOMY

Trade wars and conflicts, continuing uncertainty surrounding the outcome of the Brexit negotiations and the renewed growth in geopolitical tension will noticeably impact the global economy and thus Germany as an exporting country. Market observers are therefore unanimous in their expectation of weaker growth than originally forecast back in mid-2019. Back in June 2019, for example, the European Central Bank predicted growth of 1.2% for 2019 and 1.4% in 2020. Just a few months later, at the end of September 2019, the ECB economists revised their forecasts and now expect growth in both 2019 and 2020 to be just over one percent in each case. (*Source: Handelsblatt, 11 Sep 2019*). Nevertheless, many market observers still believe German companies to be well positioned, both now and in the future, given the strength in equal measure of their industrial and technological clout in the global market.

5.2. OUTLOOK: TRENDS IN IT MARKETS

The poor outlook for the economy will probably boost the already intense transformation pressure. The digitalisation of companies' workflows and business models should continue to grow. In the process, the role played by corporate IT will shift increasingly towards becoming a business partner in the digital transformation. The severe shortage or specialists, a lack of strategy, application and technology expertise and growing requirements in respect of security and availability when operating the applications and systems will result in the increased involvement of external service providers. IT providers, particularly – who work in close proximity to their customers' business workflows, are recognised process experts, and operate in the still small, but strongly growing IT sub-markets for »new themes« – should again witness positive momentum in 2020. Uncertainty still surrounds the extent to which weak economic statistics may stunt the development of the IT markets.

5.3. PROBABLE CORPORATE DEVELOPMENT

in EUR millions, unless otherwise stated	Forecast 2019/20	Ist 2018/19
Group		
Sales revenue (IFRS)	375 – 385	359.2
EBIT (IFRS)	20 – 22	12.6
Employee retention (in %)	92.8	92.8
Health index (in %)	97.0 – 98.0	97.5
All for One Group AG		
Sales revenue (IFRS)	255 – 275	257.9
EBIT (IFRS)	9 – 13	6.5
Employee retention (in %)	95.0	95.0
Health index (in %)	97.2 – 98.2	97.7

The financial year 2018/19 that has just ended was a year of transition. Our strategic priority was to launch our »Strategy22«. Supported by enormous additional efforts in house and extraordinary expenses totalling EUR 7.0 million, we were able to successfully commence the fundamental alignment of the entire Group to new growth targets in 2018/19, although the mere launch of our »Strategy22« by no means marks the completion of transformation of our organisation to make it much more scalable, fast and flexible.

In financial year 2019/20, we will continue to focus on the careful expansion of our cloud business in keeping with our strategy of generating more and more sustainable recurring revenue and increasingly benefiting from economies of scale to raise the profitability of our operations (EBIT). We plan to increasingly replace non-recurring license sales with recurring revenue from cloud-based software leasing models. Accordingly, the sale of conventional software licenses will probably continue to fluctuate significantly and to decrease further overall. By contrast, we assume that software support revenue will continue to grow and, together with the expected increase in cloud services and support revenue, expect further growth in recurring revenue.

The task of integrating our extensive industry expertise into SAP S/4HANA may again lead to additional major investments in our proprietary business process library (»scope items«) in 2018/19. Likewise, we want to continue strongly expanding our portfolio of Microsoft-based services for improving communication and »collaboration« in companies, towards digital worlds of work (»new work«), towards »Cloud First« (business solutions on Azure), security and data protection and »one stop shopping« (integration of SAP plus Microsoft). Our guidance also takes higher future investments in training programmes into account, which we want to use to strengthen our consulting resources, direct sales and partner ecosystem for the upcoming generational change and intensified marketing of SAP S/4HANA.

In our CORE segment, capital expenditure over the past years on integrating our extensive industry expertise in SAP S/4HANA into the expansion of our own business process library (»scope items«) has probably peaked. Likewise, in the CORE segment we want to continue expanding our portfolio of Microsoft-based services for improving communication and »collaboration« in companies, towards digital worlds of work (»new work«), towards »Cloud First« (business solutions on Azure), security and compliance and »one stop shopping« (integration of SAP plus Microsoft). Our forecast also includes carefully targeted additional investments in our cyber security & compliance portfolio and in building our IoT & machine learning business to generate our own »intellectual property«. In our LOB segment, capital expenditure will focus, above all, on further strengthening our »customer experience« activities to enable our customers to improve the management of their sales, marketing and service units.

We believe that the momentum driving the expansion of our good position in the strongly growing and emerging cloud transformation sub-markets will also be consistently favourable in 2019/20 albeit the knock-on effects of a possibly even greater slowdown in economic growth on our development in financial year 2019/20 are still difficult to assess.

Our capital expenditure on further increasing the scalability of our business model will probably decrease in financial year 2019/20.

Economic development, and especially its specific impacts on the development of our business in financial year 2019/20 are still difficult to predict and are shrouded in considerable uncertainty. Further economic setbacks and a longer phase of recession cannot be ruled out, by any means, and would result in lower demand, and defaults and increased insolvency among our customer base, which could jeopardise our forecast. This is why potential economic setbacks continue to pose the main risk to our projected business performance.

First-time application of the new lease accounting rules under IFRS 16 starting in financial year 2019/20 will force All for One Group to change its methods of recognition in the balance sheet and statement of profit and loss. By contrast, lease accounting in the annual financial statements of All for One Group AG as per HGB will continue unchanged. Under IFRS 16, all leases must be recognised in future. The leases involved at All for One Group include, in particular, the property rental contracts formerly classified as »Operating Leases« for the buildings and data centres we rent in Germany and abroad, and the leases for our company cars. Following these changes in accounting procedure, our assets and financial liabilities will increase to a not inconsiderable extent. To date, we have recognised rental and lease payments arising from operating lease contracts as operating expenses (results of operations) in our statement of profit and loss. In future, depreciations of right-of-use assets and interest expenses on financial liabilities (financial result) will be recognised instead of rental and lease expenses. This will result in correspondingly higher EBITDA. At the same time, the financial result will be adversely affected by the future recognition of interest expenses. A detailed discussion of the effects, based on actual data as at 1 October 2019, can be found in the notes to the consolidated financial statements in Section »B. Changes to the Accounting and Valuation Methods«. The effects of first-time application of accounting standard IFRS 16 in financial year 2019/20 have been included in the Outlook.

The annual financial statements of the parent company All for One Group AG are prepared in accordance with German commercial law (HGB). Due to differences in the criteria for recognising sales as per HGB compared to IFRS, IFRS sales revenue is higher than HGB sales. The operating result (HGB) includes amortisation of intangible assets that is not included in EBIT (IFRS).

The non-financial performance indicators of employee retention and health index were again used by the parent company All for One Group AG as well as the Group as a whole as supplemental management and control parameters. We have set ourselves the goal in financial year 2019/20 of stabilising »employee retention«. In 2019/20, we also want to keep the »health index« more or less on a par (+/- 0.5 percentage points) with the prior-year level. Despite the tight labour markets, our human capital in the All for One Group AG as well as the Group as whole should grow in financial year 2019/20 at the same pace as business development and at a slightly lesser rate than sales growth.

6. COMPENSATION REPORT

The compensation report is an integral part of the combined management report and includes both the basic principles of compensation paid to the management and supervisory boards, and the relevant amounts and structure. The compensation report reflects the recommendations of the German Corporate Governance Code (DCGK) as amended on 7 February 2017 and published on 24 April 2017, and complies with the requirements of the applicable provisions in Sections 289a (2), 314 (1) Nos. 6a and b, and 315a (2) HGB. This compensation report lists the compensation paid to the individual members of the both the management and supervisory boards of All for One Group AG.

6.1. MANAGEMENT BOARD

Members of management board

- Lars Landwehrkamp (CEO since May 2007)
- Stefan Land (CFO since Apr 2008)

Basic principles of the compensation system for the management board

The total compensation paid to members of the management board is comprised of »Fixed compensation« and »Variable compensation« plus the »Benefits« and »Pension expenses« that are customary in the market and the Group. Benefits include a company car and health/nursing insurance contributions. Pension expenses include premiums paid into a pension scheme. The supervisory board regularly reviews the total compensation packages to ensure they are appropriate.

- Fixed compensation
  Members of the management board receive a fixed annual salary that is agreed in their individual contracts and is not performance-based. It is paid in twelve equal instalments at the end of each month. In addition, members of the management board receive fixed allowances for benefits in kind relating to the provision of a company car and contributions to a direct insurance scheme.

- Variable compensation
  On top of their annual fixed compensation, members of the management board receive a performance-based element of compensation that is derived from the annual achievement of EBT targets as per the audited consolidated financial statements of All for One Group. A long-term variable compensation component is also paid, based on the cumulative earnings per share over a period of years. Bonus amounts differ in the management board contracts to reflect the different areas of responsibility of the management board members.

The agreements with company directors stipulate that if a member of the management board is removed early, that member will continue to receive his or her base compensation until the end of the agreement. Furthermore, and likewise until the end of the agreement, the affected member of the management board will receive the annual variable compensation at the mid-target achievement level of the previous two years and the long-term compensation component at a target achievement rate of 100%.

Management Board Compensation

Lars Landwehrkamp

Beneits granted

	Lars Landwehrkamp – CEO since 5/2007			
in KEUR	10/2018 – 09/2019	10/2017 – 09/2018	10/2018 – 09/2019 (Min)	10/2018 – 09/2019 (Max)
Fixed compensation	348	336	348	348
Fringe benefits [1]	61	61	61	61
Total fixed compensation	**409**	**397**	**409**	**409**
One-year variable compensation [2]	210	581	0	604
Multi-year variable compensation [2]				
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	24	104	0	116
Total variable compensation	**234**	**685**	**0**	**720**
Service cost	80	81	80	80
Total compensation	**723**	**1,162**	**489**	**1,209**

1) Include the company car benefit in kind and disbursements for health and long-term-care insurance
2) The variable benefits granted are based on estimates

Allocation

	Lars Landwehrkamp – CEO since 5/2007	
in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Fixed compensation	348	336
Fringe benefits [1]	61	61
Total fixed compensation	**409**	**397**
One-year variable compensation [2]	661	605
Multi-year variable compensation		
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	0	0
Total variable compensation	**661**	**605**
Service cost	80	81
Total compensation	**1,150**	**1,083**

1) Fringe benefits include the company car benefit in kind (notional amount paid) and disbursements for health and long-term-care insurance
2) The allocation of the one-year variable compensation pertains to the respective prior financial year

Stefan Land

Benefits granted

	Stefan Land – CFO since 4/2008			
in KEUR	10/2018 – 09/2019	10/2017 – 09/2018	10/2018 – 09/2019 (Min)	10/2018 – 09/2019 (Max)
Fixed compensation	264	252	264	264
Fringe benefits 1)	18	18	18	18
Total fixed compensation	**282**	**270**	**282**	**282**
One-year variable compensation 2)	131	398	0	439
Multi-year variable compensation 2)				
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	24	83	0	113
Total variable compensation	**155**	**480**	**0**	**552**
Service cost	45	45	45	45
Total compensation	**482**	**795**	**327**	**879**

1) Include the company car benefit in kind and disbursements for health and long-term-care insurance
2) The variable benefits granted are based on estimates

Allocation

	Stefan Land – CFO since 4/2008	
in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Fixed compensation	264	252
Fringe benefits 1)	18	18
Total fixed compensation	**282**	**270**
One-year variable compensation 2)	454	403
Multi-year variable compensation		
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	0	0
Total variable compensation	**454**	**403**
Service cost	45	45
Total compensation	**781**	**718**

1) Fringe benefits include the company car benefit in kind (notional amount paid) and disbursements for health and long-term-care insurance
2) The allocation of the one-year variable compensation pertains to the respective prior financial year

The variable elements of total compensation as explained individually above contain estimates, which may deviate from the amounts determined as part of the final accounting. An allocation from the multi-year variable compensation was not made in financial year 2018/19 or in the prior-year period. Furthermore, no loans were extended and no options for shares of All for One Group AG were granted to the management board during financial year 2018/19 or in the prior year. Unusual transactions with related parties did not take place.

With effect from 1 October 2019, new management board contracts came into force for both members of the management board (see »39. Subsequent Events« in the notes to the consolidated financial statements 2017/18). Short-term variable compensation is based on the achievement of annual EBT targets as per the audited consolidated financial statements of All for One Group AG. In addition, long-term variable compensation is awarded on the basis of the cumulative earnings per share and the dividend paid to the shareholders of All for One Group AG over a multi-year period. The new management board contracts also govern the continued payment of the base compensation and annual pension contributions owing to the management board member up to the regular end of the contract term, if their appointment is revoked or the member is released from duty prematurely. Moreover, up to the regular end of the contract term, the relevant member of the management board is also entitled to continue receiving the annual short-term and long-term variable compensation based on the achievement of fixed targets.

6.2. SUPERVISORY BOARD

Members of the supervisory board

- Josef Blazicek (chairman)
- Paul Neumann (deputy chairman)
- Peter Fritsch
- Dr. Rudolf Knünz
- Maria Caldarelli
- Jörgen Dalhoff

Basic principles of the compensation system for the supervisory board

The annual general meeting determines the compensation payable to the supervisory board, which was last changed at the annual general meeting on 15 March 2018 to take effect from financial year 2017/18 onwards. The members of the supervisory board each receive annual fixed compensation of KEUR 12.5 (plus any value-added tax that may be owed) and which is payable at the end of the financial year. The chairman of the supervisory board receives four times and the deputy chairman two times the preceding fixed amount of compensation. Members of the supervisory board are paid fixed compensation of KEUR 3 p.a. for each seat on a committee (plus any value-added tax that may be owed). The chairman of a committee receives four times the above committee membership remuneration. Members of the supervisory board who do not serve for a full financial year are paid pro rata temporis. Performance-related components are not included in the compensation for the supervisory board.

Supervisory board compensation

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Josef Blazicek	65.0	65.0
Peter Brogle (up to 15 Mar 2018)	–	12.7
Paul Neumann	31.0	25.3
Peter Fritsch	24.5	23.1
Dr. Rudolf Knünz (since 15 Mar 2018)	15.5	8.5
Maria Caldarelli (since 26 Feb 2018)	12.5	7.4
Jörgen Dalhoff	12.5	12.5
Nicole Schultheiß (30 Nov 2017 to 26 Feb 2018)	–	3.0
Total	161.0	157.5

The total fixed compensation owing to the supervisory board is paid in the following financial year.

Furthermore, no loans were extended and no options for shares of All for One Group AG were granted to members of the supervisory board during financial year 2018/19 or in the prior year. Unusual transactions with related parties did not take place.

7. INFORMATION CONCERNING TAKEOVERS

Information pursuant to Sections 289a (1), 315a (1) HGB

Composition of issued share capital (no. 1)
The issued share capital of EUR 14,946,000 (30 Sep 2018: EUR 14,946,000) consists of 4,982,000 (30 Sep 2018: 4,982,000) registered no-par-value shares with a nominal value of EUR 3 per share.

Restrictions on voting rights or the transfer of shares (no. 2)
The management board is not aware of any restrictions affecting voting rights or the transfer of shares, or in particular of any restrictions that could result from agreements among the shareholders.

Direct or indirect shares in the capital that exceed 10% of the voting rights (no. 3)
Unternehmens Invest AG, Vienna/Austria, and UIAG Informatik-Holding GmbH, Vienna/Austria, each hold 25.07% of the share capital and voting rights in the company.

Holders of shares with special rights (no. 4)
No All for One Group AG shares confer special rights of control.

Type of voting rights control for employee shares (no. 5)
There are no employees holding an interest in the share capital of All for One Group AG, who cannot directly exercise their rights of control.

Legal provisions and stipulations in the company articles of association governing the appointment and removal of members of the management board and on amending the company articles of association (no. 6)

a) Appointment of members of the management board
In accordance with Section 84 (1) AktG and Article 6 (2) of the company's articles of association, the members of the management board are appointed by the supervisory board for a maximum term of five years. The management board consists of at least two people in accordance with Article 6 (2) of the company's articles of association. Furthermore, the supervisory board determines the number of members on the management board in accordance with the provisions set forth by law. The supervisory board can appoint a member of the management board to be chairman of the management board and may also appoint deputy members of the management board. Pursuant to Section 85 (1) AktG the court can, in urgent cases and on petition by an involved party, appoint a member in the event that the management board is a member short (for example when there is only one member of the management board in office). In any case, and pursuant to Section 85 (2) AktG, the term of the court-appointed member of the management board expires as soon as the original deficiency is corrected.

b) Removal of members of the management board
The supervisory board may revoke the appointment as member of the management board and the appointment as chairman of the management board with good cause in accordance with Section 84 (3) sentence 1 AktG. Good cause according to Section 84 (3) sentence 2 AktG is gross dereliction of duty, inability to properly manage the business or a vote of no confidence by the annual general meeting, unless such confidence by the shareholders was withdrawn for clearly irrelevant reasons. The revocation of appointment to the management board is effective according to Section 84 (3) sentence 4 AktG until such time as the invalidity of such revocation may be judged legally final.

c) Amendments to the company's articles of association
Pursuant to Section 179 (1) sentence 1 AktG, a resolution of the annual general meeting is required for any amendment to the company's articles of association. The supervisory board is, however, authorised according to Article 17 of the company's articles of association in connection with Section 179 (1) sentence 2 AktG to approve amendments to the company's articles of association that only affect its wording.

According to Section 179 (2) sentence 1 AktG, a resolution by the annual meeting on amending the company's articles of association requires a majority vote that includes at least three-quarters of the represented share capital at the time the resolution was adopted. According to Section 179 (2) sentence 2 AktG, the company's articles of association may set forth other requirements and a different capital majority, although only a larger capital majority may be stipulated for any changes to the corporate purpose. On the basis of this statutory authority, Article 14 (3) sentence 3 of the company's articles of association provides that resolutions for amending the company's articles of association be approved by simple majority vote to the extent that such is legally permissible.

Authority of the management board, particularly regarding its ability to issue or repurchase shares (no. 7)
In accordance with Article 5 (4) of the company's articles of association, and with the consent of the supervisory board, the management board is authorised until 10 March 2020 to increase the share capital by as much as EUR 7,473,000 through one or more issues of new registered shares for cash and/or contributions in kind (2015 Authorised Capital). Shareholders must always be granted subscription rights. The new shares may also be taken over by one or more financial institutions with the obligation to offer them for subscription to the shareholders. The management board, with the consent of the supervisory board, will specify the conditions of the share issue. The supervisory board is authorised to revise the wording of the company's articles of association to reflect the scope of the capital increase from authorised capital or after the expiration of the authorisation period. The management board is, however, authorised with the consent of the supervisory board to exclude statutory subscription rights for shareholders:

a) to the extent needed to even out fractional amounts;

b) when a given volume of shares does not exceed 50% of the share capital and is being issued for contributions in kind for the purpose of buying companies or equity interests in companies or business units, or for the purpose of acquiring claims against the company;

c) when a capital increase in exchange for cash contributions does not exceed 10% of the share capital and the issue price of the new shares is not substantially lower than the stock exchange price (Section 186 (3) AktG); when using this authorisation to exclude subscription rights according to Section 186 (3) sentence 4 AktG, the exclusion of subscription rights on the basis of other authorisations according to Section 186 (3) sentence 4 AktG must be taken into account.

