Serviceware
WE LIVE SERVICE!

# Annual Report 2017/18

# Ratios

## Ratios of the IFRS Consolidated Financial Statements

| in EUR million | 2017/2018 | 2016/2017 |
|---|---|---|
| ***Profit and loss account*** | | |
| Sales revenues | 55.2 | 44.4 |
| - thereof service / SAAS | 16.3 | 11.8 |
| EBIT | 2.7 | 5.6 |
| Adjusted EBIT* | 4.1 | |
| Earnings before taxes | 2.5 | 5.4 |
| Adjusted earnings before taxes* | 3.8 | |
| Earnings after taxes | -1.1 | 4.6 |
| Adjusted earnings after taxes* | 3.4 | |
| | | |
| ***Balance sheet*** | | |
| Cash and cash equivalents | 53.7 | 9.0 |
| Equity | 59.5 | 4.4 |
| Borrowings | 36.3 | 27.1 |
| Total assets | 95.8 | 31.5 |

## Information about the share

| | |
|---|---|
| ISIN / Ticker symbol | DE000A2G8X31/SJJ |
| Segment – stock exchange | Prime standard (regulated market) - Xetra |
| Outstanding shares | 10.5 million |
| Free float | ca. 37.2% |
| Xetra year-end price (on 28.12.2018) | EUR 16.12 |
| Market capitalisation on 28.12.2018 | EUR 169.3 million |

## Further information

| | |
|---|---|
| Fiscal year | 1 December – 30 November |
| Registered office | Bad Camberg |
| Headcount | 378 (ON 30 NOVEMBER 2018) |
| Reporting | IFRS |

* These ratios were adjusted by the IPO costs (around EUR 1.4 million) as well as a non-recurring tax effect in connection with the IPO (around EUR 3.2 million). The two non-recurring expenses do not affect the operating business of Serviceware SE.

# Content

# Dear Shareholders

Fiscal 2017/2018 was equally exciting, challenging and successful for Serviceware SE. One highlight is certainly standing out: our successful initial public offering (IPO). Serviceware has been listed in the Prime Standard of the Frankfurt Stock Exchange since 20 April 2018.

The cash inflow from the IPO of a gross EUR 60 million is currently planned to be used for our further corporate growth with the objective of expanding our market leadership in Europe. In concrete terms, we see a high potential in the intensification of our sales activities, more particularly for large companies, in the extension of our product portfolio, in the continuation of our internationalisation as well as the recruitment of new employees for the implementation of our growth strategy. These growth pillars are the same we presented during the roadshow prior to the IPO – and up to now we have fully kept our promise: the successful acquisition of SABIO GmbH in summer 2018 strengthens our Enterprise Service Management offering by adding a leading knowledge management solution and steps up our possibilities to address international markets with an extended product offering. Moreover, we set up our sales subsidiaries in the United Kingdom and in Sweden during the second half of 2018. At the end of the fiscal year our headcount amounted to 378.

Dr. Alexander Becker, COO | Dirk. K Martin, CEO | Harald Popp, CFO

All these measures are investments into the future and are to contribute to a sustainable increase in the value of our company and boost the earnings of the Group step by step. Of course, we had to make investments in connection with these measures. In fiscal 2017/2018 these investments in organic and inorganic growth totalled EUR 8.8 million. Around EUR 0.8 million were expensed during the reporting period and hence reduced the earnings. Recurring revenues based on new customers, are, however, likely to significantly overcompensate these scheduled effects of fiscal 2017/2018 during the coming years. Furthermore, we assume that we will achieve a higher operational efficiency in the medium term. The measures taken in 2018 were the first steps towards this objective.

Serviceware generated in fiscal 2017/2018 total sales revenues of EUR 55.2 million. Compared to the prior fiscal year 2016/2017, sales revenues increased by EUR 10.8 million or 24.4%. EUR 16,3 million of the 2017/2018 revenues were accounted for by the segment Service / SaaS (Software as a Service) – a high 39% improvement in a segment in which we see particularly high growth potential for the future and which is, therefore, particularly important for us.

Personnel expenses which increased by around EUR 4.9 million versus 2016/2017, the other operating expenses which increased by around EUR 2.7 million as well around EUR 5.7 million higher cost of materials resulted in the consolidated operating result (EBIT) decreasing versus 2016/2017 by EUR 2.9 million or by around 51.2% to EUR 2.7 million. When considering the non-recurring expenses for the IPO of around EUR 1.4 million, which do not have any effect on our operating business, the adjusted EBIT amounted to EUR 4.1 million.