The annual general meeting of 11 March 2015 authorised the management board in accordance with Section 71 (1) No. 8 AktG to repurchase shares of All for One Group AG stock in a total amount of up to 10% of the share capital by 10 March 2020. This corresponds to 498,200 registered no-par-value shares. The management board made no use of this authorisation during the reporting period.

Material agreements under the condition of a change of control as a result of a takeover bid (no. 8)
Certain changes in the shareholder structure of All for One Group (change of control) may result in the holders of the promissory note bonds being able to call their share of the bonds due payable immediately.

Indemnity agreements in the event of a takeover bid (no. 9)
No company indemnity agreements with members of the management board or other employees have been made for the event of a takeover bid.

8. DEPENDENT COMPANY REPORT

All for One Group AG has compiled a dependent company report for financial year 2018/19 as required in Section 312 (3) AktG. Unternehmens Invest AG, Vienna/Austria, and UIAG Informatik-Holding GmbH, Vienna/Austria, each directly holds 25.07% of the share capital of All for One Group AG. A voting agreement exists between both shareholders.

In January 2019, Unternehmens Invest AG raised its stake in UIAG Informatik-Holding GmbH from 49.55% to 90.95%, and now controls UIAG Informatik-Holding GmbH. Since then, All for One Group AG, Filderstadt, has been solely dependent on Unternehmens Invest AG, according to Sections 16 (1), (2) and 17 (2) AktG. In addition to Unternehmens Invest AG in its capacity as directly controlling entity, its shareholders and other higher-ranked companies, as well as Dr Rudolf Knünz, can exert indirect controlling influence on All for One Group AG.

In accordance with Section 312 (3) AktG, the management board declares in the dependent company report that – based on the circumstances known to it at the time the respective legal transaction was undertaken – the company and its subsidiaries have received appropriate consideration for each transaction.

9. NON-FINANCIAL STATEMENT

All for One Group AG publishes its combined non-financial statement as per Sections 289b, 289c, 315b, 315c HGB on its website at www.all-for-one.com/csr_e. It collates the key information of the five specified aspects: environmental matters, staff matters, social matters, respect for human rights, combating corruption and bribery. Pursuant to Section 317 (2) sentence 4 HGB, these disclosures are not subject to examination by the auditors.

10. CORPORATE GOVERNANCE STATEMENT

All for One Group AG publishes its corporate governance statement (Section 289f HGB), respectively the Group corporate governance statement (Section 315d HGB) on its website at www.all-for-one.com/governance_e. The statement includes the declaration of compliance with the German Corporate Governance Code as required in Section 161 AktG, which can be viewed at www.all-for-one.com/conformity-declaration.

Filderstadt, 10 December 2019
All for One Group AG

Lars Landwehrkamp	Stefan Land
CEO	CFO

CONSOLIDATED FINANCIAL STATEMENTS

of All for One Group AG.
Financial year from 1 October 2018
to 30 September 2019.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS OF ALL FOR ONE GROUP

in KEUR	Notes	10/2018 – 09/2019	10/2017 – 09/2018
Sales revenue	E.1	359,215	332,357
Other operating income	E.2	3,172	4,988
Cost of materials and purchased services	E.3	-127,025	-119,921
Personnel expenses	E.4	-154,160	-139,848
Depreciation and impairment on intangible assets and fixed assets	E.5	-12,972	-10,629
Impairment expenses of financial assets	E.11	-974	–
Other operating expenses	E.6	-54,624	-46,370
EBIT		12,632	20,577
Financial income	E.7	520	269
Financial expense	E.7	-1,055	-1,290
Financial result		-535	-1,021
EBT		12,097	19,556
Income tax	E.8	-1,862	-5,849
Result for the period		10,235	13,707
attributable to owners of the parent		10,196	14,031
attributable to non-controlling interests		39	-324
Earnings per share			
Undiluted and diluted earnings per share (in EUR)	E.9	2.05	2.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF ALL FOR ONE GROUP

in KEUR	Notes	10/2018 – 09/2019	10/2017 – 09/2018
Result for the period		10,235	13,707
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurements of defined benefit liability plans	F.16	-1,230	151
Related tax		262	-74
Items that may be reclassified to profit or loss in subsequent periods			
Unrealised profits (+) / losses (-) from currency translation		838	-285
Other comprehensive income		-130	-208
Total comprehensive income		10,105	13,499
attributable to owners of the parent		10,066	13,823
attributable to non-controlling interests		39	-324

CONSOLIDATED BALANCE SHEET OF ALL FOR ONE GROUP

Assets in KEUR	Notes	30.09.2019	30.09.2018 [1]
Current assets			
Cash and cash equivalents	G.	28,498	36,331
Finance lease receivables	F.10	4,035	3,575
Trade receivables	F.11	49,556	47,257
Contract assets	F.11	3,993	–
Income tax assets		3,767	1,815
Other assets	F.12	7,849	5,653
		97,698	94,631
Non-current assets			
Goodwill	F.13	30,724	23,642
Other intangible assets	F.13	36,786	38,605
Fixed assets	F.14	23,417	17,279
Finance lease receivables	F.10	6,630	6,217
Deferred tax assets	F.15	547	1,413
Other assets	F.12	3,700	1,388
		101,804	88,544
Total assets		199,502	183,175

Liabilities and equity in KEUR	Notes	30.09.2019	30.09.2018 [1]
Current liabilities			
Other provisions	F.17	1,492	1,331
Liabilities to financial institutions	F.18	8,499	147
Lease liabilities	F.19	2,562	1,820
Trade payables		24,421	17,672
Contract liabilities		7,346	–
Liabilities to employees		25,241	22,971
Income tax liabilities		1,406	4,326
Other liabilities	F.19	7,372	12,714
		78,339	60,981
Non-current liabilities			
Pension provisions	F.16	3,862	2,446
Other provisions	F.17	599	357
Liabilities to financial institutions	F.18	14,904	23,357
Lease liabilities	F.19	4,039	3,986
Deferred tax liabilities	F.15	14,794	14,516
Other liabilities	F.19	674	513
		38,872	45,175
Equity			
Issued capital	H.	14,946	14,946
Reserves	H.	67,629	62,262
Share of equity attributable to owners of the parent		82,575	77,208
Non-controlling interests	H.	-284	-189
		82,291	77,019
Total liabilities and equity		199,502	183,175

1) Figures not directly comparable with the prior year (for more details see section B in the notes to the consolidated financial statements)

CONSOLIDATED CASH FLOW STATEMENT OF ALL FOR ONE GROUP

in KEUR	Notes	10/2018 – 09/2019	10/2017 – 09/2018
Result for the period		10,235	13,707
Income tax	E.8	1,862	5,849
Financial result	E.7	535	1,021
Depreciation and impairment on intangible assets and fixed assets	E.5	12,972	10,629
Other non-cash expense (+) and income (-)		826	-278
Increase (-) / decrease (+) in trade receivables		-1,211	-3,655
Increase (+) / decrease (-) in trade payables		3,984	610
Increase (-) / decrease (+) in other assets and other liabilities		-2,422	-1,735
Income tax paid		-6,780	-2,741
Cash flow from operating activities		20,001	23,407
Payments for purchase of intangible and fixed assets		-10,011	-7,668
Proceeds from sale of intangible and fixed assets		69	334
Purchase of subsidiary, net of cash and cash equivalents acquired		-8,136	-825
Sale of subsidiary, net of cash and cash equivalents disposed of		-27	0
Interest received		233	416
Cash flow from investing activities		-17,872	-7,743
Repayment of lease liabilities		-2,097	-1,938
Proceeds from liabilities to financial institutions		0	5,000
Repayment of liabilities to financial institutions		-19	-5,020
Payment of purchase price instalments from acquisition of subsidiaries		-845	0
Payment for acquisition of non-controlling interests		-380	0
Interest paid		-785	-999
Dividend payments to shareholders and non-controlling interests		-5,995	-5,990
Cash flow from financing activities		-10,121	-8,947
Increase (+) / decrease (-) in cash and cash equivalents		-7,992	6,717
Effect of exchange rate fluctuations on cash funds		159	-141
Cash funds at start of financial year	G.	36,331	29,755
Cash funds at end of financial year	G.	28,498	36,331

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ALL FOR ONE GROUP

in KEUR	Share of equity attributable to owners of the parent: Issued share capital	Capital reserve	Currency translation reserve	Retained earnings [1]	Total	Non-controlling interests	Equity
Notes	H.	H.	H.	H.		H.	
01.10.2017	14,946	11,228	550	42,639	69,363	147	69,510
Result for the period	0	0	0	14,031	14,031	-324	13,707
Other comprehensive income	0	0	-285	77	-208	0	-208
Total comprehensive income	0	0	-285	14,108	13,823	-324	13,499
Dividend distribution	0	0	0	-5,978	-5,978	0	-5,978
Distribution to non-controlling interests	0	0	0	0	0	-12	-12
Acquisition of non-controlling interests	0	0	0	0	0	0	0
Transactions with owners of the company	0	0	0	-5,978	-5,978	-12	-5,990
30.09.2018	14,946	11,228	265	50,769	77,208	-189	77,019
01.10.2018 (as previously reported)	14,946	11,228	265	50,769	77,208	-189	77,019
Initial application of IFRS 9 / IFRS 15 [1]	0	0	0	1,495	1,495	47	1,542
01.10.2018 (adjusted)	14,946	11,228	265	52,264	78,703	-142	78,561
Result for the period	0	0	0	10,196	10,196	39	10,235
Other comprehensive income	0	0	838	-968	-130	0	-130
Total comprehensive income	0	0	838	9,228	10,066	39	10,105
Dividend distribution	0	0	0	-5,978	-5,978	0	-5,978
Distribution to non-controlling interests	0	0	0	0	0	-17	-17
Acquisition of non-controlling interests	0	0	0	-216	-216	-164	-380
Transactions with owners of the company	0	0	0	-6,194	-6,194	-181	-6,375
30.09.2019	14,946	11,228	1,103	55,298	82,575	-284	82,291

1) For more details see section B in the notes to the consolidated financial statements

NOTES

to the Consolidated Financial Statements of All for One Group AG.
Financial Year from 1 October 2018
to 30 September 2019.

A. BASIS OF PREPARATION

Registered office and legal form of the Company

All for One Group AG, Filderstadt (All for One Steeb AG, Filderstadt, until 21 Mar 2019), a joint stock corporation incorporated under German law, is a leading consulting and IT group and valued digitalisation partner in the German-speaking midmarket. The Company is listed in the commercial register of the District Court of Stuttgart under registration number HRB 19539. Its registered office is Rita-Maiburg-Strasse 40 in 70794 Filderstadt/Germany. The change in the Company's name from All for One Steeb AG to All for One Group AG was entered in the commercial register on 22 March 2019. All for One Group AG shares are listed in the Prime Standard of the Frankfurt stock exchange (ISIN: DE0005110001).

Unternehmens Invest AG, Vienna/Austria, and UIAG Informatik-Holding GmbH, Vienna/Austria, continue to each hold a direct stake of 25.07% of the share capital of All for One Group AG. In January 2019, Unternehmens Invest AG raised its stake in UIAG Informatik-Holding GmbH from 49.55% to 90.95%. Since then, All for One Group AG has been included in the fully consolidated financial statements of Unternehmens Invest AG. Unternehmens Invest AG, Vienna/Austria, prepares consolidated financial statements for the smallest and largest groups of companies to which All for One Group AG belongs as a subsidiary.

Business activities and segments

All for One Group AG and the subsidiaries it controls (together »All for One Group« or »Group«) enhance the competitive ability of their customers in a digital world. The Group unites strategic and management consulting, process consulting, industry insight and technology expertise, and IT consulting and services under one roof. All for One Group develops its own software services and uses industry and add-on solutions – primarily based on SAP, Microsoft and IBM – to orchestrate all aspects of competitive strength. They encompass intelligent enterprise resource planning (ERP) – the digital core of any corporate IT – together with strategy, business models, customer & employee experience, new work, big data & analytics, as well as the internet of things, machine learning, and cybersecurity & compliance.

The management, planning and control of All for One Group are aligned to its two segments: »CORE« and »LOB«. The CORE segment focuses on the core business processes of companies and offers solutions and services for ERP, new work & collaboration, internet of things, machine learning, and cybersecurity & compliance, for example. The LOB (»Lines of Business«) segment includes our business with IT solutions for departments such as Sales and Marketing, or HR (»customer & employee experience«).

Accounting standards and general basis of presentation

The consolidated financial statements of All for One Group AG for the financial year 2018/19, which ended on 30 September 2019, have been prepared in accordance with Section 315e of the German Commercial Code (HGB) and in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as applicable in the European Union (EU). All of the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) whose application was mandatory for the financial year 2018/19 have been taken into consideration. In addition, compliance with all legal disclosure and explanatory obligations pursuant to the HGB has been assured.

The financial year of All for One Group begins on 1 October and ends on 30 September of the following year. The consolidated financial statements of All for One Group AG have been prepared strictly in accordance with the historical cost principle.

The consolidated statement of profit and loss has been prepared using the type of expenditure format. Where items on the consolidated balance sheet and/or the consolidated statement of profit and loss and/or the statement of comprehensive income have been grouped together to enhance the clarity of presentation or for reasons of materiality, they are disclosed separately in the notes. The accounting methods used for individual items on the consolidated balance sheet and the consolidated statement of profit and loss and/or the consolidated statement of comprehensive income are explained in the individual notes, together with the specific relevant disclosures.

The reporting currency and functional currency of All for One Group AG is the euro (EUR). Unless otherwise indicated, all amounts are reported in thousands of euros (KEUR). For technical reasons, the information provided in these financial statements may contain rounding differences of +/-one unit (KEUR, %, etc.).

The consolidated financial statements of All for One Group AG for the financial year from 1 October 2018 to 30 September 2019 were approved by the management board on 10 December 2019 and forwarded to the supervisory board for its consent.

B. CHANGES TO THE ACCOUNTING AND VALUATION METHODS

New and amended standards and interpretations applied for the first time in financial year 2018/19

The same accounting methods were used in the consolidated financial statements of All for One Group AG for financial year 2018/19 as had been applied the previous year (financial year 2017/18). When preparing the consolidated financial statements as at 30 September 2019, however, All for One Group also applied for the first time the following new and/or amended standards and interpretations as adopted by the European Union into EU law:

Standards / Interpretations

	Title	Initial application All for One Group	Adopted by the EU	Impact on All for One Group
IFRS 9	Financial instruments	01.10.2018	Yes	Description below this table
IFRS 15	Revenue from contracts with customers	01.10.2018	Yes	Description below this table
Clarifications to IFRS 15	Revenue from contracts with customers (so-called clarifications to IFRS 15)	01.10.2018	Yes	Description below this table
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	01.10.2018	Yes	No relevance
Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts	01.10.2018	Yes	No relevance
Amendments to IAS 40	Transfers of investment property	01.10.2018	Yes	No relevance
Annual improvements	Annual improvements to IFRSs – 2014-2016 cycle: Amendments to IFRS 1, IFRS 12 and IAS 22	01.10.2018 (only IFRS 1 and IAS 28)	Yes	No relevance
IFRIC 22	Foreign currency transactions and advance consideration	01.10.2018	Yes	No material impact

Starting in financial year 2018/19, All for One Group AG is applying the mandatory new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time to its consolidated financial statements. The cumulative effects of first-time application of IFRS 9 and IFRS 15 totalling KEUR 1,542 were recognised in equity as of 1 October 2018. In accordance with the relevant transition rules, the prior-year figures have not been adjusted. Comparability with the prior-year figures is, however, only limited to a marginal extent overall.

Initial application of IFRS 9 Financial Instruments in financial year 2018/19 did not have any material impacts on the assets, earnings and financial situation of All for One Group AG. The new regulations governing the classification of financial assets and financial liabilities did not result in any changes to measurement and disclosure. As required under IFRS 9, financial assets were allocated to the new valuation category »at amortised cost«. Accordingly, upon first-time application (1 October 2018) the new guidelines governing the classification and measurement of financial instruments had the following effect on the financial assets of All for One Group:

in KEUR	Classification according to IFRS 9	Classification according to IAS 39	Carrying amount according to IFRS 9	Carrying amount according to IAS 39
Financial assets				
Cash and cash equivalents	Amortised cost	Loans and receivables	36,331	36,331
Finance lease receivables	Amortised cost	Loans and receivables	9,792	9,792
Trade receivables	Amortised cost	Loans and receivables	47,114	47,257
Other (financial) assets	Amortised cost	Loans and receivables	867	867

Starting in financial year 2018/19, expected losses must be recognised as soon as the financial asset is recognised for the first time (»expected credit loss model«). Previously, IAS 39 specified that impairment was to be recognised when it was objectively indicated, e.g. an amount receivable that was already overdue (»incurred loss model«). Accordingly, under IAS 39, impairment was recognised at a later point in time compared to the new standard IFRS 9. As far as trade receivables are concerned, All for One Group uses the simplified approach and measures applicable impairment on an ongoing basis relative to total maturity. Conversion to the new impairment model resulted in a marginal increase of KEUR 143 in existing impairment of financial assets as of 1 October 2018 and, accordingly, in a marginal reduction in the carrying amount of »Trade receivables«. The negative adjustment effect arising at the time of initial application of the new impairment model amounted to KEUR 102, taking deferred taxes into account, and was recognised as an adjustment in retained earnings as at 1 October 2018. As far as the »Contract assets« were concerned, no additional impairment was recognised on grounds of immateriality. In accordance with the transition rules, the comparable information was not adjusted to reflect the new impairment model (»expected credit loss model«). Nevertheless, comparability with the prior-year figures is not limited to any material extent overall.

Since All for One Group does not yet apply the hedge accounting rules of IAS 39, the fundamental changes to hedge accounting will not produce any changes when moving from IAS 39 to IFRS 9. The new accounting standard does, however, offer new options for designating future hedges as hedging relationships.

Overall, initial application of IFRS 9 Financial Instruments in financial year 2018/19 did not have any material impact on the net assets, financial position and results of operations of All for One Group. Nevertheless, IFRS 9 could have material effects on the presentation of the assets, financial and earnings situation, depending on future agreements or transactions. As a result of the application of IFRS 9, All for One Group has implemented the consequential amendments relating to IAS 1 Presentation of Financial Statements requiring recognition starting in financial year 2018/19 of the impairment expense of financial assets as a separate item on the statement of profit and loss. It must be noted, in addition, that the first-time application of IFRS 9 has resulted in supplementary disclosure obligations in the notes to the consolidated financial statements.

Compared to the former procedure of recognising sales revenue, first-time application of IFRS 15 Revenue from Contracts with Customers in financial year 2018/19 resulted in not inconsiderable shifts in period allocation of the sales revenue recognised in the consolidated statement of profit and loss in the case of a few contracts with customers. Differences compared to the previous recognition of sales emerged primarily with regard to long-term projects comprising a package of both license sales and maintenance, and consultancy services.

IFRS 15 replaces the former regulations governing revenue recognition (including IAS 18 and IAS 11) and defines a comprehensive framework specifying the amount and timing of revenue recognition. The core of IFRS 15 is a standardised five-stage revenue recognition model that must be applied to all contracts with customers. After identifying the individual contracts with customers (step 1) and the relevant separate performance obligations (step 2), the next steps involve determining the transaction price for each customer contract (step 3) and allocating the same to the previously separated performance obligations (step 4). Following completion of the individual performance obligations, revenue is recognised in the amount equivalent to the allocated transaction price in each case at the relevant time or over the relevant period (step 5).

First-time application of IFRS 15 from financial year 2018/19 onwards resulted in the following specific impacts on the consolidated financial statements of All for One Group AG:

- If several services are provided to one customer, they must either be specified in separate individual contracts or combined into a single contract consisting of several performance obligations. Where economically interdependent services are agreed with a customer in separate, individual contracts within a narrow time frame, these must be collated into a standard multi-component contract under IFRS 15 and not recognised individually, as has been the case so far. Irrespective of whether collation has been performed or not, IFRS 15 requires that the total transaction price of a multi-component contract be split among the individual performance obligations, based on relative individual sale prices. Previously, allocation was performed mainly on the basis of the contractually agreed market rates for the individual performance obligations. These allocation effects resulted in recognition at the time of initial application (1 Oct 2018) of KEUR 1,541 for contract assets and KEUR 237 for contract liabilities in the balance sheet, in each case classified by maturities. Of the contract assets recognised for the first time as at 1 October 2018, KEUR 1,390 were allocated to the balance sheet item »Contract assets« (current portion) and KEUR 151 to the balance sheet item »Other assets « (non-current portion). Of the contract liabilities recognised upon initial application, KEUR 182 were allocated to the balance sheet item »Contract liabilities« (current portion) and KEUR 55 to the balance sheet item »Other liabilities« (non-current portion). Overall, therefore, the effects of this new allocation on those All for One Group customer contracts that were relevant at the time of initial application as at 1 October 2018 were of only minor significance for the assets, financial and earnings situation.

- » Revenue relating to the sale of software licenses will continue to be recognised at the time of software delivery (start of transfer of use). Revenue from IT services will continue to be recognised largely over a certain period in line with provision of the service (so-called PoC method). Following initial application (1 Oct 2018), the balances of PoC contracts that are classified as assets have been recognised as contract assets in the balance sheet item »Contract assets« (current portion) respectively »Other assets« (non-current portion) (formerly included under »Trade receivables«). Likewise, the balances of PoC contracts that are classified as liabilities (formerly included under »Trade payables«) as well as received advance payments (formerly stated under »Other liabilities«) are recognised as contract liabilities in the balance sheet item »Contract liabilities« (current portion) respectively »Other liabilities« (non-current portion). Overall, therefore, first-time application of IFRS 15 has resulted in changes in recognition and/or reclassifications necessitated by mandatory adjustments to the balance sheet structure.

- » In compliance with IAS 18/IAS 11 regulations, the cost of contract acquisition was previously not capitalised in the consolidated financial statements of All for One Group AG. Under IFRS 15, by contrast, the cost of contract acquisition must be capitalised and written off parallel to the transfer of right of disposal to the underlying goods and services to the customer. All for One Group is choosing to avail itself of the option of immediately recognising an expense in cases where the period of amortisation would be less than one year. Accordingly, the sales commission owing on software licenses, for example, is therefore not capitalised. Upon initial application on 1 October 2018, All for One Group capitalised sales commission of KEUR 1,044 for the first time. This item is included in »Other assets« in the balance sheet and classified by maturities. The cost of contract acquisition, which is recognised for the first time as at 1 October 2018, is included in the balance sheet item »Other assets«, of which KEUR 375 are reported as current and KEUR 669 as non-current.

- » Customers have the option of acquiring additional products and services in both software licenses and consulting and services business. As the vast majority of them do not grant any material rights to customers, there is no need to account for such options as separate performance obligations according to IFRS 15.

- » In its retail business with software licenses, All for One Group will continue to mostly act as principal in future and to recognise the gross amounts as revenue. In its cloud services business, the Group also acts as agent and recognises the net amount of the relevant brokerage commission. New business models could result in higher brokerage commission volumes for All for One Group in future.

- » In closing, it must be noted that the first-time application of IFRS 15 has resulted in supplementary disclosure obligations in the notes to the consolidated financial statements. Since All for One Group used the modified retrospective method and has not adjusted the prior-year figures – as provided by the transition rules – the new disclosure obligations under IFRS 15 have generally not been applied to the comparable information.

In the course of first-time application of the two standards, IFRS 9 and IFRS 15, All for One Group altered the structure and grouping of items in its IFRS financial statements to enhance clarity and transparency (»changes in presentation«). Part of this procedure involved the inclusion of new items, alterations to item designations, and the reorganisation of individual items. This necessitated appropriate reclassifications, as a result of which the prior-year figures had to be adjusted accordingly. The structural changes do not materially impact the information presented in the IFRS financial statements. The only changes worth mentioning are the following two reclassifications:

- » Liabilities to employees – formerly stated under »Other current liabilities« – were reclassified to a separate balance sheet item in financial year 2018/19, and the prior-year figures adjusted accordingly.

- » Promissory note bonds and lease liabilities – formerly stated under current and non-current »Financial liabilities« – were reclassified to separate balance sheet items in financial year 2018/19, and the prior-year figures adjusted accordingly.

Impact of initial application of IFRS 9 and IFRS 15 on the consolidated balance sheet as at 1 October 2018

in KEUR	30.09.2018 (as previously reported/changes in presentation accounted for)	IFRS 9 adjustments effects	IFRS 15 adjustments effects	01.10.2018 (adjusted)
Assets				
Current assets				
Trade receivables	47,257	-143	-1,943	45,171
Contract assets	–	0	3,333	3,333
Other assets	5,653	0	375	6,028
Non-current assets				
Deferred tax assets	1,413	41	68	1,522
Other assets	1,388	0	820	2,208
Liabilities and equity				
Current liabilities				
Trade payables	17,672	0	-842	16,830
Contract liabilities	–	0	6,250	6,250
Other liabilities	12,714	0	-5,226	7,488
Non-current liabilities				
Deferred tax liabilities	14,516	0	772	15,288
Other liabilities	513	0	55	568
Equity				
Reserves	62,262	-101	1,596	63,757
Non-controlling interests	-189	-1	48	-142

Impact of initial application of IFRS 15 on the consolidated balance sheet as at 30 September 2019

in KEUR	30.09.2019 (IFRS 15)	30.09.2019 (IAS 18/IAS 11)	Adjustment effects (IFRS 15)
Assets			
Current assets			
Trade receivables	49,556	52,120	-2,564
Contract assets	3,993	–	3,993
Other assets	7,849	7,419	430
Non-current assets			
Deferred tax assets	547	319	228
Other assets	3,700	2,518	1,182
Liabilities and equity			
Current liabilities			
Trade payables	24,421	25,129	-708
Contract liabilities	7,346	–	7,346
Other liabilities	7,372	13,407	-6,035
Non-current liabilities			
Deferred tax liabilities	14,794	13,889	905
Other liabilities	674	485	189
Equity			
Reserves	67,629	66,125	1,504
Non-controlling interests	-284	-352	68

Impact of initial application of IFRS 15 on the consolidated statement of profit and loss for financial year 2018/19

in KEUR	10/2018 - 09/2019 (IFRS 15)	10/2018 - 09/2019 (IAS 18/IAS 11)	Adjustment effects (IFRS 15)
Sales revenue	359,215	359,711	-496
Personnel expenses	-154,160	-154,559	399
Income tax	-1,862	-1,887	25
Result for the period	10,235	10,307	-72
Undiluted and diluted earnings per share in EUR	2.05	2.07	-0.02

Standards and interpretations whose application will become mandatory in future

The IASB and IFRS IC have issued the following announcements whose application was not yet mandatory in financial year 2018/19. All for One Group does not plan to apply these new and/or amended standards and interpretations prematurely.

Standards / Interpretations

	Title	Initial application All for One Group	Adopted by the EU	Impact on All for One Group
IFRS 16	Leases	01.10.2019	Yes	Description below this table
Amendments to IFRS 9	Prepayment features with negative compensation	01.10.2019	Yes	No relevance
Amendments to IAS 19	Plan amendment, curtailment or settlement	01.10.2019	Yes	No material impact
Amendments to IAS 28	Long-term interests in associated and joint ventures	01.10.2019	Yes	No relevance
Annual improvements	Annual improvements – 2015-2017 cycle: Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	01.10.2019	Yes	No material impact
IFRIC 23	Uncertainty over income tax treatments	01.10.2019	Yes	No material impact
Amendments to IFRS 3	Definition of a business	01.10.2020	No	Impact is currently being analysed
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	01.10.2020	No	Impact is currently being analysed
Amendments to IAS 1 and IAS 8	Definition of immateriality	01.10.2020	No	Impact is currently being analysed
Conceptual framework for financial reporting	Amendments to references to the conceptual framework in IFRS standards	01.10.2020	No	Impact is currently being analysed
IFRS 17	Insurance contracts	01.10.2021	No	No relevance

IFRS 16 Leases is mandatory for reporting periods beginning on or after 1 January 2019. The option of earlier application is not being exercised. Accordingly, All for One Group will be applying the new regulations for the first time in its financial year 2019/20.

IFRS 16 replaces the former regulations governing lease accounting (including IAS 17 and IFRIC 4) and introduces a standardised accounting model for recognising all leases in the lessee's balance sheet (»right-of-use model«). Accordingly, the previous distinction between finance and operating leases has been eliminated for lessees. In future, lessees must recognise assets in their balance sheets for the acquired rights of use and corresponding liabilities for the underlying payment obligations. Exceptions only exist in respect of short-term and low-value leases. By contrast, the distinction between finance and operating leases as defined in IAS 17 remains applicable for lessors in the future under IFRS 16. As such, the balance sheet accounting of the lessor is not affected.

Within the scope of its business transactions, All for One Group acts as a lessee – of buildings, data centres and vehicles, for example – and as a lessor of buildings that it rents out and of IT products. All for One Group will use the modified retrospective transition approach when applying IFRS 16 for the first time, recognising rights of use and lease liabilities as of 1 October 2019. At the time of initial application, All for One Group will opt for the practical expedient of not reassessing whether an agreement constitutes or contains a lease. Accordingly, the definition of a lease will only be applied to contracts entered into (or amended) at the time of initial application or thereafter. The interest rate used to discount the lease liabilities corresponds to the incremental borrowing rate applicable at the time. Expenses for operating leases continue to exist with regard to current leases (expiring in less than twelve months) and leases with low-value underlying assets. In accordance with the transition rules, the comparable information for the previous financial year will not be adjusted. All for One Group has chosen to avail itself of the option offered in IFRS 16.C8(b)(ii) of simplified measurement of the right-of-use asset as an amount equal to the lease liability.

Where All for One Group acts as a lessee, initial application of the right-of-use model in the consolidated financial statements of All for One Group AG will result in a higher balance sheet total caused by increased lease liabilities and a corresponding increase in the fixed assets as a result of having to capitalise around KEUR 33 million in right-of-use assets. In future, depreciation, amortisation and interest expenses will be recognised in the consolidated statement of profit and loss instead of lease expenses. This will result in a not inconsiderable increase in EBITDA in the financial years starting after 1 October 2019. As far as the consolidated cash flow statement is concerned, the portion of lease instalments representing the repayment on former operating leases will, in future, reduce the cash flow from financing activities and no longer the cash flow from operating activities. By the same token, the interest portion of the lease instalments will be recognised in cash flow from financing activities in future. First-time application of IFRS 16 will also necessitate additional disclosure obligations in the notes to the consolidated financial statements.

C. SCOPE OF CONSOLIDATION, CONSOLIDATION PRINCIPLES AND CURRENCY TRANSLATION

Scope of consolidation

These consolidated financial statements include All for One Group AG and those of its subsidiaries in Germany and abroad over which it exercises control. Control is considered to exist if All for One Group AG is exposed to risk by virtue of its entitlement to fluctuating returns on its investment in an entity and if it can use its power over this entity to influence said returns. Generally, majority ownership of the (direct or indirect) voting rights is assumed to constitute control. The financial statements of the relevant subsidiaries are included in the consolidated financial statements from the start of possible exercise of control until the possibility to exercise control no longer exists.

The consolidated financial statements as of 30 September 2019 include both All for One Group AG and ten (previous year: ten) subsidiaries in Germany and ten (previous year: nine) subsidiaries abroad, all of which were fully consolidated:

Company	Direct share in %	Indirect share in %
Process Partner AG, St. Gallen/Switzerland	100.0	
All for One Steeb GmbH, Vienna/Austria	100.0	
AC Automation Center S.à.r.l., Luxemburg/Luxemburg (10% of which is indirect)	100.0	
AC Automation Center SA/NV, Zaventem/Belgium	100.0	
All for One Steeb Yazılım Servisleri Limited Sirketi, Istanbul/Turkey	100.0	
KWP INSIDE HR GmbH, Heilbronn/Germany	100.0	
KWP Austria GmbH, Vienna/Austria		100.0
KWP Professional Services GmbH, Hamburg/Germany		100.0
avantum consult AG, Düsseldorf/Germany	100.0	
ALLFOYE Managementberatung GmbH, Düsseldorf/Germany	100.0	
OSC AG, Lübeck/Germany	100.0	
OSC Smart Integration GmbH, Hamburg/Germany		100.0
OSC Business Xpert GmbH, Burgdorf/Germany		51.0
Grandconsult GmbH, Filderstadt/Germany	100.0	
B4B Solutions GmbH, Graz/Austria	70.0	
B4B Solutions GmbH, Ratingen/Germany		70.0
TalentChamp Consulting GmbH, Vienna/Austria	100.0	
TalentChamp Deutschland GmbH, Munich/Germany		100.0
CDE – Communications Data Engineering GmbH, Hagenberg/Germany	100.0	

Exemption provided by Section 264 (3) HGB

The following subsidiaries have exercised their right of exemption under Section 264 (3) HGB from preparing, auditing and disclosing commercial-law financial statements and management reports in accordance with the provisions applicable to listed companies for financial year 2018/19:

- KWP INSIDE HR GmbH, Heilbronn
- avantum consult AG, Düsseldorf
- OSC AG, Lübeck

Changes in the scope of consolidation

The scope of consolidation in the year under review has changed as follows:

	Germany	Abroad	Total
Number of companies as at 01.10.2018	10	9	19
Additions from acquisitions	1	2	3
Disposals from sale/mergers	1	2	3
Number of companies as at 30.09.2019	10	9	19

Three companies were acquired in financial year 2018/19, of which only the purchase of TalentChamp Consulting GmbH, Vienna/Austria, and its subsidiary, TalentChamp Deutschland GmbH, Munich, was material in respect of the assets, financial earnings situation of All for One Group.

TalentChamp Consulting GmbH, Vienna/Austria

With effect from 1 January 2019, All for One Group AG acquired all shares in TalentChamp Consulting GmbH, Vienna/Austria, and its subsidiary TalentChamp Deutschland GmbH, Munich (»TalentChamp«). This talent management and SAP cloud specialist has been fully included in All for One Group AG's consolidated financial statements from 1 January 2019 onwards. The total purchase price for the acquisition is EUR 7.6 million and has already been paid from cash in hand. This amount does not include variable (»Earn-Out«) purchase price components, the amount of which is dependent on the future earnings performance (adjusted EBIT) of TalentChamp over the next 24 months and which will become due for payment in full in financial year 2020/21.

This strategic acquisition is consistent with the efforts of All for One Group AG to attain market leadership in the German-speaking SAP HR Cloud market. In terms of management, planning and control, TalentChamp will be allocated to our LOB (»Lines of Business«) segment.

The fair value of the acquired assets and liabilities at the time of acquisition, together with their carrying amounts at the time of the business combination, are shown in the table below:

in KEUR	Fair value
Cash and cash equivalents	752
Trade receivables	1,180
Income tax assets	76
Other assets	157
Goodwill	5,046
Other intangible assets	1,779
Fixed assets	52
Total assets	**9,042**
Trade payables	334
Liabilities to employees	238
Income tax liabilities	147
Other liabilities	211
Deferred tax liabilities	527
Total liabilities	**1,457**
Net assets	**7,585**
Consideration transferred	7,585
Less assumed cash and cash equivalents	752
Net purchase price	**6,833**

The fair value of the trade receivables does not differ materially from the gross amounts receivable.

The identifiable intangible assets obtained through the acquisition are shown as follows:

in KEUR	Purchase price	Estimated useful life Months
Customer relationships	1,126	60 – 144
Orders on hand	597	12 – 60
Brand name	56	36
Total	1,779	

The goodwill of EUR 5.0 million consists in particular of intangible assets. These can neither be identified nor recognised separately as an asset other than as goodwill, and include »human capital«, such as the consultants' qualifications and expertise. All for One Group AG assumes that the goodwill recognised in financial year 2018/19 will not be deductible for tax purposes.

External revenue of EUR 3.3 million and a contribution to earnings after tax of EUR 0.0 million are attributable to the acquisition of TalentChamp for the period from 1 January to 30 September 2019. These figures include depreciation of EUR 0.4 million on the assets acquired as part of the acquisition of TalentChamp.

The non-recurring transaction expenses relating to the acquisition recorded as expenditure during the reporting period amounted to EUR 0.2 million.

Initial consolidation of TalentChamp at the beginning of financial year 2018/19 would have resulted in pro forma Group revenue of EUR 360.3 million and a pro forma Group result for the period of EUR 10.3 million. These pro forma figures were determined for indicative and comparative purposes only. They do not constitute reliable information about the operating results that would actually have been achieved had the acquisition been made at the beginning of the financial year, nor about future revenue and earnings.

The companies acquired in the prior year are discussed in the notes to the consolidated financial statements (Section F.) of the Annual Report 2017/18.

Consolidation principles

The financial statements of All for One Group AG and its consolidated subsidiaries are prepared in accordance with uniformly applicable measurement and valuation principles as of the closing date for the consolidated financial statements (30 Sep 2019). Measurement, valuation, consolidation and structuring principles were applied consistently by all the companies included in the consolidated financial statements. All intra-Group assets, liabilities, income and expenses are eliminated during consolidation, as are all cash flows from business transactions between the companies included in the consolidated financial statements. The income tax effects of consolidation operations that affect profit or loss were taken into consideration and deferred taxes recognised.

The purchase method is used to consolidate the subsidiaries' capital. Accordingly, the purchase price of the investment is allocated to the acquired identifiable assets and liabilities, as well as the contingent liabilities, on the basis of their fair values at the time of acquisition. Deferred taxes were recognised on hidden reserves and liabilities identified during initial consolidation unless they were recognised for tax purposes. In subsequent periods, identified hidden reserves and liabilities are treated in the same way as the corresponding assets and liabilities. Any positive difference between the purchase price of the investment and the proportionate net fair values of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the fair value of the acquired net assets is greater than the total consideration, All for One Group re-examines all acquired assets and liabilities to make sure they have been correctly identified. All for One Group also validates the methods used to determine the amounts. If the fair value of the acquired net assets is still greater than the total consideration, even after remeasurement, the difference is recognised through profit or loss in the consolidated statement of profit and loss. Costs incurred in connection with the acquisition of a company are recognised as expenses. Non-controlling interests in an acquired company are measured on the basis of the proportionate share in the identifiable net assets of the acquired company and recognised as »Non-controlling interests« in the consolidated balance sheet of All for One Group. The future recognition of shares attributable to non-controlling shareholders in subsequent periods is determined by the relevant profit or losses, distributions and currency differences. Shares attributable to non-controlling shareholders are reported as a separate item in equity on the consolidated balance sheet. Transactions that involve non-controlling interests and do not result in a loss of control are recognised as equity transactions without affecting profit or loss. Forward transactions relating to the acquisition of further shares in existing subsidiaries are recognised using the anticipated acquisition method, i.e. shares attributable to non-controlling shareholders are not stated.