The consolidated profit and loss account shows in the earnings after taxes a loss of EUR 1.1 million (prior year: +EUR 4.7 million). The minus in earnings after taxes is, however, based apart from the non-recurring IPO costs mentioned above, on a further non-recurring effect: the taxation of gains arising from contributions as a result of the IPO amounted to around EUR 3.2 million. Earnings after taxes adjusted for this non-recurring tax effect amounted to EUR 3.4 million.

The generated revenues as well as the operating expenses are within the range of the business planning for the reporting year 2017/2018. We are very satisfied with the development of our operating business and confident that we can outperform the values reached in fiscal 2018/2019.

Our business model has been based since the company's foundation in 1998 on our conviction that services are the USP for companies in all industries. An increase in service quality vis a vis (internal and external) customers will have a positive impact on customer loyalty for every company and will also be reflected by the sales revenues. A higher efficiency and consistency in cost controlling during service provision and management has a positive effect on costs. Serviceware supports customers with specific, integrated software solutions and services on the revenue and expense side. As a leading provider of IT solutions for enterprise-wide service management, we are perfectly positioned for the future with this business model.

We wish you an interesting reading and thank all our shareholders as well as all our customers and business partners for their trust. And we thank our employees for their excellent work in fiscal 2017/2018.

Yours sincerely

| | | |
|---|---|---|
| Dirk K. Martin | Harald Popp | Dr. Alexander Becker |
| CEO | CFO | COO |

# Serviceware –

## the experts for digitising and automating service processes

Serviceware was set up in 1998 and is today one of the leading providers of software solutions to digitise and automate service processes with which companies can step up their service quality and efficiently manage their service costs. The software solutions of Serviceware are compiled in an integrated and modular Enterprise Service Management (ESM) platform, which currently includes (first quarter 2019) the four software solutions helpline, anafee, Careware and SABIO (see diagram) and is to be further extended in future.


For the introduction of digital services to be successful, the overall solution of Serviceware also encompasses consulting and the development of concepts for the implementation of a corporate service strategy. The portfolio of services is supplemented by the necessary Managed Services and Infrastructure solutions for a safe and reliable operation of the Enterprise Service Management platform.

With more than 700 customers the company is one of the leading providers of service management software in Europe. They include nine of the 30 DAX companies as well as four of the seven largest German companies.