Currency translation

The items recognised in the financial statements of the individual companies within the Group are valued on the basis of the respective functional currency. All for One Group's reporting currency is the euro. (EUR).

Transactions in foreign currencies are translated into the functional currency at the prevailing rate of exchange on the date of the business transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate on the reporting date. Exchange differences are recognised in the statement of profit and loss under other operating expenses or income respectively. Non-monetary assets and liabilities valued at historical cost in a foreign currency are translated at the exchange rate on the day of the business transaction.

Financial statements of consolidated companies whose functional currency differs from the Group's reporting currency are translated as follows: The assets and liabilities are translated at the (mid-)rate of exchange applicable on the balance sheet reporting date, equity is translated at historical rates, and income and expenditure are converted at the annual average exchange rate. Translation differences arising due to changes in exchange rates from one financial year to the next are always recognised under »Currency translation reserve« in equity without affecting profit or loss.

The most important changes in exchange rates in relation to the euro were as follows:

	Year-end rate		Average exchange rate	
	30.09.2019	30.09.2018	10/2018 – 09/2019	10/2017 – 09/2018
CHF	1.0860	1.1316	1.1227	1.1615
CZK	25.8420	25.7310	25.7426	25.5899
TRY	6.1895	6.9650	6.3244	5.2487

D. DISCRETIONARY MANAGEMENT DECISIONS AND ESTIMATION UNCERTAINTIES

To a limited extent, estimates and discretionary assumptions must be made when preparing the consolidated financial statements of All for One Group AG which impact the measurement, amount and recognition of the assets and liabilities, income and expenses, and contingent liabilities in the financial statements.

Key discretionary management decisions and estimation uncertainties relate particularly to the recognition and valuation of goodwill and other intangible assets (Note 13), valuation allowances on trade receivables and contract assets (Notes 11 and 21), the amount and likelihood of occurrence of provisions (Note 17) and the recognition and measurement of current and deferred tax assets and liabilities (Note 15). When assessing these discretionary judgements and estimation uncertainties, management is guided by empirical values from the past, estimates by experts (lawyers, rating agencies, associations, etc.) and its findings from careful consideration of different scenarios. Since actual results and developments outside management's sphere of control may differ considerably from the stated developments and assumptions, All for One Group reviews the estimates and assumptions made by management on an ongoing basis. Changes in estimates are recognised through profit or loss if and when knowledge improves.

Key discretionary judgements with regard to revenue recognition are made when determining the contract unit for accounting purposes (contract collation), when defining separate performance obligations, when determining the timing of completion of the performance obligations (possibly together with determination of the method for measuring performance progress), when determining individual sale prices, when assessing significant financing components and when capitalising contract acquisition costs:

» The decision whether to collate multiple separately agreed IT service contracts with one customer that have an identical or similar timeline into (just) one contract unit for accounting purposes can involve not inconsiderable discretionary judgements in individual instances.

» Determining whether a promise of performance must be treated as a separate performance obligation (e.g. if implementation services are to be performed or if customers are offered options of acquiring additional products and services) can involve not inconsiderable discretionary judgements in individual instances.

» In the case of customer-specific consultancy projects to be executed within a specific time frame, management believes that the input-based efforts expended method is fundamentally best suited to measuring performance progress given the existence of a direct connection between the consultancy services already provided by All for One Group (e.g. consultancy hours worked up to closing date) and the transfer of the right of disposal to the customer. Estimates of performance progress are based on empirical values and are monitored and adjusted on an ongoing basis.

» If multiple performance obligations exist, the estimated contract fee must be allocated to the identified performance obligations based on the relative individual sale prices in each case. All for One Group only uses alternative suitable methods to estimate individual sale prices if prices for the individual goods and services are not directly observable in the marketplace. Depending on the specific facts and circumstances, preference is given to the »expected cost plus margin« approach.

» Significant financing components must always be considered when determining transaction prices if the timing of performance and payment differs. Identifying whether a significant financing component exists (at all) in individual instances requires discretionary assessment of all relevant facts and circumstances pertaining to the relevant individual case.

» IFRS 15 requires that contract acquisition costs be capitalised and written off parallel to the transfer of right of disposal to the underlying goods and services to the customer. Determining both the scope of the contract acquisition costs to be capitalised and the write-down period can involve not inconsiderable discretionary judgement in individual instances. All for One Group AG is choosing to avail itself of the option of immediately recognising an expense in cases where the period of amortisation would be less than one year. Accordingly, the sales commission owing on software licenses, for example, is therefore not capitalised.

E. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

1. Sales revenue

All for One Group generates sales revenue primarily from the sale of software licenses and the provision of specific IT services (cloud contracts, outsourcing and managed services, software maintenance agreements, software implementation and optimisation projects, management and technology consulting, and training). Contract terms vary depending on the relevant activities. Revenue from the sale of software licenses is generally recognised when the software is delivered. By contrast, contract terms for IT services tend to span periods ranging from several months to five years, although individual contracts can be outside this range. Invoices for services provided are generally payable immediately or within a short period of up to 60 days. For internal reporting purposes, All for One Group breaks its sales revenue down by type, country and business segment (»CORE« and »LOB«).

Sales revenue by type of revenue [1]

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Cloud services and support (1)	70,575	59,579
Software licenses and support (2)	145,515	139,349
Software licenses	41,394	43,384
Software support (3)	104,121	95,965
Consulting and services	143,125	133,429
Total	359,215	332,357
Cloud and software revenue (1) + (2)	216,090	198,928
Recurring revenue (1) + (3)	174,696	155,544

1) Prior-year values unchanged (without IFRS 15 adjustment effects)

Sales revenue by country [1] [2]

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Germany	306,508	284,506
Austria	20,003	18,009
Switzerland	17,860	14,604
Luxemburg	8,989	8,652
Italy	2,679	2,691
Other countries	3,176	3,895
Total	359,215	332,357

1) Prior-year values unchanged (without IFRS 15 adjustment effects)

2) Based on domicile of the customer

For details of the sales broken down by business segment (»CORE« and »LOB«), please refer to the segment report in Note 20.

Outstanding performance obligations

All for One Group uses the practical expedient of not disclosing the portion of the transaction price that is attributable to outstanding performance obligations as long as the original term of the relevant customer contracts is not more than one year or performance corresponds to the claim to reimbursement. The conditions for applying this practical expedient are, however, not met by some customer-specific IT services that are subject to PoC completion and some multi-component contracts. The transaction price relating to these performance obligations that are wholly or partially outstanding amounted to EUR 27.7 million as at 30 September 2019. Most of the related revenue will probably be recognised within the twelve months following the reporting date.

Advance customers payments of EUR 5.4 million that were stated as at 1 October 2018 as deferred liabilities under »Contract liabilities« were mostly recognised as sales revenue in reporting year 2018/19.

Significant Accounting Policies

Sales revenue is measured on the basis of the consideration that is agreed with a customer in a contract and which All for One Group receives and realises when that customer gains control over the agreed goods and services. Such control can be transferred at a specific point in time or over a specific period. Revenue is stated exclusive of sales tax and less any reductions, such as credits, trade discounts, and the like. Significant financing components must always be considered when determining transaction prices if the timing of performance and payment differs by no more than one year.

Contracts with customers regularly contain different promises of performance (IT products and/or IT services) which may require classification as separate performance obligations and, as a result, partial allocation of the contract price. Determining whether an IT product or IT service must be classified as a separate performance obligation (e.g. in the case of software implementation projects or if customers are offered options of acquiring additional products and services) can involve not inconsiderable discretionary judgements in individual instances. If several services are provided to one customer, they must either be specified in separate individual contracts or combined into a single contract consisting of several performance obligations. Where economically interdependent services are agreed with a customer in separate, individual contracts within a narrow time frame, they must be collated into a standard multi-component contract.

Revenue relating to the sale of software licenses and other IT products is recognised at the time of software delivery (start of transfer of use). Within All for One Group, IT services are generally realised in instalments over the course of service provision. Likewise, sales relating to customer-specific consultancy projects are realised in line with the progress of performance over the course of the project (PoC (percentage of completion) method). All for One Group uses input-based methods – and specifically the efforts expended method – to determine revenue from customer-specific consultancy projects. This method involves determining the degree of completion as a ratio of the consultancy hours worked up to closing date compared to the total estimated number of hours for the project as a whole. The product of these two variables constitutes the portion of project revenue (cumulative performance) to be realised as of the balance sheet reporting date. As required under IFRS 15, the recognition of contract revenue includes contract modifications – i.e. amendments and supplements – in addition to the revenue from the initial contract. If cumulative performance as of the balance sheet reporting date exceeds the project services that have already been invoiced or the advance payments that have already been made or are due, the balance is recognised as a contract asset and included in »Contract assets« (current portion) respectively »Other assets« (non-current portion) in the balance sheet. By contrast, if the balance is negative, it is recognised as a contract liability and included in »Contract liabilities« (current portion) respectively »Other liabilities« (non-current portion) in the balance sheet. Anticipated contract losses are taken into consideration on the basis of the identifiable risks and included immediately and in full in the contract result.

Sales revenue was recognised in the prior financial year in accordance with IAS 18 and IAS 11, as follows:

» Sales from software maintenance, service and cloud contracts and from the provision of managed services were recognised in the relevant period of performance, while revenues from license sales were recognised when the customer gained actual control over the software.

» Consultancy and training revenue was recognised upon performance.

» In accordance with IAS 18 in conjunction with IAS 11, income from the execution of long-term works contracts was recognised by reference to the degree of completion and progress using the »percentage of completion« method (revenue recognition in line with progress of performance). The same (efforts expended) method was used to determine the degree of completion in the prior year as in financial year 2018/19.

2. Other operating income

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Advertising and marketing reimbursements from partners	1,304	1,766
Income from co-payments from employees	337	369
Investment tax credits (public authorities)	295	405
Reversal of provisions	244	204
Income from cost allocation to partners	109	93
Income from currency differences	30	269
Income from disposal of assets	20	286
Adjustments to variable purchase price obligations	0	686
Other income	833	910
Total	3,172	4,988

Significant Accounting Policies

Other operating income stated by All for One Group includes all income that is earned in the course of business operations but has no connection to its core business. Other operating income is measured at the fair values of the considerations (to be) received less any discounts or other similar deductions.

3. Cost of materials and purchased services

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Purchased services	-96,609	-86,248
Cost of materials	-30,416	-33,673
Total	-127,025	-119,921

Purchased services mainly include expenses for SAP maintenance contracts. The cost of materials is primarily a result of the purchase of SAP software licensing rights and the procurement of hardware for customer projects.

Significant Accounting Policies

Expenditure on materials is recognised through profit or loss when a service is used, or the cost incurred. The amounts to be recognised as cost of materials and/or purchased services are based on the carrying amounts of the inventories and/or the price of purchased third-party performance.

4. Personnel expenses

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Salaries and wages	-130,817	-119,235
Social security contributions	-20,642	-18,306
Defined contribution plan expenses	-1,035	-870
Defined benefit plan service costs	-306	-372
Other personnel expenses	-1,360	-1,065
Total	-154,160	-139,848

Average headcount by function

	10/2018 – 09/2019	10/2017 – 09/2018
Cloud and consulting	1,271	1,140
Sales and marketing	166	153
Administration and management	161	143
Total	1,598	1,436

In addition, the workforce in financial year 2018/19 included an average of 41 apprentices/trainees (prior year: 39) and 88 in marginal employment, on parental leave and on extended sick leave (prior year: 70).

Significant Accounting Policies

Personnel expenses include all benefits (monetary and in-kind benefits) paid by All for One Group to its staff. They are recognised when a benefit is provided, or a cost incurred. The principle of accrual is applied to personnel expenses to allocate them to the period in which the entitlement of the relevant member of staff at All for One Group arises.

The average headcount does not include board members, apprentices/trainees, staff with mini jobs and employees on parental or long-term sick leave. Part-time employees are only included proportionately.

5. Depreciation and impairment on intangible assets and fixed assets

A breakdown of the depreciation and impairment on intangible assets and fixed assets is included in the presentation of changes in fixed assets. Please refer to the relevant schedule of fixed assets and discussions in Notes 13 and 14.

6. Other operating expenses

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Data processing expenses	-17,563	-13,491
Vehicle costs	-10,178	-9,421
Travel and overnight accommodation expenses	-7,230	-7,132
Cost of premises	-5,816	-5,138
Marketing and advertising	-3,374	-2,760
Consulting and financial statement preparation costs	-3,196	-1,859
Human resource management expenses	-2,386	-2,706
Insurances	-675	-665
Expenses from currency differences	-117	0
Other items	-4,089	-3,198
Total	-54,624	-46,370

Significant Accounting Policies

All for One Group recognises all operations-related reductions in assets in other operating expenses if they cannot be allocated to any of the other expense items on the statement of profit and loss or are not recognised separately for reasons of immateriality.

7. Financial result

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Finance lease interest income	207	237
Other interest income	313	32
Financial income	520	269
Bank loan interest expenses	-669	-763
Finance lease interest expenses	-97	-103
Net interest on defined benefit pension plans	-28	-20
Other interest expenses	-261	-404
Financial expenses	-1,055	-1,290
Balance	-535	-1,021

Significant Accounting Policies

The financial income/financial expenses recognised by All for One Group includes all income and expenses that are generated/incurred in the course of its financing activities and do not result from operations (e.g. valuation differences on financial assets and financial liabilities including intra-Group finance arrangements resulting from adjustments to exchange rates for foreign currencies). Financial income and expenses are recognised through profit or loss in the period to which they relate in the consolidated statement of profit and loss using the effective interest rate method.

Financial income includes entitlements from finance leases and other interest income directly related to the financing of, or investment in, financial assets.

In addition to the interest expense on loans and finance leases, financial expenses also include other expenses directly related to financing of, or investments in, financial assets, unless they must be recognised in equity. Interest expenses are recognised in the statement of profit and loss using the effective interest rate method.

8. Income tax

Breakdown of income tax by geographic location

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Current tax expenses		
National	-347	-5,952
Foreign	-1,483	-1,102
Total	-1,830	-7,054
Deferred tax expenses / income		
National	107	1,105
Foreign	-139	100
Total	-32	1,205
Balance	-1,862	-5,849

Breakdown of Income Tax by Integral Components

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Current tax result		
Current income tax for the reporting year	-4,813	-6,971
Current income relating to prior periods	2,983	-83
Total	-1,830	-7,054
Deferred tax result		
Change in temporary differences	370	857
Change in tax assets from tax loss carry forwards	-402	348
Total	-32	1,205
Balance	-1,862	-5,849

The current tax result includes non-recurring tax income of KEUR 2,926 from corporate income, solidarity surcharge and trade tax refunds for tax years 2015 and 2016. This tax income was derived from non-capitalised loss carry forwards of EUR 19.7 million (Section 8c German Corporation Tax Act (Körperschaftsteuergesetz)), which were initially rejected following changes in the shareholder structure of All for One Group AG but, following an appeal, ultimately granted.

Tax reconciliation

The following reconciliation shows the difference between expected and actual income tax expenses. The tax expenses were calculated by multiplying the tax rate of 30.4% (prior year: 30.0%) applicable for financial year 2018/19 by the earnings before tax. This tax rate constitutes a combined income tax rate derived from the standard corporation tax rate of 15.0% plus 5.5% solidarity surcharge and an effective trade tax rate of 14.5% (prior year: 14.2%). The relevant country-specific income tax rates applicable for the foreign companies ranged between 14.5% and 29.6% (prior year: 15.0% and 34.0%).

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
EBT	12,097	19,556
Expected tax expenses	-3,678	-5,865
Deviations:		
Current tax expenses/income relating to prior periods	2,983	-83
Temporary tax differences	0	-171
Non-deductible expenses/tax-free income	-405	-92
Waiver of capitalisation of tax loss carry forwards for current year	-670	-137
Reversal of capitalised loss carry forwards relating to prior periods	-402	0
Capitalisation of tax loss carry forwards relating to prior periods	0	219
Use of uncapitalised tax loss carry forwards for current year	0	93
Effect of different tax rates	365	101
Tax rate changes	92	54
Other influences	-147	32
Total	-1,862	-5,849

Significant Accounting Policies

The tax income/tax expense recognised by All for One Group relates to the taxes charged in individual countries on taxable profits, and to changes in deferred tax accruals. Income tax is recognised on the basis of the legal regulations applicable and/or approved as of the reporting date and in the amount expected to be refunded by, or paid to, the tax authorities.

For information on deferred tax accounting, please refer to the detailed discussion of the applicable accounting methods in Note 15.

Other taxes, such as transaction taxes or taxes on wealth and capital are reported as operating expenses.

9. Earnings per share

	10/2018 – 09/2019	10/2017 – 09/2018
Metric in KEUR		
Result for the period (attributable to owner of the parent)	10,196	14,031
Denominator in shares		
Weighted average number of ordinary shares outstanding	4,982,000	4,982,000
Undiluted and diluted earnings per share in EUR	2.05	2.82

Neither in the current nor prior reporting period were any options issued that would have entitled lenders, employees, management board or supervisory board members to acquire All for One Group AG shares. Accordingly, no dilution occurred with regard to the earnings per share as at 30 September 2019 and 30 September 2018, respectively.

Significant Accounting Policies

When calculating undiluted earnings per share, the profits attributable to the holders of All for One Group AG ordinary shares are divided by the weighted average number of ordinary shares in free float during the year.

When calculating diluted earnings per share, the profits attributable to the holders of All for One Group AG ordinary shares are divided by the weighted average number of ordinary shares in free float during the year, plus the weighted average number of ordinary shares that would result if all potentially dilutive shares were to be converted to ordinary shares.

F. EXPLANATORY NOTES TO THE CONSOLIDATED BALANCE SHEET

10. Finance lease receivables

As a lessor, All for One Group enters into finance lease agreements for IT equipment with its customers. Contracted finance leases run for an average term of five years.

in KEUR	Due <1 year	Due >1 <5 years	Due >5 years	Total 30.09. 2019
Finance lease receivables (gross value)	4,071	6,867	0	10,938
Less unrealised financial income	-36	-237	0	-273
Finance lease receivables (net value)	4,035	6,630	0	10,665

in KEUR	Due <1 year	Due >1 <5 years	Due >5 years	Total 30.09. 2018
Finance lease receivables (gross value)	3,614	6,483	0	10,097
Less unrealised financial income	-39	-266	0	-305
Finance lease receivables (net value)	3,575	6,217	0	9,792

Significant Accounting Policies

Lease contracts are classified in accordance with IAS 17. IFRIC 4 is taken into account. Accordingly, a distinction is made between finance leases and operating leases. Leases are classified as finance leases if – pursuant to the lease agreement – essentially all the risks and opportunities associated with ownership are transferred to the lessee.

Finance lease amounts due from lessees are recognised as »Finance lease receivables« in an amount equivalent to the net investment in the lease contracts. Finance lease income is spread over the respective reporting periods to ensure the interest on the outstanding net investment relating to the leases remains constant in each period.

11. Trade receivables and contract assets

in KEUR	30.09. 2019	30.09. 2018 [1]
Trade receivables	51,348	48,868
Contract assets	3,993	–
Gross carrying amount	55,341	48,868
Impairment	-1,792	-1,611
Net carrying amount	53,549	47,257

1) Prior-year values unchanged (without IFRS 15 adjustment effects)

Changes in impairment of doubtful accounts

in KEUR	30.09. 2019	30.09. 2018 [1]
Impairments on 30 September	-1,611	-2,305
Initial application of IFRS 9 (Section B.)	-143	–
Impairments on 1 October	-1,754	-2,305
Additions	-1,072	-344
Usage	961	550
Reversals	73	488
Impairments on 30 September	-1,792	-1,611

1) Prior-year values unchanged (without IFRS 15 adjustment effects)

Significant Accounting Policies

Trade receivables are recognised at the time of occurrence at the fair value of the consideration provided (transaction price). Trade receivables are never discounted since they generally do not contain a material financing component and are due within one year, as a rule.

The following are recognised as contract assets:

- customer-specific consultancy projects subject to PoC accounting (especially software implementation and software optimisation projects), where cumulative performance exceeds the project services that have already been invoiced or the advance payments that have already been made or are due (the balance is recognised as an asset);
- positive allocation effects arising from dividing the total transaction price of a multi-component contract among individual performance obligations based on relative individual sale prices; and
- other IT services that have already been provided but not yet billed.

Trade receivables and contract assets are subsequently recognised at amortised cost (less impairment). All for One Group uses the expected credit loss model to calculate impairment. Accordingly, impairment is determined using an impairment matrix based on empirical credit loss data adjusted for forward-looking factors of significance for the borrowers and the general economic environment. Trade receivables and contract assets with impaired creditworthiness are subjected to special examination of the default risks on a case by case basis. Indicators of impaired creditworthiness include, in particular, significant financial difficulties or the likelihood of insolvency of a debtor. Impairment is recognised in the valuation allowance through profit or loss in the consolidated statement of profit and loss. If the reasons for impairment cease to exist in subsequent periods, the value is written up to no more than the original purchase price and recognised as profit. Impairment expenses on trade receivables and earnings from write-ups are netted and recognised separately as »Impairment expenses of financial assets« in the consolidated statement of profit and loss.

Impairments of doubtful trade receivables and contract assets include assessments regarding a customer's credit rating. If a customer's financial data deteriorates, deviations from the expected impairment may occur.

12. Other assets

	30.09.2019			30.09.2018		
in KEUR	Current	Non-current	Total	Current	Non-current	Total
Prepaid services	4,378	2,264	6,642	3,272	991	4,263
Pre-tax claims	1,778	0	1,778	863	0	863
Contract acquisition costs	430	1,012	1,442	–	–	–
Inventories	532	0	532	690	0	690
Sundry other assets	731	424	1,155	828	397	1,225
Total	7,849	3,700	11,549	5,653	1,388	7,041

Sundry other non-current assets include contract assets of KEUR 170 (prior year: KEUR –).

Significant Accounting Policies

Other assets include both financial and non-financial assets.

At All for One Group, financial assets predominantly comprise cash and cash equivalents, finance lease receivables and trade receivables. Financial assets are recognised in the consolidated balance sheet when All for One Group gains contractual entitlement to cash or other financial assets from a third party.

When recognised for the first time, a financial asset is classed as one of the following, and measured:

- measured at amortised cost;
- investments in debt instruments that are measured at fair value, with changes recognised in other comprehensive income;
- equity investments that are measured at fair value, with changes recognised in other comprehensive income; or
- measured at fair value through profit or loss.

Classification is based on the company's business model for managing financial assets and on the characteristics of the contractual cash flows. A financial asset is measured at amortised cost if it is held as part of a business model whose objective is to collect contractual cash flows, and the terms of the contract specify fixed dates for cash flows that solely constitute redemption and interest payments on the outstanding capital. At present, all non-current financial assets held by All for One Group are classified as »Measured at amortised cost«. Impairment of debt instruments measured at amortised cost is recognised in the amount of expected credit loss. On each closing date, it is adjusted to reflect any changes in the credit risk of the relevant financial instruments since first-time recognition and usually reflects the amount of expected credit losses over the term.

If objective substantial signs indicate impairment of a financial asset, it is individually tested for impairment. Such indications of impairment might include deterioration in a debtor's credit rating with associated payment delays, or pending bankruptcy. The expected credit losses on financial and other receivables are determined on the basis of the risk of defaults expected to occur either over the next twelve months or over the residual term. An examination on each closing date determines whether the credit risk has increased significantly.

The following information or expectations might be indicative of a significant increase in the credit risk:

- significant change in the internal or external credit rating of the financial instrument;
- detrimental changes in general business, financial or economic conditions that significantly impact the creditworthiness of the relevant customer;
- signs that a customer is in considerable financial difficulties; or
- failure to meet payment deadlines.

By contrast, a simplified model based on an impairment matrix is used to recognise the expected credit loss on trade receivables. Please refer to the detailed discussion in Note 10 for more information.

Other non-financial assets are assets based on a contract whose subject does not constitute a financial asset for the one party and a financial liability or equity instrument for the other. They include, above all, assets arising on the basis of legal provisions, as well as deferrals and advance payments. Non-financial assets at All for One Group mainly comprise contract assets, contract acquisition costs, inventories, accruals from maintenance contracts and pre-tax claims. Please refer to the discussion in Note 11. for more information about contract assets.

13. Intangible assets

in KEUR	Goodwill	Trademark rights	Customer relationships	Other intangible assets	Total
Costs					
01.10.2017	25,803	12,359	48,599	7,043	93,804
Foreign currency differences	0	0	0	0	0
Change in scope of consolidation	-889	2	1,246	44	403
Additions	0	0	0	491	491
Disposals	0	0	0	-131	-131
Reclassifications	0	0	0	8	8
30.09.2018	24,914	12,361	49,845	7,455	94,575
01.10.2018	24,914	12,361	49,845	7,455	94,575
Foreign currency differences	1,352	0	0	0	1,352
Change in scope of consolidation	6,347	56	1,805	710	8,918
Additions	0	0	0	1,358	1,358
Disposals	-18	0	-1,362	-469	-1,849
Reclassifications	0	0	0	-14	-14
30.09.2019	32,595	12,417	50,288	9,040	104,340
Accumulated amortisation and impairment					
01.10.2017	1,272	15	20,986	5,382	27,655
Foreign currency differences	0	0	0	0	0
Change in scope of consolidation	0	0	0	0	0
Amortisation	0	15	3,945	730	4,690
Impairment	0	0	100	0	100
Disposals	0	0	0	-117	-117
Reclassifications	0	0	0	0	0
30.09.2018	1,272	30	25,031	5,995	32,328
01.10.2018	1,272	30	25,031	5,995	32,328
Foreign currency differences	599	0	0	0	599
Change in scope of consolidation	0	0	0	-5	-5
Amortisation	0	29	3,916	1,063	5,008
Impairment	18	0	533	190	741
Disposals	-18	0	-1,362	-461	-1,841
Reclassifications	0	0	0	0	0
30.09.2019	1,871	59	28,118	6,782	36,830
Carrying values					
30.09.2018	23,642	12,331	24,814	1,460	62,247
30.09.2019	30,724	12,358	22,170	2,258	67,510

Goodwill

Goodwill is attributable as follows to the cash-generating units (CGUs) of All for One Group:

in KEUR	30.09. 2019	30.09. 2018
All for One Group AG, Filderstadt	12,126	12,126
TalentChamp Consulting GmbH, Vienna/Austria	5,046	–
KWP INSIDE HR GmbH, Heilbronn	4,352	4,352
avantum consult AG, Düsseldorf	2,569	2,569
Process Partner AG, St. Gallen/Switzerland	2,349	1,596
OSC AG, Lübeck (subgroup)	2,327	2,327
CDE – Communications Data Engineering GmbH, Hagenberg/Austria	1,301	–
B4B Solutions GmbH, Graz/Austria (subgroup)	529	529
All for One Steeb GmbH, Vienna/Austria	125	125
Grandconsult GmbH, Filderstadt	0	18
Total	30,724	23,642

Trademark rights, customer relationships and other intangible assets

Trademark rights are corporate brands acquired through business combinations that – unlike a product brand – generally do not have a life cycle. Accordingly, it is not possible to define an economic useful life. An unlimited useful life must therefore be assumed. Performance of the mandatory impairment tests at the end of a respective reporting period did not reveal any need to write down the capitalised trademark rights in the current reporting period 2018/19 nor in the previous financial year.

Customer relationships refer to the customer bases acquired through business combinations. They are subject to linear depreciation over an estimated useful life of between 36 and 180 months. In light of the strategic reorganisation of the LOB segment, impairment expenses of KEUR 533 (prior year: KEUR 100) were recognised on customer relationships in financial year 2018/19.

Expenses for internally generated intangible assets (e.g. development expenses) were recognised immediately as expenses in the consolidated statement of profit and loss in both financial year 2018/19 and in the prior year. Development costs capitalised in earlier periods for an internally generated software product (historical manufacturing cost: KEUR 230) were written down in full in the current reporting period 2018/19 to reflect our product reorganisation strategy (impairment expenses: KEUR 134).

Impairment testing of goodwill and trademark rights

Goodwill is tested for impairment at the level of the smallest cash-generating unit (CGU) or groups of cash-generating units, based on value in use (»Discounted Cash Flow« method). By contrast, All for One Group tests trademark rights for impairment by determining the recoverable amount based on fair value less costs to sell (using a license price analogy method).

To estimate the fair value of trademark rights, management must estimate the probable cash flows from future trademark-relevant sales revenue together with a market-oriented licensing rate for the pertinent brand names, as well as specifying an appropriate discount rate to determine the present value of these cash flows. The cash flow forecasts used to test goodwill impairment are based on management's three-year business plan. External sources are also used in the preparation of such plans, which also incorporate price agreements derived from empirical values, anticipated increases in efficiency and a revenue trend derived from the strategy. Prospective cash flow schedules are derived from the resulting plan and plausible assumptions made regarding trends in the coming years, assuming a growth rate of 1%. The business planning process also assumes a steady or slightly rising EBIT margin. The discount rate used for the impairment tests of goodwill and trademark rights with indefinite useful lives was derived from the weighted average cost of equity and borrowed capital, based on the »Capital Asset Pricing Model«. The cost of equity is based on a risk-free capital market interest rate for the relevant period and allows for a beta factor for the sector and a risk premium relating to the relevant capital market. Based on the tax situation, this was used to deduce a pre-tax discount rate.

Impairment testing of goodwill and trademark rights with indefinite useful lives did not reveal any need for impairment in the current reporting period 2018/19 nor in the prior year. Group management believes that no changes that could reasonably be made to the basic assumptions used for determining the value in use of the cash-generating units or groups of cash-generating units to whom goodwill and intangible assets with indefinite useful lives are allocated would result in the carrying amount exceeding the recoverable amount.

Impairment testing of the goodwill and trademark rights with indefinite useful lives was based on the following pre-tax discount rates:

in %	30.09. 2019	30.09. 2018
All for One Group AG, Filderstadt	9.48	9.47
Talent Champ Consulting GmbH, Vienna/Austria (subgroup)	9.10	–
KWP INSIDE HR GmbH, Heilbronn	9.44	10.93
avantum consult AG, Düsseldorf	9.68	10.98
Process Partner AG, St. Gallen/Switzerland	7.99	9.14
OSC AG, Lübeck (subgroup)	9.68	11.08
CDE – Communications Data Engineering GmbH, Hagenberg/Austria	8.80	–
B4B Solutions GmbH, Graz/Austria (subgroup)	9.10	9.83
All for One Steeb GmbH, Vienna/Austria	8.80	10.07
Grandconsult GmbH, Filderstadt	9.38	9.04

Significant Accounting Policies

Intangible assets

The intangible assets held by All for One Group essentially comprise software, licenses, trademarks and patents, customer relationships and goodwill. When recognised for the first time, individually acquired intangible assets are stated at purchase price. The purchase price of intangible assets acquired as part of a business combination corresponds to the fair value at the time of acquisition.

Capitalisation of an internally developed intangible asset is conditional upon future benefit accruing to All for One Group in all probability from the asset and upon the cost being reliably determined. The technological feasibility of software solutions developed by All for One Group is only ever given shortly before market maturity. During the research and development phase, the processes are generally iteratively closely connected. As a result, the research and development expenses cannot be reliably separated. Development expenses occurring after technological feasibility has been achieved are not material. Accordingly, All for One Group always recognises research and development expenses when they occur.

Following first-time recognition, intangible assets are stated at purchase or manufacturing price less cumulative amortisation and cumulative impairment expenses. The scheduled amortisation of intangible assets with quantifiable useful lives is linear over the contractual/estimated useful life. The useful lives used by All for One Group range between 1 and 15 years.

Purchased (derivative) goodwill arising from the capital consolidation of subsidiaries is recognised as an asset in the consolidated balance sheet of All for One Group. By contrast, internally developed (original) goodwill is not allowed to be capitalised.

Goodwill impairment

Capitalised goodwill is tested for impairment at least once a year or whenever signs of goodwill impairment are identified. A single-stage procedure is used to test goodwill impairment at the level of the cash-generating unit (CGU) to which the goodwill is allocated. The impairment test compares the carrying amount of the cash-generating unit with the recoverable amount. If the carrying amount exceeds the recoverable amount, impairment of the recoverable amount is recognised through profit or loss. The impairment expense is first allocated to the goodwill; any amounts exceeding the same are then allocated proportionately to the assets of the CGU, subject to specific restrictions. Goodwill impairment in earlier periods may not be subsequently written up if the reasons for original impairment cease to exist.

The recoverable amount is the higher of fair value less costs to sell or value in use of the asset. Fair value less costs to sell is the amount that could be recovered by selling an asset in an arm's length transaction between knowledgeable, willing parties and after deduction of the costs relating to the sale. Value in use is the present value of the estimated future cash flows expected from continued use of an asset and its disposal at the end of its useful life.

Impairment of other intangible assets and fixed assets

On each closing date, All for One Group examines all fixed assets and intangible assets for signs of impairment. If facts or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the asset is tested for impairment. In addition, intangible assets whose useful life cannot be determined, or which are not yet being used by the company, are tested for impairment at the end of each financial year. This impairment test compares the carrying amount of the asset with the recoverable amount. The recoverable amount is determined individually for each asset or, if this is not possible, for the cash-generating unit (CGU) to whom the asset is allocated. If the carrying amount exceeds the recoverable amount, impairment of the recoverable amount is recognised through profit or loss. Impairment expenses are recognised (for goodwill, other intangible assets and fixed assets) under »Depreciation and impairment on intangible assets and fixed assets« in the consolidated statement of profit and loss, while write-ups (where permissible) are recognised as other operating income.

If the reasons for impairment of fixed assets or intangible assets in earlier periods cease to exist, the assets are written up to no more than the amortised cost and recognised through profit or loss.

14. Fixed assets

in KEUR	Leasehold improvements	IT systems	Operating and office equipment	Total
Costs				
01.10.2017	1,637	24,559	5,388	31,584
Currency translation	-14	5	-14	-23
Change in scope of consolidation	0	0	0	0
Additions	137	8,051	3,228	11,416
Disposals	-12	-861	-230	-1,103
Reclassifications	0	-6	-2	-8
30.09.2018	1,748	31,748	8,370	41,866
01.10.2018	1,748	31,748	8,370	41,866
Currency translation	6	18	11	35
Change in scope of consolidation	-2	9	34	41
Additions	3,204	9,530	1,297	14,031
Disposals	-194	-1,931	-1,045	-3,170
Reclassifications	419	1,461	-2,519	-639
30.09.2019	5,181	40,835	6,148	52,164
Accumulated depreciation and impairment				
01.10.2017	795	15,615	3,425	19,835
Currency translation	-15	5	-10	-20
Change in scope of consolidation	0	0	0	0
Depreciation	211	4,790	838	5,839
Impairment	0	0	0	0
Disposals	-7	-851	-209	-1,067
Reclassifications	0	-6	6	0
30.09.2018	984	19,553	4,050	24,587
01.10.2018	984	19,553	4,050	24,587
Currency translation	4	14	7	25
Change in scope of consolidation	-2	-10	-27	-39
Depreciation	355	6,009	859	7,223
Impairment	0	0	0	0
Disposals	-184	-1,899	-966	-3,049
Reclassifications	3	0	-3	0
30.09.2019	1,160	23,667	3,920	28,747
Carrying values				
30.09.2018	764	12,195	4,320	17,279
30.09.2019	4,021	17,168	2,228	23,417

Also included under leasehold improvements are those improvements over which the lessor has since assumed legal ownership, but which remain in the beneficial ownership of the lessee for the term of the lease. IT systems substantially comprise the data centres operated by All for One Group. The item operating and office equipment includes office machines and equipment, office furniture and furnishings, as well as company cars.

Fixed assets include leased assets (finance leases) measured at amortised cost of KEUR 6,484 (prior year: KEUR 5,777).

Significant Accounting Policies

Fixed assets

Fixed assets are recognised at historical purchase/manufacturing price less cumulative linear depreciation and cumulative impairment expenses. Purchase prices include all expenses directly attributable to the acquisition. Investment subsidies and tax-free investment allowances are deducted from the carrying amounts of the relevant assets. IAS 16 requires that dismantling and removal obligations be capitalised as part of the purchase/manufacturing price of the relevant asset. The purchase price of fixed assets acquired as part of a business combination corresponds to the fair value at the time of acquisition. Retrospective purchase/manufacturing prices are only capitalised if future benefit is likely to accrue to All for One Group and the cost can be reliably determined.

Depreciation is linear over the expected useful life. Tenant fixtures and fixtures in rental premises may be subject to linear depreciation over the shorter term of the lease contract. Scheduled depreciation is based essentially on the following useful lives:

- Leasehold improvements: 2 – 15 years
- IT systems: 3 – 6 years
- Operating and office equipment: 4 – 13 years

Maintenance and repairs are expensed in the period in which they occur. The purchase/manufacturing price and relevant cumulative depreciation are derecognised if fixed assets are scrapped or sold, and any carrying amount gains or losses are recognised through profit or loss in other operating income or other operating expenses.

Impairment of fixed assets

Please refer to the detailed discussion of the applicable accounting methods in Note 13.

Lease contract recognition

Lease contracts are classified in accordance with IAS 17. IFRIC 4 is taken into account. Accordingly, a distinction is made between finance leases and operating leases. Leases are classified as finance leases if – pursuant to the lease agreement – essentially all the risks and opportunities associated with ownership are transferred to the lessee.

Assets held under a finance lease are capitalised at the start of the lease period at the lower of fair value of the lease object or present value of the minimum lease payments. The corresponding liabilities to lessors are recognised as »Finance lease liabilities« in the consolidated balance sheet. An object acquired under a finance lease is subject to linear depreciation over the useful life of the asset or the term of the lease, whichever is shorter.

Lease payments from finance leases are split into financing costs and the repayment portion of the residual debt in order to ensure that the interest on the remaining liability remains constant. Financing costs are recognised through profit or loss as financial expenses in the consolidated statement of profit and loss, whereas the repayment portion reduces the residual liability.

Operating leases are all leases not classified as finance leases. Recognition of operating lease payments is linear over the term of the lease. They are included as an operating expense in the consolidated statement of profit and loss. The financial commitments associated with these operating leases are discussed in Note 22.