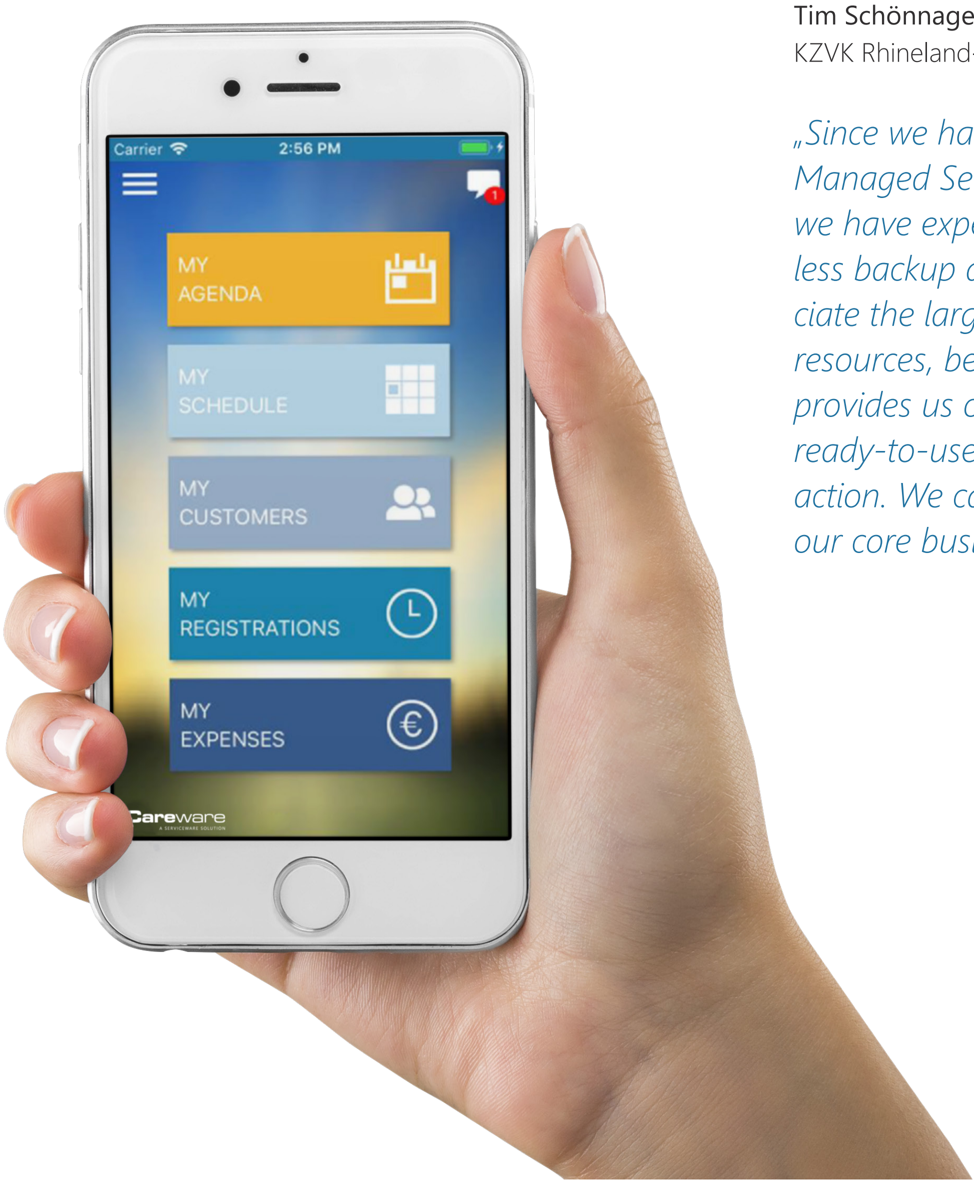
Serviceware has five locations in Germany and further subsidiaries in the Netherlands, Austria, Sweden, Switzerland, Spain and the UK as well as another development site in Bulgaria. The sales activities are likewise focusing on these countries. Following the acquisition of SABIO, the company now also has a stronger worldwide customer base. The further internationalisation of the overall business is scheduled for the coming years.

Serviceware
WE LIVE SERVICE!

### Enterprise Service Management Platform

Service is a highly complex and diverse business which concerns both internal employee and external customer processes. To allow companies to fully meet the challenges of service provision, Serviceware makes available a unique offering of solutions and consulting on the digitisation and automation of services on all corporate levels. The Enterprise Service Management platform consists of the stand-alone solutions helpLine, anafee, Sabio and Careware. Customers benefit from:

- The consistent digitisation of the entire service process;
- A central access to all service solutions offered;
- The optimisation of the processes in customer service, HR, IT service and facility management;
- Maximum efficiency and the optimal balance between service quality and service profitability




**Tim Schönnagel,** IT Project Manager, KZVK Rhineland-Westphalia

*„Since we have been using the Managed Services of Serviceware, we have experienced considerably less backup aborts. I also appreciate the large saving of time and resources, because Serviceware provides us on a regular basis with ready-to-use recommendations for action. We can fully concentrate on our core business."*

MIGROS

*"MIGROS manages three completely different service areas successfully with Serviceware: the enquiries of all our customers on our products, the branch support processes of all Swiss stores and last but not least the IT service for the entire group of companies."*

**Christian Calabro,** Head of the Business Unit M-Group

# Highlights 2018

helpline is according to the RIA Study the best solution for IT and enterprise service management

## APRIL

Successful IPO – 1st trading day in the Prime Standard on 20 April 2018

## MAY

anafee recognised by the international RIA Study as the best IT financial management software solution

## JULY

Takeover of the knowledge management specialist SABIO

## AUGUST

Market entry in the United Kingdom and opening of an office in Farnborough near London

Relocation of the Berlin office to Friedrichstrasse on 31 August 2018

## OCTOBER

1st Coding Convention at the Hürth location with all international R&D teams

## NOVEMBER

1st Serviceware Forum in Wiesbaden brings customers and partners together

Further boost in growth through the opening of offices in Sweden and relocation as well as enlargement of the office in Vienna

## DECEMBER

20 years of Serviceware: this was celebrated with a great party on 7 December 2018

The quarterly results confirm the dynamic sales revenue development and continuation of the profitable growth

# 20 Years of Serviceware

## - 20 years of excellent service -

Continuous development of the product portfolio towards an Enterprise Service Management platform

**1998**
Setting up of PMCS GmbH & Co KG as the first company of today's Serviceware, with a maxim which has not changed until today **– top customer satisfaction is created by customer orientation.**

**2003**
Integration of **helpline** into the existing product portfolio and hence extension by adding an IT service management solution.