15. Deferred tax assets and deferred tax liabilities

in KEUR	Deferred tax assets 30.09.2019	Deferred tax assets 30.09.2018	Deferred tax liabilities 30.09.2019	Deferred tax liabilities 30.09.2018	Deferred tax expenses (-) / Deferred tax income (+) [1] 10/2018 – 09/2019	Deferred tax expenses (-) / Deferred tax income (+) [1] 10/2017 – 09/2018
Finance lease receivables	0	0	1,299	1,328	29	2
Trade receivables	70	151	2,392	1,947	-564	-265
Contract assets	0	0	864	0	-403	0
Other intangible assets	0	76	11,243	11,680	1,085	802
Fixed assets	0	0	6	21	15	58
Other assets	4	110	428	0	-222	-7
Other provisions	88	185	93	34	-156	31
Lease liabilities	5	19	0	0	-14	19
Contract liabilities	435	0	0	0	366	0
Liabilities to employees	527	147	1	11	390	96
Other liabilities	11	47	25	0	-61	11
Liabilities to financial institutions	0	0	36	50	14	10
Pension provisions	843	689	0	0	-124	84
Outside basis differences	0	0	81	96	15	16
Tax loss carry forwards	238	640	0	0	-402	348
Total (before balancing)	**2,221**	**2,064**	**16,468**	**15,167**	**-32**	**1,205**
Balancing	-1,674	-651	-1,674	-651		
Net amount	**547**	**1,413**	**14,794**	**14,516**		

1) Recognised in the profit and loss account

The recognition of deferred tax assets is derived from the budgets of the relevant Group companies. These budgets are reviewed annually and require a whole host of estimates. They are based, for example, on interpretations of existing tax legislation and regulations in the relevant countries. These estimates can change in the wake of changes in the market or competitive environment, customer structure or general economic conditions. When initially recognising and remeasuring deferred tax assets from unused tax loss carry forwards, management estimates the future earnings position of the subsidiaries from a taxation perspective. In light of the severe volatility and limited visibility, planning horizons are limited to one to three years. In return, loss carry forwards with a likelihood of realisation extending beyond this period are not, or no longer, capitalised. Numerous internal and external factors can affect deferred tax assets and liabilities more positively or more adversely. Changes can occur, for example due to adjustments to tax rates, to finalised tax assessments and to more or less favourable trends in the taxable earnings forecast by subsidiaries. Such factors may necessitate adjustments to recognised tax assets and liabilities. Given the need for regular remeasurement, the recognition of deferred tax assets and liabilities is therefore subject to considerable fluctuation.

As at 30 September 2019, tax loss carry forwards at the German companies totalled KEUR 4,542 (30 Sep 2018: KEUR 2,322). Of this amount, KEUR 1,478 is attributable to B4B Solutions GmbH, Ratingen (30 Sep 2018: KEUR 1,468), KEUR 1,087 to Allfoye Managementberatung GmbH, Düsseldorf (30 Sep 2018: KEUR 603) and KEUR 1,977 to Grandconsult GmbH, Filderstadt (30 Sep 2018: KEUR 251). Deferred tax assets were recognised on KEUR 723 of these loss carry forwards (30 Sep 2018: KEUR 1,544). Further subsidiaries also have loss carry forwards: B4B Solutions GmbH, Graz/Austria, totalling KEUR 474 (30 Sep 2018: KEUR 638) and All for One Steeb GmbH, Vienna/Austria, of KEUR 0 (30 Sep 2018: KEUR 372). Deferred tax assets were recognised on KEUR 93 of these loss carry forwards (30 Sep 2018: KEUR 704). Based on its estimates of future business development, the company assumes that sufficient taxable income will probably be available to enable utilisation of the capitalised deferred tax assets. Future utilisation of tax loss carry forwards amounting to KEUR 4,200 (30 Sep 2018: KEUR 1,084) is not expected. Tax loss carry forwards do not lapse over time.

No deferred tax liabilities were recognised with regard to tax-relevant differences of KEUR 260 (5% of KEUR 5,196) in connection with shares in subsidiaries given the unlikelihood of any reversal of these temporary differences in the foreseeable future.

Significant Accounting Policies

As per IAS 12, deferred taxes are recognised for all temporary differences between the amounts in the tax balance sheet and the IFRS consolidated balance sheet. Temporary differences result in taxable or tax-deductible amounts when an asset is realised, or a liability paid. Taxable temporary differences result in recognition of a deferred tax liability, while tax-deductible temporary differences are recognised as a deferred tax asset. In addition, deferred tax assets must always be recognised on loss carry forwards to the extent of their probable eligibility in the future. The amount of probable tax charge or tax relief in subsequent financial years is deferred at the tax rate applying at the time of recognition.

The carrying amount of deferred tax assets is examined each year on the closing date and reduced if the availability of sufficient taxable income to claim the full or partial amount no longer seems likely. The relevant impacts of any changes in tax rates on the deferred tax assets and liabilities are recognised through profit or loss. As per IAS 12, deferred tax assets and liabilities are not discounted and are always recognised as non-current assets and liabilities in the balance sheet.

Deferred tax assets and liabilities are netted if All for One Group has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

Current and deferred taxes are recognised through profit or loss as an expense or income unless they relate to items recognised directly in equity, in which case the taxes are also recognised in equity without affecting profit or loss.

The estimates of deferred taxes on loss carry forwards are substantially dependent on the earnings performance of the relevant tax entities. Accordingly, the amounts actually occurring in future periods may differ from these estimates.

16. Pension provisions

Defined benefit plans

in KEUR	Present value of defined benefit obligation 10/2018 – 09/2019	Present value of defined benefit obligation 10/2017 – 09/2018	Fair value of plan assets 10/2018 – 09/2019	Fair value of plan assets 10/2017 – 09/2018	Net liabilities / assets from defined benefit plans 10/2018 – 09/2019	Net liabilities / assets from defined benefit plans 10/2017 – 09/2018
Balance as at 1 October	13,585	13,990	11,139	11,522	2,446	2,468
Recognised in profit and loss						
Current service cost	306	372	0	0	306	372
Past service cost	0	0	0	0	0	0
Net interest on net debt	185	152	157	132	28	20
	491	524	157	132	334	392
Recognised in other comprehensive income						
Loss/profit from revaluations						
Actuarial loss/gains from:						
demographic assumptions	-54	0	0	0	-54	0
financial assumptions	1,773	-400	370	-191	1,403	-209
experience-based adjustments	-62	16	0	0	-62	16
Return on plan assets	0	0	56	-42	-56	42
Foreign currency differences	315	41	228	64	87	-23
	1,972	-343	654	-169	1,318	-174
Other items						
Payments made	-725	-916	-725	-916	0	0
Employer contributions	0	0	231	235	-231	-235
Contributions by employee beneficiairies	343	330	348	335	-5	-5
	-382	-586	-146	-346	-236	-240
Balance as at 30 September	15,666	13,585	11,804	11,139	3,862	2,446
Of which are attributable to:						
Germany	6,831	6,265	6,124	5,740	707	525
Switzerland	8,835	7,320	5,680	5,399	3,155	1,921
	15,666	13,585	11,804	11,139	3,862	2,446

Provisions for pension obligations are made in the consolidated financial statements of All for One Group with regard to six (30 Sep 2018: six) pension schemes for commitments to pay pension, disability and surviving dependants' benefits. The amount of payable benefit is generally dictated by the length of service and salary of an employee. In addition, one (30 Sep 2018: one) German pension scheme exists in the form of direct commitments. It is funded by the staff and secured by a matching, pledged reinsurance policy. Although the risk of All for One Group having to guarantee a return if the insurance company is unable to do so is very low, IAS 19 requires that this staff-funded pension scheme be classified as a defined benefit pension plan.

The recognition of pension obligations is also exposed to other risks relating to changes in actuarial parameters, which are shown in the following table. The actuarial interest rate is exposed to the most significant risk of change; for more details, please refer to the following separate sensitivity analyses. The assumptions underlying actuarial measurement differ from one scheme to the next as they allow for the specific investment strategy and personnel structure of the affiliated companies. The following table lists the key plan figures that are relevant for calculation, the weighted average assumptions on which calculation is based, and the weighted average assumptions on which the actuarial calculations relating to the defined benefit pension plans are based. Calculation of the obligations in Germany was derived from the 2018G mortality tables issued by Prof Dr Klaus Heubeck, which served as the biometric basis for computation. In Switzerland, the BVG 2015 generation tables are used as the biometric basis for calculating the obligations.

	30.09.2019	30.09.2018
Discount rate Germany	0.49%	1.57%
Discount rate Switzerland	0.10%	1.20%
Development of salaries Germany	0.00% – 2.00%	0.00% – 2.00%
Development of salaries Switzerland	1.00%	1.00%
Development of pensions Germany	1.70%	1.70%
Development of pensions Switzerland	0.00%	0.00%

On 30 September 2019, the weighted average duration of the defined benefit obligations was 8.4 years (prior year: 8.2 years) in Germany and 21.2 years (prior year: 19.7 years) in Switzerland.

Plan assets

in KEUR	30.09.2019	30.09.2018
Assets held by insurance company	6,047	5,668
Debt instruments	1,934	2,121
Equity instruments	1,670	1,598
Real estate	746	691
Cash and cash equivalents	109	53
Other plan assets	1,298	1,008
Total	11,804	11,139

The expected employer contributions for All for One Group's defined benefit plans for the financial year 2018/19 are KEUR 242 (prior year: KEUR 284).

Future pension payments

in KEUR	30.09.2019	30.09.2018
2019/20	295	253
2020/21	346	287
2021/22	370	334
2022/23	458	357
2023/24	424	438
2024/25 – 2028/29	2,239	2,130
Total	4,132	3,799

The following sensitivity analyses clearly explain the impacts of changes in singular parameters on the present value of the defined benefit obligation in the event that the discount rate changes by 0.25% points, and changes in pension trends of 0.25% points or 0.5% points, assuming none of the other assumptions change. The sensitivity analyses may therefore not accurately represent the actual change in the defined benefit obligation since it is unlikely that changes to the assumptions will occur in isolation.

	Defined benefit plans	
in TEUR	Increase	Decrease
Germany		
Discount rate (+/- 0.25% points)	-140	146
Pension progression (+/- 0.5% points)	125	-115
Switzerland		
Discount rate (+/- 0.25% points)	-319	345
Pension progression (+0.25% points)	259	–

Defined contribution plans

In the year under review, payments to defined contribution pension schemes (including the statutory pension insurance scheme) totalled KEUR 1,035 (prior year: KEUR 870).

Significant Accounting Policies

The pension provisions relate solely to defined benefit pension plans. The cost of providing the benefits under these plans is determined using the projected unit credit method. Actuarial assessment is performed on every closing date. The recognised provisions for defined benefit pension plans are determined in accordance with actuarial models based on material assumptions, such as discount factors, mortality rates, and salary and pension trends. Remeasurements arising from actuarial gains and losses, the impacts of the asset ceiling and the income from plan assets (excluding interest payable on the net liability) are recognised directly in other comprehensive income. The remeasurements recognised in other comprehensive income form part of retained earnings and are no longer reclassified through profit or loss to the consolidated statement of profit and loss in subsequent periods. Past service cost is recognised as a personnel expense if the plan changes.

The net interest is determined by multiplying the discount rate and the net liability (pension obligation less plan assets) or net asset value. The defined benefit costs are comprised of the following components:

» the service cost (including current and past service cost and any gains or losses from plan changes, curtailments or settlements);

» the net interest income or expense relating to the net liability or net asset value; and

» the remeasurement of the net liability or net asset value.

All for One Group recognises service cost as a personnel expense in its consolidated statement of profit and loss, while the net interest expense is included as financial income or expenses. Gains or losses from plan curtailments/settlements are recognised directly through profit or loss.

Payments relating to defined contribution pension plans are recognised through profit or loss as a personnel expense when the eligible employees have performed the work.

17. Other provisions

in KEUR	01.10.2018	Provisions made	Interest effects	Provisions used	Provisions reversed	30.09.2019
Severence payments	427	750	0	-245	0	932
Warranty and damage claims	750	221	0	-253	-244	474
Impending losses	79	86	0	-79	0	86
Other provisions	75	0	0	-75	0	0
Short-term other provisions	1,331	1,057	0	-652	-244	1,492
Anniversary provision	309	131	2	-22	0	420
Severance payments Austria	48	131	0	0	0	179
Long-term other provisions	357	262	2	-22	0	599
Total	1,688	1,319	2	-674	-244	2,091

Significant Accounting Policies

A provision is formed as per IAS 37 if one of the entities in All for One Group has a current (legal or constructive) obligation based on a past event as a result of which the outflow of resources embodying economic benefit to fulfil the obligation is probable and the amount of the obligation can be reliably estimated. The provision to be recognised as a liability must represent the best possible estimate of the expenditure required to fulfil the current obligations on the closing date. Provisions that do not result in an outflow of resources in the following year are recognised at the settlement amount that is discounted to the closing date after consideration of any anticipated cost increases. The present value of a provision is calculated using interest rates before taxes that consider both current market expectations with regard to the interest rate effect, and the risks specific to the obligation. If the provision is discounted, the increase over time is recognised as a financial expense. These estimates are reviewed on each balance sheet date.

Provisions for severance payments are recognised when existing employment relationships must be terminated for operational reasons or dissolved by mutual consent. The amount of such severance payments is not always established definitively at the time the balance sheet is prepared. In such cases, provisions are recognised in the amount that would be expected to be paid were the matter to be settled through a legal process. Provisions for warranty or damage claims relate to warranties arising from legal or contractual obligations from disputed implementation and optimisation projects and are formed on the basis of empirical values. These obligations are not treated as separate performance obligations and are therefore included as estimates in the total contract cost. Provisions are also recognised for contractual obligations where the unavoidable costs involved in fulfilling or revoking them are greater than the expected benefits and value to be received (onerous contracts) (»Impending losses«). Anniversary payments are valued using the internationally recognised projected unit credit method. Under this method, the value of this obligation is defined as the actuarial present value of the anniversary benefits that the employees have earned according to their length of service as at the reference date. Any existing assets used to fund the obligation are measured at fair value. The provisions for legal entitlement to so-called severance payments upon retirement or dismissal by the employer in Austria (»Severance payments Austria«) are calculated using the mathematical principles of the projected unit credit method as per IAS 19.

18. Liabilities to financial institutions

in EUR million	Repayment date	Amount
Promissory note 2013 – 2020	30.04.2020	8.5
Promissory note 2017 – 2022	30.05.2022	6.0
Promissory note 2017 – 2024	30.05.2024	4.0
Promissory note 2018 – 2022	02.05.2022	5.0
Total		23.5

The promissory note bonds with bullet maturity are neither subordinated nor secured. The holders of these promissory note bonds are authorised to raise the interest margin or, as applicable, to call the promissory note bonds totalling EUR 23.5 million due immediately should certain events occur on the basis of the covenants. These events involve adhering to the agreed targets for the equity ratio and the sum of equity as well as the relationship between total net debt and EBITDA. The creditors will also be authorised to cancel their loan commitments and call the remaining total amount of EUR 23.5 million due immediately should certain changes be made in the All for One Group shareholder structure (change of control). All covenants regarding key financials were complied with, both in financial year 2018/19 and in the comparable prior period.

As at 30 September 2019, All for One Group also had approved lines of credit at banks in the amount of KEUR 9,801 (prior year: KEUR 9,801). Aval guarantees for rental security deposits are being utilised in the amount of KEUR 1,308 (prior year: KEUR 1,376).

19. Lease liabilities and other liabilities

The finance lease agreements consist primarily of lease-to-own agreements on data centres, the legal ownership of which is transferred to the company with the respective payment of the final lease instalment. The average weighted interest rate on the lease liabilities was 1.56% in financial year 2018/19 (prior year: 1.66%). The lease payments are established at the beginning of the contract and are not subject to changes in the instalment amount or interest rate for the duration of the term.

Other liabilities

	30.09.2019			30.09.2018		
in KEUR	Current	Non-current	Total	Current	Non-current	Total
Tax liabilities	5,859	0	5,859	4,634	0	4,634
Purchase price obligations	157	88	245	798	0	798
Sundry other liabilities	1,356	586	1,942	7,282	513	7,795
Total	7,372	674	8,046	12,714	513	13,227

Sundry other non-current liabilities include contract liabilities of KEUR 586 (prior year: KEUR –) and liabilities to employees of KEUR 0 (prior year: KEUR 192).

Significant Accounting Policies

Other liabilities include both financial and non-financial liabilities.

The financial liabilities of All for One Group are comprised mainly of promissory note bonds, lease liabilities, trade payables and purchase price obligations. Financial liabilities are recognised in the consolidated balance sheet when All for One Group has a contractual obligation to transfer cash or other financial assets to a third party. All financial liabilities are initially recognised at fair value (less any directly attributable transaction costs, if appropriate).

Upon initial recognition, financial liabilities are classified as measured at amortised cost or at fair value through profit or loss (FVTPL). A financial liability is classified as measured at FVTPL if it is classed as held for trading, constitutes a derivative, or is designated as such when recognised for the first time. In addition, liabilities arising from contingent considerations classed as liabilities in connection with business combinations as defined in IFRS 3 must be classified as FVTPL. Financial liabilities measured at FVTPL are measured at fair value and any net gains or losses, including interest expenses, are recognised through profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expenses and currency translation differences are recognised through profit or loss.

Financial liabilities are derecognised when the underlying obligation has been fulfilled or cancelled, or has expired. Gains or losses on derecognition are recognised through profit or loss.

Other non-financial liabilities are liabilities based on a contract whose subject does not constitute a financial asset for the one party and a financial liability or equity instrument for the other. They include, above all, liabilities arising on the basis of legal provisions, as well as deferrals and advance payments. The non-financial liabilities of All for One Group are comprised mainly of liabilities to employees, contract liabilities and income tax liabilities. The balance sheet item »Liabilities to employees«

essentially comprises liabilities arising from outstanding vacation entitlements, outstanding variable remuneration components, commissions, flexitime or overtime compensation, bonuses, and social security amounts owing. The following are recognised as contract liabilities:

- customer-specific consultancy projects subject to PoC accounting (especially software implementation and software optimisation projects), where the project services that have already been invoiced or the advance payments that have already been made or are due exceed cumulative performance (the balance is recognised as a liability);
- negative allocation effects arising from dividing the total transaction price of a multi-component contract among individual performance obligations based on relative individual sale prices; and
- other IT services that have already been billed but not yet provided.

The current portion of the contract liabilities is recognised as a current liability in the balance sheet item »Contract liabilities« while the non-current portion is included with the non-current »Other liabilities«.

G. EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

in KEUR	30.09.2019	30.09.2018
Bank balances	28,485	36,316
Cash in hand	13	15
Cash and cash equivalents (balance sheet)	28,498	36,331
Current account loans	0	0
Cash funds (cash flow statement)	28,498	36,331

The average interest on bank deposits was 0.06% (prior year: 0.07%).