**2012**
The field service and resource planning solution **Careware** is now part of the product portfolio.

**2014**
**anafee**, the solution for financial management, supplements the service portfolio of the company.

**2018**
The PMCS.helpline Software Group becomes Serviceware SE. With the acquisition of **SABIO**, a knowledge management solution is now part of the product offering.

# Our Mission Statement

Our heart beats to provide companies, which want to offer their customers through the **digitalisation** of their **service portfolio** the **best possible service**, with everything they need from one single source: **strategy & business model, service software** as well as **infrastructure** and its **operation**.

# A Milestone in Serviceware history: The IPO in April 2018

The Managing Directors and the Administrative Board celebrate the first trading day at the Frankfurt Stock Exchange.

20 April 2018 was a particular highlight for Serviceware: on this day the Serviceware share was listed for the first time in the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The first price of the Serviceware share was fixed at EUR 24.005. The shares had been offered before within the framework of a public offering in a price range from EUR 22.50 to EUR 27.50 per share. The placement price amounted to EUR 24.00.

Commerzbank Aktiengesellschaft and Hauck & Aufhäuser Privatbankiers Aktiengesellschaft acted as joint global co-ordinators and joint bookrunners for the successful IPO. An essential success driver for the IPO was the active addressing of potential institutional investors within the framework of a roadshow. For the IPO around 60 investor talks were conducted in seven cities.

The initial public offering included a total of 3,703,000 shares, including 2,500,000 shares from a capital increase against cash contributions as well as 720,000 existing shares from the holdings of the existing shareholders plus 483,000 shares as greenshoe option. All shares were placed. The offering was clearly oversubscribed. The issuing total amounted to EUR 88.9 million. The gross issuing proceeds for Serviceware amounted to EUR 60 million. These new funds are to be used to finance further growth.

# Acquisition of SABIO GmbH

## Manage knowledge simply and centrally

Effective 30 July 2018 Serviceware took over all shares of SABIO GmbH. SABIO is a leading provider of knowledge management solutions with a strong national and international customer base including numerous large groups. The integration of the SABIO solution into the Serviceware ESM platform results in significant cross-selling potentials. Moreover, the international sales activities can be further stepped up. As a result of the business model of SABIO oriented towards Software as a Service (SaaS), the share of SaaS revenues in the total consolidated sales revenues is significantly increased.

With SABIO, companies organise their knowledge, make it centrally available and can share it rapidly with all relevant teams and customers. As a "single point of truth", the solution leverages its strengths in particular in customer service: because long waiting times, endless forwarding to service hotlines or lack of ability to provide information of service employees become a thing of the past. The knowledge management solution includes, amongst other things, a high-performance search engine, a knowledge tree for efficient workflow organisation and a rights and role management tool and will supplement the existing three modules of the ESM platform (helpline, anafee and Careware). Leading market research institutes emphasise the increasing importance of context-sensitive knowledge management, in particular in self-service processes of customers. Because the solution is equally available as an FAQ source, for instance on websites or apps, to provide customers already with answers before they have to contact the service team. Through the combination of knowledge management and artificial intelligence, service processes of different complexities can be optimised further. The resulting potentials will be increasingly leveraged by Serviceware in future.

SABIO
A SERVICEWARE SOLUTION

dpd

*"SABIO is a clearly and neatly structured knowledge database that assists training new staff and supports all employees when it comes to the dissemination of knowledge. It also has a decisive impact on maintaining consistently high quality customer support."*

**Dirk Benninghaus,** Project Lead, DPD Deutschland GmbH

SABIO Knowledge Management

Organise knowledge, make it available centrally and share it rapidly with relevant teams and customers: SABIO is the knowledge management solution of the ESP. Long waiting times, endless forwarding to service hotlines and lack of ability to provide information of service staff are hence put to an end. SABIO is searching and the service employees and customers find exactly the knowledge they need.