The changes in the year under review in those financial liabilities whose cash flows are shown as cash flows from financing activities in past and future cash flow statements were as follows:

			Non-cash changes			
in KEUR	01.10.2018	Cash changes	Changes in scope of consolidation	Currency effects	Other effects	30.09.2019
Liabilities to financial institutions	23,504	-19	0	0	-82	23,403
Lease liabilities	5,806	-2,097	0	0	2,892	6,601
Purchase price obligations	798	-1,225	625	0	47	245
Total	30,108	-3,341	625	0	2,857	30,249

			Non-cash changes			
in KEUR	01.10.2017	Cash changes	Changes in scope of consolidation	Currency effects	Other effects	30.09.2018
Liabilities to financial institutions	23,491	-20	0	0	33	23,504
Lease liabilities	3,666	-1,938	0	0	4,078	5,806
Total	27,157	-1,958	0	0	4,111	29,310

Significant Accounting Policies

Cash and cash equivalents comprise cash in hand and call deposits with banks with residual terms to maturity of no more than three months. The cash flows relating to a financial year are collated in the consolidated cash flow statement to provide information about the movement of the cash and cash equivalents of All for One Group over the course of a financial year.

Cash flow is classified as one of three types: operating, investment and financing.

Cash flow from operating activities is calculated indirectly by deducting non-cash transactions and transactions relating to investment or financing activities from the earnings before tax. Both cash flow from investment activities and cash flow from financing activities are calculated indirectly by offsetting gross inflows against gross outflows.

H. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 September 2019, the issued share capital was divided into 4,982,000 (30 Sep 2018: 4,982,000) registered no-par-value shares (individual share certificates) and was fully paid in. The arithmetic nominal value of the shares outstanding remains unchanged at EUR 3.00 per share. The company held no treasury shares in financial year 2018/19 nor in the prior year.

The capital reserve consists primarily of the premium from the issue of shares. The currency translation reserve was accrued from translation gains and losses from the conversion of non-euro-denominated financial statements of foreign Group companies included in the consolidation. This reserve is reclassified to profit or loss as soon as the relevant companies are deconsolidated.

The annual general meeting of 11 March 2015 approved – in each case limited until 10 March 2020 – the creation of new authorised capital totalling EUR 7,473,000 and an authorisation to repurchase shares of All for One Group up to a total amount of 10% of the share capital. This corresponds to 498,200 registered no-par-value shares. The management board made no use of this authorisation during the reporting period.

The annual general meeting of 13 March 2019 approved a dividend of EUR 1.20 per share, which was distributed in an amount of EUR 6.0 million (prior year: EUR 6.0 million).

Non-controlling interests

in KEUR	30.09. 2019	30.09. 2018
Carrying amount 1 October (as previously reported)	-189	147
Initial application IFRS 9 / IFRS 15	47	0
Carrying amount 1 October (adjusted)	-142	147
Distribution to non-controlling interests	-17	-12
Profit share of the current year	39	-324
Acquisition of non-controlling interests	-164	0
Carrying amount 30 September	-284	-189

As at 30 September 2019, non-controlling interests were held in OSC Business Xpert GmbH, Burgdorf (stake unchanged at 49%) and in B4B Solutions GmbH, Graz/Austria (stake unchanged at 30%). The non-controlling interests in WEBMAXX GmbH, Munich (26% stake) that were recognised as at 30 September 2018 were acquired in full in financial year 2018/19 for a purchase price of KEUR 380.

Combined financial information

	B4B Solutions GmbH, Graz/Austria	
in KEUR	30.09. 2019	30.09. 2018
Current assets	3,810	1,726
of which cash and cash equivalentss	725	77
Non-current assets	1,558	1,586
Current liabilities	5,105	4,212
of which financial liabilities	2,818	1,703
Non-current liabilities	1,111	96
of which financial liabilities	1,111	24
Net assets / Liabilities	-848	-996
Sales revenue	16,564	11,949
Result for the period / Total comprehensive income	-7	-1,108

I. OTHER EXPLANATORY NOTES

20. Segment reporting

The segment report is aligned to the internal management and reporting procedures of All for One Group (»Management Approach«) based on individual Group companies and subgroups that make up the Group's segments. The organisation and management of All for One Group are aligned to its two business segments: »CORE« and »LOB«. The »CORE« operating segment includes software solutions for the areas of ERP (enterprise resource planning) and corporate-wide collaboration for midmarket customers. This operating segment also provides consulting and infrastructure services. The »LOB« segment (»Lines of Business«) includes business with IT solutions for departments such as sales and marketing, or HR, which are increasingly being sourced in the cloud. This business segment has its own brands to enable it to target individual lines of business in companies.

The following segment information reflects the parameters utilised in the internal reporting and management systems, and which the management board uses for performance assessment and resource allocation purposes. The same recognition and valuation methods apply as for the consolidated financial statements. Intersegment sales are recognised at arm's length prices. In addition to sales revenue, management uses earnings before interest and tax (»EBIT«) for management purposes, and to compare operational performance over time and issue forecasts. Extraordinary effects are reconciled to an adjusted EBIT, if necessary, to enable transparent assessment and better comparability of operational performance over time. The extraordinary effects relate to influences that the management board believes to be capable – by virtue of their nature, frequency and/or volume – to substantially detract from the informative value of the key financial indicators of the sustainability of the earnings strength at All for One Group. For control purposes, acquisition-related depreciation and amortisation are presented separately or in the aggregate. Depreciation and amortisation from acquisitions pertain mainly to the customer relationships and intangible assets that result from completed acquisitions. The extraordinary effects relating to the strategy offensive essentially comprise personnel measures (redundancies), unscheduled amortisation of intangible assets following strategic adjustments to the portfolio, as well as extraordinary effects in respect of measures such as changing the name of the company, rolling out a new brand architecture and moving to new headquarters.

	CORE		LOB		Consolidation		Total	
in KEUR	10/2018 – 09/2019	10/2017 – 09/2018	10/2018 – 09/2019	10/2017 – 09/2018	10/2018 – 09/2019	10/2017 – 09/2018	10/2018 – 09/2019	10/2017 – 09/2018
External sales revenue	298,308	277,956	60,907	54,401	0	0	359,215	332,357
Intersegment revenue	4,266	3,857	10,616	9,932	-14,882	-13,789	0	0
Sales revenue	302,574	281,813	71,523	64,333	-14,882	-13,789	359,215	332,357
Depreciation and impairment	-10,164	-8,689	-2,818	-1,958	10	18	-12,972	-10,629
Segment EBIT	12,294	21,386	328	-827	10	18	12,632	20,577
IFRS 9 / IFRS 15	189	0	46	0	0	0	235	0
Extraordinary expenses of strategy offensive	6,023	0	945	0	0	0	6,968	0
Adjusted segment EBIT	18,506	21,386	1,319	-827	10	18	19,835	20,577

Non-current assets by country [1]

in KEUR	30.09. 2019	30.09. 2018
Germany	89,166	78,354
Austria	2,467	1,698
Switzerland	2,435	325
Other countries	310	160
Total	94,378	80,537

1) Except for finance lease liabilities, deferred tax assets and other financial assets

Sales revenue by country

Please refer to the breakdown in Note 1.

21. Additional information about financial instruments

Financial risks

In the course of its normal business operations, All for One Group is exposed to various financial risks, including default, liquidity and market (currency and interest rate) risks. The risk management system and its objectives, methods and processes are described in the risk report, which forms part of the combined management report. Financial risk management is handled according to the principles established by the company. These govern the company's protection against currency, interest and credit risks, cash management and short-term and long-term financing. The goal is to reduce financial risks while weighing the hedging costs against the risks being taken. Derivative financial instruments to hedge the mainstream business may be used when deemed appropriate. In order to minimise the counterparty credit risk, transactions are only made with first-class counterparts.

Default risks

Default risks arise primarily from affording clients time to make payments and from the counterparty risk involved in financial transactions. The maximum default risk is theoretically the sum of the carrying amounts of the financial assets stated in the balance sheet.

The creditworthiness of customers is subject to regular examination. Credit assessments and dunning procedures mitigate the risk of bad debts. Outstanding receivables relating to business operations are monitored on an ongoing basis. All for One Group has put appropriate control mechanisms in place to ensure that services are only provided to customers who have proven to be creditworthy in the past and that the default risk associated with these transactions is within reasonable limits. Default risks are reflected by appropriate impairments.

Value adjustment matrix

in KEUR	30.09.2019	Individual value adjusted	Value adjustment matrix Not overdue	>30 days overdue	31–90 days overdue	>90 days overdue
Trade receivables (gross carrying amount)	51,348	4,323	38,828	6,145	1,429	623
Contract assets (gross carrying amount)	3,993	0	3,993	–	–	–
Weighted average default rate in %	–	–	0	0	0	0
Impairment	-1,792	-1,507	-54	-13	-30	-188

Finance lease receivables substantially relate to receivables from the public sector and are therefore exposed to only minor default risk.

Liquidity risks

All for One Group places the utmost importance on maintaining solvency at all times. Each company maintains an adequate amount of cash. The lead operating company All for One Group AG also has liquidity reserves and unused operational funding lines of credit.

In the case of the remaining All for One Group promissory note bonds, the holders of these promissory notes are authorised to raise the interest margin or, as applicable, to call the promissory note bonds due immediately should certain events occur on the basis of the covenants. These events primarily involve adhering to the agreed targets for the equity ratio and the sum of equity as well as the relationship between total net debt and EBITDA. The creditors will also be authorised to cancel their loan commitments and call the respective amount due immediately should certain changes be made in the All for One Group shareholder structure (change of control). All covenants were complied with in full, both in financial year 2018/19 and in the prior year. Because the management board continuously monitors compliance with the terms and conditions of the promissory note bonds, the risks resulting from such covenants are considered to be minor.

The following tables show the financial liabilities classed by maturity based on the residual term on the relevant reporting date. Reconciliation to the amounts shown in the consolidated balance sheet is not possible since the cash flows in the tables have not been discounted.

in KEUR	Due <1 year	Due >1<5 years	Due >5 years	Total 30.09.2019
Trade payables	24,421	0	0	24,421
Liabilities to financial institutions	8,513	15,011	0	23,524
Lease liabilities	2,580	4,163	0	6,743
Purchase price obligations	157	100	0	257
Total	35,671	19,274	0	54,945

in KEUR	Due <1 year	Due >1<5 years	Due >5 years	Total 30.09.2018
Trade payables	17,672	0	0	17,672
Liabilities to financial institutions	147	19,524	4,000	23,671
Lease liabilities	1,889	4,113	0	6,002
Purchase price obligations	845	0	0	845
Total	20,553	23,637	4,000	48,190

Market risks

Market risk is the risk of the fair value of future cash flows of a financial instrument fluctuating in the wake of changes to market prices. Currency risks and risks of interest rate changes are also market risks.

Fluctuations in currency rates have an impact on the presentation of assets and liabilities in the consolidated financial statements that are prepared in euros, insofar as assets and liabilities are denominated in currencies other than the euro. As far as currency risk is concerned, All for One Group strives to use the same currency to fund its assets. Revenue is recognised within the individual companies predominantly in the same currency as that used for expenses. To the extent deemed necessary, remaining risks involved in foreign-currency accounting are covered using currency transactions (futures, options). Foreign currency hedges were neither used in the financial year 2018/19 nor in the prior year.

Floating-rate liabilities with long terms are exposed to risks of changes in interest rates. All for One Group minimises such risks by using interest hedges and the continuous monitoring of global interest-rate policies. Since the only non-current financial liabilities at present relate to the promissory note bonds issued by the company at fixed rates, interest rates were not hedged in financial year 2018/19 nor in the prior year. Accordingly, any potential change in interest rates of +/- 100 basis points would have no impact on net Group earnings before tax

Financial instrument categories

	Carrying amount per measurement category (IFRS 9)					
	Financial assets		Financial liabilities			
in KEUR	At fair value through profit or loss	At amortised cost	At fair value through profit or loss	At amortised cost	IFRS 7 not applicable	30.09.2019
Current assets						
Cash and cash equivalents	–	28,498	–	–	–	28,498
Finance lease receivables	–	4,035	–	–	–	4,035
Trade receivables	–	49,556	–	–	–	49,556
Other assets	–	267	–	–	7,582	7,849
Non-current assets						
Finance lease receivables	–	6,630	–	–	–	6,630
Other assets	–	248	–	–	3,452	3,700
Current liabilities						
Liabilities to financial institutions	–	–	–	8,499	–	8,499
Lease liabilities	–	–	–	2,562	–	2,562
Trade payables	–	–	–	24,421	–	24,421
Other liabilities	–	–	–	562	6,810	7,372
Non-current liabilities						
Liabilities to financial institutions	–	–	–	14,904	–	14,904
Lease liabilities	–	–	–	4,039	–	4,039
Other liabilities	–	–	88	–	586	674
Total	0	89,234	88	54,987	18,430	

In all valuation categories with the exception of finance lease receivables, liabilities to financial institutions and lease liabilities, the carrying amounts always represent a reasonable approximation of the fair value.

in KEUR	Carrying amount 30.09. 2019	Carrying amount 30.09. 2018	Fair value 30.09. 2019	Fair value 30.09. 2018
Finance lease receivables	10,665	9,792	10,819	9,868
Liabilities to financial institutions	23,403	23,504	24,008	23,874
Lease liabilities	6,601	5,806	6,677	5,821

Finance lease receivables, liabilities to financial institutions and lease liabilities are recognised at amortised cost and are stated as separate items, classified by maturity, in the balance sheet. The fair value of the finance lease receivables, liabilities to financial institutions and lease liabilities is calculated using the present value of the payments relating to the asset/liability. Calculation of the fair value is based in each case on current interest rate parameters that reflect market-driven changes in conditions and expectations. The valuation parameters for determining the fair value are based on non-observable market data (level 3).

The item »Other liabilities« on the balance sheet includes purchase price components from acquisitions that are measured at fair value through profit or loss. The fair value is calculated as the present value of the expected discounted cash flows based on the planned further business development of the affected entities. The valuation parameters for determining the fair value are based on non-observable market data (level 3).

Net result from financial instruments by measurement categories

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Financial assets at amortised cost	-974	-304
Financial assets at fair value through profit or loss	0	0
Financial liabilities at amortised cost	-54	-50
Financial liabilities at fair value through profit or loss	0	0
Total	**-1,028**	**-354**

Interest expenses relating to financial instruments amounted to KEUR 766 in financial year 2018/19 (prior year: KEUR 866), while the interest income totalled KEUR 207 (prior year: KEUR 237).

Capital management details

The capital management function aims to assure the availability of liquidity and thus the continuation of business as well as sustainably raising the value of the company and ensuring a reasonable return on equity. Based on the financing concept, the management board of All for One Group AG regularly examines various metrics relating to the company's capital and studies the capital market. Key financial indicators include, above all, net liquidity and the equity ratio.

in KEUR	30.09. 2019	30.09. 2018
Liabilities to financial institutions	23,403	23,504
Lease liabilities	6,601	5,806
Cash and cash equivalents	28,498	36,331
Net debt (-) / net liquidity (+)	**-1,506**	**7,021**
Equity	82,291	77,019
Equity ratio (in % of the balance sheet total)	**41%**	**42%**

All for One Group manages the capital structure and adjusts it to allow for changes in general economic conditions. Failure to comply with certain financial indicators specified in lending agreements (»Covenants«) would entitle lenders of All for One Group to raise the interest rates, as well as allowing them to terminate the agreements and demand immediate repayment. All covenants regarding key financials were complied with, both in financial year 2018/19 and in the comparable prior period. All for One Group pursues a dividend policy aimed at ensuring the direct participation of shareholders in the company's profits and cash flows. However, the basic premise is to always maintain adequate financial flexibility for greater business performance and additional inorganic growth.

22. Contingent liabilities and other financial obligations not reported on the balance sheet

All for One Group acts as a lessee in operating leases. These leases relate to both property lease contracts and lease contracts governing operating and business equipment items (including company cars and EDP infrastructure, especially hardware and operating software). The lease contracts have an average term of between one and twelve years. The following tables show the financial obligations relating to these operating leases as separate »Operating and business equipment« and »Property« leases.

Operating and business equipment

in KEUR	30.09. 2019	30.09. 2018
2018/19	–	4,888
2019/20	6,320	3,227
2020/21	4,527	1,484
2021/22	1,341	31
2022/23	23	1
2023/24 [1]	2	0
2024/25 and later	0	–
Total	12,213	9,631

1) Prior year: 2022/23 and later

Property

in KEUR	30.09. 2019	30.09. 2018
2018/19	–	9,560
2019/20	5,983	5,378
2020/21	5,279	4,651
2021/22	4,071	3,458
2022/23	3,063	2,365
2023/24 [1]	2,384	6,503
2024/25 and later	11,475	–
Total	32,255	31,915

1) Prior year: 2022/23 and later

Expenditure relating to operating leases totalled EUR 12.6 million in financial year 2018/19 (prior year: EUR 9.4 million).

A commitment to invest in fixed assets also exists in the amount of KEUR 2,951 (prior year: KEUR 234).

23. Related party disclosures

Related parties as defined in IAS 24 are legal or natural persons who can influence All for One Group AG or who are subject to control, joint management or significant influence by All for One Group AG. Related parties also include members of management in key positions, their close families, and companies that are controlled solely or jointly, or significantly influenced, by this group of people.

Unternehmens Invest AG, Vienna/Austria, and UIAG Informatik-Holding GmbH, Vienna/Austria, each directly hold 25.07% of the share capital of All for One Group AG. An agreement on voting rights has been concluded between both companies.

In January 2019, Unternehmens Invest AG raised its stake in UIAG Informatik-Holding GmbH from 49.55% to 90.95%, and now controls UIAG Informatik-Holding GmbH. Since then, All for One Group AG, Filderstadt, has been solely dependent on Unternehmens Invest AG, according to Sections 16 (1), (2) and 17 (2) AktG. In addition to Unternehmens Invest AG in its capacity as directly controlling entity, its shareholders and other higher-ranked companies, as well as Dr Rudolf Knünz, can exert indirect controlling influence on All for One Group AG.

The following business transactions with related parties were registered in the period from 1 October 2018 to 30 September 2019:

Products and services delivered to Unternehmens Invest AG and other income totalled KEUR 55 in financial year 2018/19, while products and services provided by Unternehmens Invest AG and other expenses amounted to KEUR 3. As at 30 September 2019, liabilities existed in the amount of KEUR 0.

Other expenses of KEUR 3 to close relatives of members of management in key positions were recognised.

Products and services delivered to other related parties and other income totalled KEUR 32 in financial year 2018/19. As at 30 September 2019, receivables from related parties amounted to KEUR 9.

No business transactions with related parties were registered in the period from 1 October 2017 to 30 September 2018.

Further transactions within All for One Group with related parties concerned business transactions with companies included in the consolidated financial statements. For a discussion of the volume of these business translations, please refer to the presentation of sales revenue in the segment report in Note 20, which also contains intra-Group revenue. All transactions are settled at arm's length and fully eliminated during preparation of the consolidated financial statements. Accordingly, they do not affect the assets, earnings and financial situation of All for One Group.

Members of the management board

- Lars Landwehrkamp (CEO since May 2007)
- Stefan Land (CFO since Apr 2008)

Membership by management board members in control bodies as defined in Section 125 (1) sentence 5 AktG is limited to various companies within All for One Group AG.

Total compensation paid to members of the management board

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Short-term benefits	1,032	1,645
Share-based payments	0	0
Post-employment benefits	125	126
Termination benefits	0	0
Other long-term benefits	48	186
Total [1]	1,205	1,957

1) Share of management board compensation attributable to respective financial year

The variable portions of the aforementioned total compensation amounted to KEUR 389 in total (prior year: KEUR 1,165) and include estimates, which may deviate from the amounts determined as part of the final accounting. An allocation from the multi-year variable compensation was not made in the reporting year. Furthermore, no loans were extended and no options for shares of All for One Group AG were granted to the management board during the reporting year. Unusual transactions with related parties did not take place.