- SABIO is a "Single Point of Trust" for all service employees
- For customers this means: quick response times to their enquiries and competent information in the event of queries
- SABIO is also available as an FAQ source, for instance on web pages or apps, to optimally support the customer
- With SABIO companies equally thrill their employees and customers – through excellent service and a consistent knowledge base

With more than 180,000 users in more than 200 companies from different industries, SABIO is the market leader system for knowledge management.

Its customers also include DPD Deutschland GmbH. With more than 68,000 employees and a daily dispatch volume of more than 4.8 million parcels in 230 countries, DPD is one of the leading CEP service providers. To significantly increase the quality and response times when answering customer queries and enhance customer satisfaction, the dispatch service provider focuses on SABIO knowledge. In the past information was scattered around the company, content was partly outdated, and every department had its own portals and databases. The central knowledge management creates order by centrally organising the company-wide knowledge for an efficient customer consulting. All employees have a uniform state of knowledge and port of call at their daily work. This ensures an increase in quality when answering external service enquiries – and a higher employee and customer satisfaction.

# Opening of further sales locations in the United Kingdom and Sweden

With the market entries in Austria and Switzerland, Serviceware started sales activities outside Germany already in 2003. The goal of the internationalisation strategy has always been the extension of the customer base. In 2012 the Netherlands and in 2017 Spain were following.

In 2018, Serviceware has continued the internationalisation of its sales activities. With the foundation of SERVICEWARE SE UK LIMITED, the market entry in the United Kingdom, the largest IT market in Europe, was implemented. With Ronnie Wilson a recognised industry expert took over operational responsibility for the UK and supports all international activities of Serviceware outside the Germany-Austria-Switzerland region.

With the foundation of the Swedish subsidiary Serviceware AB with registered office in Stockholm, the market entry in Sweden took place in 2018. Serviceware has had a large Swedish customer already since the beginning of 2018 and sees further growth potential. Sweden is the first step of Serviceware into the strategically relevant software market Scandinavia.

Serviceware will continue to push its internationalisation. The focus will lie on the expansion of sales activities in Europe.

# The Market – Trends and developments

Excellent service is today an important factor in companies to cope with international competition in the long term. Only companies offering good services will be able to meet the constantly growing demands of customers in future as well. With a focus on satisfied customers, the company creates the basis for sustainable profitable growth. Consequently, software solutions which improve service quality and step up service profitability are increasingly in the focus of companies. With Enterprise Service Management tools (ESM tools), which make their way to an increasing extent throughout the entire organisation, starting from IT departments, companies professionalise their services. Serviceware is the partner of choice for all aspects of digitisation of the service offering. ESM tools, with the integration of Artificial Intelligence and knowledge management systems as a basis for sustainable corporate success.

## Enterprise Service Management

### *In future every company will become a software and hence also a service company*

The current IDG Study Enterprise Service Management 2019 shows: 88% of the companies surveyed intend to invest more money in IT service management and ESM during the coming months. Proceeding from IT services, the service concept is increasingly integrated into the entire corporate landscape. The focus is on an improvement of the business processes, together with a higher efficiency of the organisation. With an integrated platform solution, processes can be optimised and costs saved. The customer benefits, furthermore, ensure improved sales opportunities. After cloud computing, ITSM and security as dominating topics of the IT departments, ESM has hence the potential to play an increasingly important role in corporate development in future.

With the ESM platform of Serviceware, companies can save costs and optimise service processes within the framework of an integrated concept. The Serviceware solutions are characterised by a high user friendliness which also entails a rising customer satisfaction.

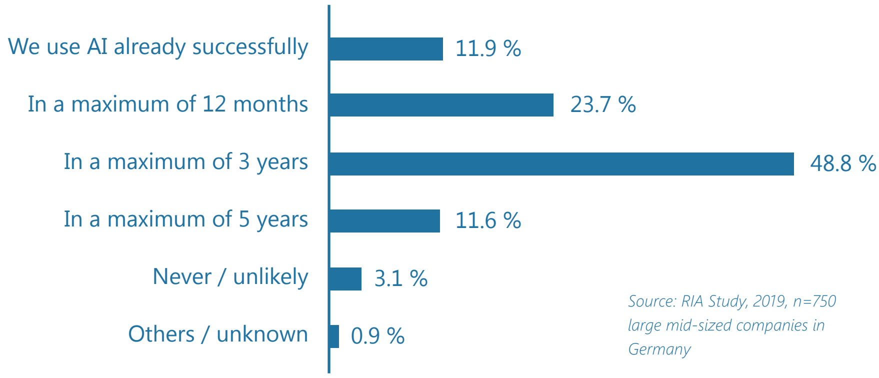
The ambition of Serviceware is to offer a leading ESM technology. The module helpLine for service process management shows how well this succeeds. For the second time in a row this solution has been distinguished by the independent research and consulting company Research in Action as leading software for ESM (Source: RIA Study, 2019).