Detailed information about the compensation system and components of compensation is provided in the compensation report in the combined management report of All for One Group AG.

Members of the supervisory board

Josef Blazicek (chairman)
Independent businessman

Further memberships in supervisory boards and controlling bodies (Section 125 (1) sentence 5 AktG):

- Pierer Mobility AG, Wels/Austria (formerly: KTM Industries AG, Wels/Austria) (chairman of the supervisory board)
- Pankl Racing Systems AG, Kapfenberg/Austria (deputy chairman of the supervisory board)
- Pierer Industrie AG, Wels/Austria (deputy chairman of the supervisory board)
- Pankl SHW Industries AG, Kapfenberg/Austria (deputy chairman of the supervisory board since Oct 2018)
- SHW AG, Aalen/Germany (member of the supervisory board since Oct 2018)
- Qino Management and Advisory Ltd., Limassol/Cyprus (Executive Director of The Board)
- Qino JB Ltd., Limassol/Cyprus (Executive Director of The Board)
- Qino Pipe One Ltd., Limassol/Cyprus (Executive Director of The Board)

Paul Neumann (deputy chairman)
Member of the management board of Unternehmens Invest AG und managing director of UIAG Informatik-Holding GmbH, both in Vienna/Austria

Peter Fritsch
Managing director of BEKO HOLDING GmbH & Co. KG, Nöhagen/Austria, and member of control bodies in other BEKO Group companies

Further memberships in supervisory boards and controlling bodies (Section 125 (1) sentence 5 AktG):

- TRIPLAN AG, Bad Soden/Germany (deputy chairman of the supervisory board up to 27 May 2019)

Dr. Rudolf Knünz
Chairman of the management board of Unternehmens Invest AG, Vienna/Austria

Further memberships in supervisory boards and controlling bodies (Section 125 (1) sentence 5 AktG):

- Ganahl Aktiengesellschaft, Frastanz/Austria (chairman of the management board)

Maria Caldarelli
Head of legal & integrity at All for One Group AG, Filderstadt/Germany

Jörgen Dalhoff
Group processes management at All for One Group AG, Filderstadt/Germany

Total compensation paid to members of the supervisory board

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Fixed compensation	125	123
Committee remuneration	36	35
Total [1]	161	158

1) Share of supervisory board compensation attributable to the respective financial year

Performance-related components are not included in the compensation for the supervisory board.

Detailed information about the compensation system and components of compensation is provided in the compensation report in the combined management report of All for One Group AG.

Significant Accounting Policies

Related parties as defined in IAS 24 are parties who control All for One Group AG either on their own or jointly with other companies or who significantly influence All for One Group AG. Likewise, subsidiaries, joint ventures and associates are classified as related to All for One Group AG and – in the case of subsidiaries and joint ventures – to each other. The same applies even if the subsidiaries are not fully consolidated. Related parties also include management in key positions, their close families, and companies that are controlled solely or jointly, or significantly influenced, by this group of people.

24. Auditor's fees and services

in KEUR	10/2018 – 09/2019	10/2017 – 09/2018
Audit services	398	267
of which only KPMG AG	357	215
Other confirmation services	124	112
of which only KPMG AG	124	112
Tax advisory services	30	25
of which only KPMG AG	0	0
Other services	0	1
of which only KPMG AG	0	0
Total	552	405
of which only KPMG AG	481	327

The fee for audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft relates mainly to the audit of the consolidated financial statements and the annual financial statements of All for One Group AG as well as the various audits of the annual accounts of its subsidiaries to include the audit focal points agreed with the supervisory board.

Other confirmation services refer to the conduct of agreed investigations pertaining to All for One Group AG's financial indicators. Also provided were ISAE 3402 Type II audit services and testing of the controls that are used with respect to the performance of the administrative operations and hosting services on customer systems. Tax advisory services encompass support services in the preparation of tax returns. The other services pertain to diverse advisory services.

25. Declaration of conformity according to Section 161 AktG

The management board and supervisory board of All for One Group AG have issued their declaration of conformity with the recommendations of the German Corporate Governance Code (DCGK) as specified in Section 161 AktG and made it available to their shareholders.

The full declaration is permanently accessible on the company's website at www.all-for-one.com/conformity-declaration. The declarations of conformity from previous financial years are also available in the same section on the website.

26. Subsequent events

All for One Group AG issued further promissory note bonds in October 2019. Totalling EUR 33.5 million, the promissory note bonds are split into three tranches: two spot tranches (value date: 17 October 2019) with terms of six (EUR 7.5 million in total) and eight (EUR 16.0 million in total) years and a forward tranche (value date: 30 April 2020) maturing in 6.5 years (EUR 10.0 million in total). The main purpose of the forward loans is to redeem a residual tranche of EUR 8.5 million. All three tranches incur interest at fixed rates ranging between 0.90% and 1.10%, depending on the tranche.

On 8 November 2019, Nucleus Beteiligungs GmbH, Vienna/-Austria, submitted a mandatory (cash) offer to the shareholders of All for One Group AG to acquire their shares in All for One Group AG in return for payment of a cash consideration of EUR 41.59 per share (see www.nucleus.co.at). Paul Neumann, member of our supervisory board, is sole shareholder and managing director of Nucleus Beteiligungs GmbH. By joining the voting rights agreement already in place between Unternehmens Invest AG, UIAG Informatik-Holding GmbH, Knünz Invest Beteiligungs GmbH and Dr. Rudolf Knünz (all based in Vienna/Austria), Nucleus Beteiligungs GmbH had acquired control over All for One Group AG on 7 October 2019. On 12 November 2019, the management board and supervisory board of All for One Group AG issued a joint statement about the bidder's mandatory offer (see https://www.all-for-one.com/uebernahmeangebot-nov-2019 (German only)). On its website, www.nucleus.co.at, Nucleus Beteiligungs GmbH is providing information about the number of shares acquired between now and the close of the takeover offer on 6 December 2019, and has declared that it has no intention of holding onto the shares tendered under the mandatory offer following completion of the bidding procedure.

No other reportable events occurred after 30 September 2019.

Filderstadt, 10 December 2019
All for One Group AG

Lars Landwehrkamp CEO	Stefan Land CFO

RESPONSIBILITY STATEMENT

of the Management Board

»To the best of our knowledge, and in accordance with the applicable reporting principles, we affirm that the consolidated financial statements give a true and fair view of the assets, financial position and earnings of the Group, and that the Combined Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group«.

Filderstadt, 10 December 2019
All for One Group AG

Lars Landwehrkamp	Stefan Land
CEO	CFO

INDEPENDENT AUDITORS' REPORT

to All for One Group AG, Filderstadt

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

Auditors' opinion

We have audited the consolidated financial statements of All for One Group AG and its subsidiaries (the Group), comprising the consolidated statement of profit and loss and the consolidated statement of comprehensive income for the financial year 1 October 2018 to 30 September 2019, the consolidated balance sheet as at 30 September 2019, the consolidated cash flow statement and the consolidated statement of changes in equity for financial year 1 October 2018 to 30 September 2019, and the notes to the consolidated financial statements, together with a summary of significant accounting policies. Furthermore, we have audited the report discussing the situation of the company and the Group (»combined management report«) of All for One Group AG for the financial year from 1 October 2018 to 30 September 2019.

In our opinion based on the findings of our audit:

» The accompanying consolidated financial statements comply in all material respects with IFRS as adopted in the EU and with the additional requirements of German law pursuant to Section 315e (1) German Commercial Code (»HGB«) and give a true and fair view of the net assets and financial position of the Group as at 30 September 2019 and of the results of operations for the financial year 1 October 2018 to 30 September 2019.

» The accompanying combined management report provides an overall suitable view of the Group's situation. The combined management report conforms in all material respects with the consolidated financial statements, complies with the requirements of German law, and suitably 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 with regard to the regularity of the consolidated financial statements or the combined management report.

Basis for the auditors' opinion

We conducted our audit of the consolidated financial statements und combined management report in accordance with Section 317 HGB, Regulation (EU) No. 537/2014 on Specific Requirements regarding Statutory Audits of Public-Interest Entities (»EU Regulation 537/2014«), and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (»IDW Institute of Public Auditors in Germany«). Our responsibility pursuant to these provisions and principles are described in the section entitled »Auditor's responsibilities for the audit of the consolidated financial statements and combined management report«. We are independent of the Group and its companies in accordance with German commercial and professional laws and regulations, and have fulfilled our other German professional duties in accordance with these requirements. Furthermore, we declare pursuant to Article 10 (2)(f) of EU Regulation 537/2014 that we provided no prohibited non-audit services as stipulated in Article 5 (1) of EU Regulation 537/2014. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion about the consolidated financial statements and the combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters which, in our professional judgement, were of the most significance in our audit of the consolidated financial statements for the financial year 1 October 2018 to 30 September 2019. These matters were addressed within the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereof. We do not provide a separate audit opinion on these matters.

IMPAIRMENT OF GOODWILL AND THE TRADEMARK RIGHTS OF THE CASH-GENERATING UNIT ALL FOR ONE GROUP AG

Information about the accounting and valuation methods applied and the impairment testing performed are contained in Section F.13. »Intangible Assets« of the notes to the consolidated financial statements.

The risk to the financial statements

Goodwill totalled EUR 30.7 million and the trademark rights EUR 12.4 million as at 30 September 2019.

Goodwill and trademark rights with indefinite useful lives. are tested for impairment at the level of the cash-generating unit. The impairment testing of goodwill and trademark rights is complex and based on a number of discretionary factors. The most significant assumptions concern the expected future sales revenue and the discount rates applied.

Impairment testing by the company did not reveal any need for impairment. There exists the risk to the consolidated financial statements that the goodwill and the trademark rights may not be recoverable.

Our audit approach

On the basis of the explanations provided by the individuals responsible for planning, we assessed the planning process and the material assumptions used. Using publicly available information, we evaluated whether the key budget figures contained in the planning and the underlying assumptions are appropriate.

We compared the expected future cash flows for the cash-generating units with the budget submitted by the supervisory board. We also retrospectively compared the budget figures (e.g. sales revenue) from earlier years with actual results to validate the company's budgeting reliability. Assisted by our experts, we assessed the assumptions and parameters used in determining the applied discount rate and evaluated the model used to calculate the discount rate. We validated the sales revenue derived from the budget plans that formed the basis for trademark evaluation. Assisted by our experts, we verified the applied licensing rates.

We also performed our own sensitivity analysis to enable assessment of a potential impairment risk in the event of any change in the material assumptions underlying the evaluation that we deemed possible.

We assessed the calculation method used for impairment testing and validated the calculation of the discounted figure.

Our conclusions

The underlying measurement method used to test goodwill and trademark rights impairment of the Group as at 30 September 2019 is proper and complies with applicable IFRS measurement principles. The most significant underlying assumptions used in the impairment test are appropriate.

RECOGNITION OF SALES REVENUE FROM CONSULTING AND SERVICES

The disclosures pertaining to the recognition of the reported sales revenue are contained in Section B. »Changes to the Accounting and Valuation Methods« and E.1. »Sales Revenue« of the notes to the consolidated financial statements.

The risk to the financial statements

The sales revenue of EUR 143.1 million from consulting services in financial year 2018/2019 accounts for 39.81% of total Group revenue. This revenue stems primarily from consulting services and long-term project contracts.

Since customer requirements with regard to consulting and services vary considerably, the ensuing contractual regulations also differ from each other.

IFRS 15 requires identification of the contractually agreed performance obligations with regard to the provision of services to a customer. In the event of economic interdependencies, initial examination must clarify whether several contracts with one customers must be combined into one (multi-component) contract. This assessment requires discretionary assessment.

Since the allocation of the consideration to the performance obligations identified in combined contracts requires discretionary assessment, there is a risk of inappropriate allocation and, accordingly, incorrect revenue recognition.

All for One Group AG recognises consulting and services sales revenue both at a certain time and over a certain period.

The recognition of sales revenue from customer-specific consultancy projects that are delivered over a certain period is based on the degree of completion. Progress is measured using an input-oriented method defining the ratio of consultancy hours already worked to the total estimated number of hours for the project as a whole. All for One Group AG believes that this method is best suited to mapping the progress of completion respectively the transfer of assets to a customer.

The period-based recognition of revenue from customer-specific consultancy projects is complex and subject to discretionary assessment. Estimation uncertainties exist, in particular, with regard to determining the degree of completion relative to the estimated total project hours. There is, moreover, the risk of expenses being allocated to the wrong projects.

The consolidated financial statements are exposed to the risk of the deferral or accrual of sales revenue from period-based customer-specific consultancy projects as of the balance sheet reporting date being incorrect and thus of the sales revenue being recognised in the wrong period.

Our audit approach

We obtained an understanding of the process behind the structure and implementation of the internal controls in place to govern the appropriate allocation of job-related personnel and other expenses to the internal project accounts. We verified the effectiveness of the controls that have been put in place.

We also obtained an understanding of the process driving the estimation of total project hours and validated the structure and implementation of the internal controls that have been put in place, as well as their effectiveness.

We examined random contracts selected using a risk-oriented approach to assess both the need to combine the contracts and the identification of the individual performance obligations. We also examined the random sample to verify the allocation of the transaction price to the individual performance obligations based on the individual sale prices that we had previously validated.

We examined the underlying contractual agreements governing a representative choice of random customer-specific consultancy projects in progress to see whether the associated revenue was recognised over a period, based on the degree of completion. We then examined the degree of completion that formed the basis for recognition of the revenue relating to these random customer-specific consultancy projects in progress by evaluating and validating the total actual hours recognised, the estimated total project hours and the anticipated earnings from the job in our client's calculation.

Our conclusions

Sales revenue from period-based customer-specific consultancy projects is recognised in the correct periods as of the reporting date and transaction prices are correctly allocated to the performance obligations in multi-component contracts.

Other information

The legal representatives are responsible for providing the other information. Other information includes the annual report – which will probably not be available to us until after today's date – with the exception of the audited consolidated financial statements and the combined management report, and our auditors’ report.

Our audit opinion on the consolidated financial statements and the combined management report does not extend to the other information. Accordingly, we will not issue an audit assessment, nor any other form of conclusions drawn from an audit.

In performing our audit, we are responsible for reading the other information and assessing whether the other information

- contains any material inconsistencies relating to the consolidated financial statements, the combined management report or the knowledge gained during our audit, or
- seems to be otherwise materially misstated.

Responsibility of management and the supervisory board for the consolidated financial statements and combined management report

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB, and for ensuring that the consolidated financial statements provide a true and fair view of the results and financial position of the Group in accordance with these regulations. Furthermore, management is responsible for such internal controls as it determines are necessary to enable the preparation of consolidated financial statements that are free of material misstatements due to fraud or error.

In the preparation of the consolidated financial statements, management is responsible for evaluating the ability of the Group to continue as a going concern. Furthermore, management is responsible for disclosing matters relating to going-concern principles as appropriate, and using the going-concern basis of accounting unless management either intends to liquidate the Group or cease operations, or has no realistic alternative but to do so.

Management is also responsible for the preparation of the combined management report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with the requirements of German law, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as it determines are necessary to enable the preparation of the combined management reports in accordance with the requirements of German law, and for providing sufficient and appropriate evidence for the assertions in the combined management report.

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

Auditors' responsibilities for the audit of the consolidated financial statements and combined management report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of intentional or unintentional material misstatements due to fraud or error, and whether the combined management report provides an overall suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements as well as the findings of our audit, complies with the requirements of German law, and suitably presents the opportunities and risks of future development; and to issue an auditors' report that includes our audit opinion of the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with Section 317 HGB, EU Regulation 537/2014, and German generally accepted standards for the audit of financial statements promulgated by the IDW Institute of Public Auditors in Germany will always detect a material misstatement. Misstatements may arise from fraud or error and are considered material if they could, individually or aggregated, reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements and combined management report.

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

- Identify and assess the risks of material misstatement in the consolidated financial statements and in the combined management report whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than for those 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 the policies and procedures relevant to the audit of the combined management report in order to design audit procedures that are appropriate to the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

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

- Draw conclusions about the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether there exists material uncertainty 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 material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or in the combined management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. Future events or conditions may, however, lead to the Group being unable 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 represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS as adopted by the EU and the requirements of German law pursuant to Section 315e (1) HGB.

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

- Evaluate the consistency of the combined management report with the consolidated financial statements, its compliance with legal requirements and the view of the Group's position that it presents.

- Perform audit procedures on the prospective information presented by management in the combined management report. Based on appropriate and sufficient audit evidence, we thereby, and in particular, evaluate the material assumptions used by management as a basis for the prospective information, and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We do not issue a separate audit opinion on the prospective information or the underlying assumptions. There is a significant and unavoidable risk that future events will deviate significantly from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirement and communicate to them all the relationships and other matters that may reasonably be thought to have a bearing on our impartiality, and the safeguards applied with regard to them.

Of the matters communicated with those charged with governance, we determine those of most significance for the audit of the consolidated financial statements for the current reporting period and which are therefore considered the key audit matters. We describe these matters in our report on the audit of the consolidated financial statements, unless laws or regulations prohibit public disclosure of the matter.

OTHER LEGAL AND STATUTORY REQUIREMENTS

Other information pursuant to Article 10 EU-APrVO

We were appointed by the annual general meeting to be the auditors of the consolidated financial statements on 13 March 2019. We were engaged by the chairman of the audit committee on 1 August 2019. We have been auditing the consolidated financial statements of All for One Group AG continuously for 22 years.

We declare that the audit opinions contained in this auditors' report are consistent with the additional report to the audit committee that was prepared pursuant to Article 11 of EU-APrVO.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Arne Stratmann.

Stuttgart, 10 December 2019
KPMG AG
Wirtschaftsprüfungsgesellschaft

Stratmann	Köpke
Auditor	Auditor

SERVICE

FINANCIAL CALENDAR FOR FINANCIAL YEAR 2019/20

Friday	07.02.2020	Quarterly Statement 2019/20 as at 31 December 2019
Thursday	12.03.2020	Annual General Meeting, Leinfelden-Echterdingen
Friday	08.05.2020	Half-Year Financial Report 2019/20 as at 31 March 2020
Friday	07.08.2020	Quarterly Statement 2019/20 as at 30 June 2020
Wednesday	16.12.2020	Publication of Consolidated and Annual Financial Statements Financial Year from 1 October 2019 to 30 September 2020
Wednesday	16.12.2020	Financial Statements Press Conference, Filderstadt
Thursday	17.12.2020	Analyst Presentation, Frankfurt

IR SERVICE

Our homepage offers an extensive IR Service. Apart from finding company reports, analyst reports, financial presentations or information concerning the annual general meeting, you can also put yourself on the mailing list for press and financial announcements.

www.all-for-one.com/ir-english

DISCLAIMER

As far as this annual report contains forecasts, estimates or expectations, these can be associated with risks and uncertainties. The actual results and developments can deviate from the expectations and assumptions made. Changes in the general economic and competitive situation, particularly in the core business divisions and markets, changes in legislation, in particular tax regulations, can cause such deviations. The German version of this annual report is definitive. The company assumes no obligation to update statements made in this annual report.

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