# Artificial Intelligence

## *According to the RIA Study, Artificial Intelligence will have established itself in service management in three years*

With Artificial Intelligence (AI), software solutions are to reflect intelligent behaviours so that they can be used automatically. Many companies all over the world plan with AI a simplification of customer communication and the automation of operating processes. Consequently, AI also plays an important role in the field of ESM. Due to the developments in this area, its significance is likely to further rise in future.

The increasing relevance of AI is also reflected by a survey amongst decision makers of the largest mid-sized companies in Germany. Only little less than 12% of the companies are today already relying on AI in the context of Enterprise Service Management. In three years already around half of the companies want to use AI in the area of service management. An optimisation of corporate processes with an improved service quality and lower service costs with a simultaneous maximum transparency is the declared goal. AI is one of the drivers of the development.




*Source: RIA Study, 2019, n=750 large mid-sized companies in Germany*

As a result, AI will in future play an increasing role within the ESM platform of Serviceware as well, with the objective of continuing to step up added value for the customers.

# Knowledge Management

## *Centralised knowledge is the basis for corporate success*

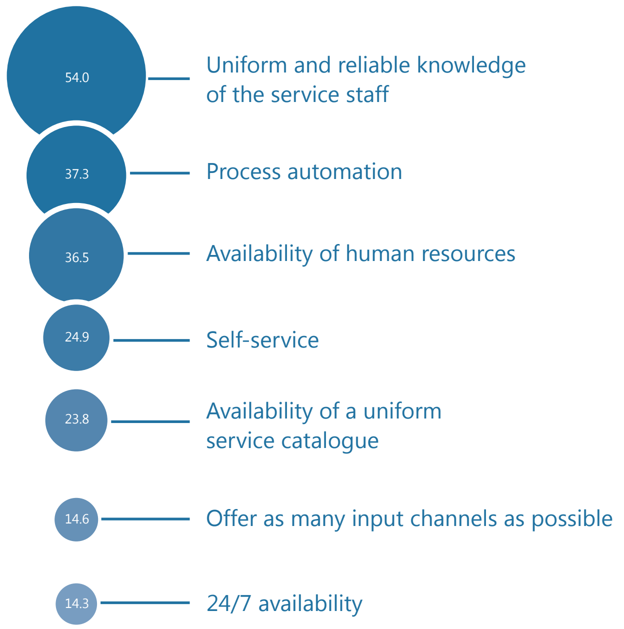
The knowledge of the company is the heart of the organisation. Consequently, dealing with this knowledge is of decisive relevance for the successful development of a company. By integrating a knowledge management system (knowledge management) into the ESM platform, the efficiency of services can be further increased. The structured collection and organisation of the entire knowledge of the company takes centre stage in this respect. In this way it is possible to quickly access important information, and the processing of the data is carried out in a way that allows employees to rapidly collect and process important contents. In the field of customer service this is a decisive competitive edge: service employees access a central and reliable source and customers receive quick answers to their enquiries. As a result of the combination of knowledge management with Artificial Intelligence, further opportunities will arise in future to optimise the corporate processes and service procedures.

Uniform and reliable knowledge of the service staff is the most important prerequisite to a satisfying service quality – this is the result of the already mentioned Enterprise Service Management Study 2019 by IDG Research Services.

Knowledge is the basis for good service. Long term corporate success appears to be only possible if the organisation is positioned in a service-oriented and efficient manner – and customers can rely on a professional service. The ESM platform of Serviceware stands for excellent service and happy customers.

### What are in your opinion the essential guarantors for a satisfying service quality?

Figures in percent. Multiple answers possible.




*Source: Study Enterprise Service Management by IDG Research Services in cooperation with Serviceware, Munich 2019*

helpLine
A SERVICEWARE SOLUTION

SITA Airport IT GmbH

*"We have been impressed that helpLine can map very complex processes and is at the same time so easy to operate."*

**Mario Pflaum,** Team Manager Change Management, SITA Airport IT GmbH

### helpLine Service Process Management

helpLine is the tool of choice for the automation of service processes in companies. The system ensures a quick and cost-efficient management of the internal and external service processes – in IT, HR or customer service. Customers benefit from a comprehensive service offering in helpLine:

- A service catalogue secures a structured and transparent representation of the service offering – digitally and transparently.
- Through the automation of all workflows the quality in processing of service enquiries increases. The response time for answering decreases.
- Users cannot only make service enquiries but also understand the processing status transparently.
- The high-performance BI and reporting function offers a good decision basis concerning service provision.

One of the more than 500 helpLine customers is SITA Airport IT GmbH. SITA is the IT service provider of Flughafen Düsseldorf GmbH and deals with the entire communication and IT infrastructure of the Düsseldorf Airport – and hence makes a decisive contribution to a smooth organisation of flight operations. Around 120 employees from seven different specialist fields are dealing on a daily basis with the IT services for Düsseldorf Airport as well as for more than 200 additional customers, including airport operators, airlines and airport-related services, such as hotels. Every month, the IT department receives up to 1,000 helpdesk calls and 300 job enquiries – and these must be met under time pressure: in a maximum of 45 minutes service enquiries must be resolved. Otherwise this leads to delays in the entire flight plan. With helpline, SITA has found a central service process solution which optimally meets these requirements.

# Experienced, international, perfectly coordinated - Serviceware is teamwork

## *Focus on internationalisation: Ronnie Wilson and his team conquer the British market*

The fact that Ronnie Wilson received already as a 29-year old founder of his own software company an invitation of Iron Lady Margaret Thatcher to the famous 10 Downing Street was certainly a highlight of his then still young professional career. The fact that he contributes today decades of experience in the international software business to Serviceware is great luck for the company. And an even more important step to reach the planned international growth objectives. The decision in favour of Serviceware was not difficult for Ronnie Wilson: "Serviceware develops its own software solutions, has a very good market position, known credentials and a clear vision of the future. This has convinced me."

Ronnie Wilson is Group Executive Vice President and in charge of the internationalisation strategy of Serviceware. Since September 2018 he has run the subsidiary in the UK and knows the IT market like nobody else. "The development of the past years shows that companies demand constantly more for less: more sales revenues for lower overall costs, a clear rise in profits and margins, constantly more performing products in conjunction with an optimum service experience," says Ronnie Wilson. "Moreover, subjects such as automation and digitisation continue to mark the market and customers demand increasingly digital solutions for their requirements in the service business. Our task is to meet these developments also in future with our innovative software solutions in combination with the investment in further specialists."

Apart from the start of his IT career with his own software company, Ronnie Wilson boasts more than four decades of experience in the IT industry. For more than 11 years he acted as Group CEO of an English FTSE Techmark Global software company and was in charge of some of the largest US technology companies as Senior Corporate Executive. "Serviceware is about people and culture. The investment in human capital is, therefore, just as important to achieve our high ambitions concerning growth and further development. I am convinced that we are well prepared for the future," Ronnie Wilson sums up.

## Sebastian Schmidt: From apprentice to Head of Customer Support & Managed Services

Grow with the company, not lose sight of one's goals and master new challenges every day: when Sebastian Schmidt looks back on his career at Serviceware, it was mainly the numerous development opportunities that convinced him to stay with the company until today. In 2004 he started his apprenticeship as IT specialist for system integration and moved 110 km from his home town to Bad Camberg – a step that he has not regretted.

"Already during the second apprenticeship year I had the opportunity to take over responsibility and develop together with a colleague the then newly set up IT Security Consulting area. One year later, I went to see customers and implemented projects independently. Of course, always with the support of colleagues in the background. And after the completion of my apprenticeship and the changeover to IT Security Consulting, I took over additional responsibility for our internal IT department," Sebastian Schmidt remembers. "If you show commitment and work in a target-oriented manner, you receive the necessary trust at Serviceware. This has not changed until today. The corporate spirit and the possibility to develop constantly further: that's what is characteristic about working at Serviceware."

Customer Support & Managed Services, for which Sebastian Schmidt is today responsible on a company-wide basis, is a major pillar of the solution offering of Serviceware. The success of the company is, therefore, also a result of the work of Sebastian Schmidt and his 40-strong team. In the field of Managed Services, Serviceware ensures the optimum operation of the software solutions. In its own data centre in Frankfurt am Main the company ensures safe hosting and the operation of the solutions in the Serviceware private cloud. The system check service supplements the portfolio to add a regular analysis of the infrastructure by Serviceware specialists. Optimisation potentials can, for instance, be proactively identified or potential sources of errors can be remedied at an early stage.

## User Experience is created in the Netherlands: Hanneke Jacobs runs the Design Centre

Decode complex problems, translate customer requirements into simple logics and develop user friendly solutions: this is what Hanneke Jacobs is living for. She is the Head of the Design Team of Serviceware based in Leiden, Netherlands, and has been on board for almost 12 years. After her graduation in industrial design, she decided to enter the tech industry. At Serviceware she had right from the outset the opportunity to participate in many different projects and was given insights into consulting as well as sales and marketing activities.

Today she is in charge with her team of an optimal user experience (UX) at the application of the software: the task of the Design Centre is to ensure a consistent user friendliness in all Serviceware solutions – without any loss of functionality. "Based on the requirements, a prototype is created, which is intensely tested before it actually goes to programming. In this way we identify before the go-live where optimisations in terms of functionality and user experience are necessary. Consequently, we develop the absolutely best solution together with our team."

The UX team in Leiden is continuously growing: "We want to further increase our team and our skills over the next years. Due to the ongoing internationalisation of Serviceware, we plan, for instance, to deploy a UX designer at other locations, in order to meet the requirements of our customers on site even better," says Hanneke Jacobs. What is her motivation? "Once we have developed a solution and our customers actually experience the added value that we have created. And have hence been able to contribute to a significant increase in quality in application – then I know that we have done a good job."

## *Full (woman) power in consulting: Nadine Pfleger is in charge of four teams*

The good reputation of Serviceware was already known to her: Nadine Pfleger was familiar with the products of the company long before she decided in favour of a career with Serviceware. When she then felt the spirit of the employees on top, it was clear for her that she wanted to become part of the team.

Eight years ago, she started as an ITSM Consultant and is today in charge of a total of four teams with 26 employees. As Head of Process & Delivery Management, she deals

anafee
A SERVICEWARE SOLUTION


FINVIS Business Services GmbH

*"We have become more transparent and quicker. In the planning rounds I save three to four weeks through anafee."*

Wolfgang Stein, FINVIS Business Services GmbH

anafee Financial Management

Transparent, cost-efficient and simple: with anafee companies optimise the financial management of their IT and shared service costs significantly – and contribute to an increased service profitability. anafee puts an end to complex and error-prone activities based on complex spreadsheet applications. With the financial management solution customers benefit from:

- The automation of the entire budgeting and billing process
- A transparent and clear breakdown of individual company-wide services
- A significant cost optimisation through the identification of cost drivers
- The accounting and billing of the entire service consumption

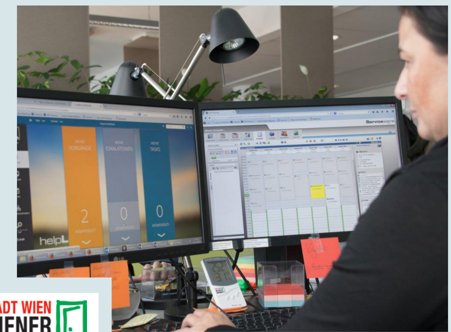
FINVIS Business Services GmbH is fully convinced of these benefits. With anafee the company has brought about transparency in respect of the costs and services of its group-wide finance and accounting shared services. The solution allows FINVIS to structure its services in an economically more efficient manner and orient them closer to customer needs. As an independent service provider with an annual service volume of around EUR 4.5 million, FINVIS is in charge of the entire financial accounting for 110 customers within the Group as well as external corporate customers. The standard services of the service catalogue including 34 products encompass general accounting packages, standard postings, cash assets and financial clearing. With anafee, FINVIS saves three to four weeks in planning rounds, charges up to 90% of its shared service costs proportionately and to those who cause them and has maximum transparency in all cost flows.

mainly with customer support and the development perspectives of the internal PSO (Professional Service Organisation) department. The PSO teams accompany customers from first consulting across the entire project cycle. The portfolio of tasks includes process consulting, the validation of customer requirements and the individual organisation of the defined processes. After the completion of the project, Nadine Pfleger and her teams continue to be available to the customers.

"IT is no longer a male domain. The contrary is the case," says Nadine Pfleger. "Women often contribute decisive properties which are in particular paying off in customer support. In Consulting employees are given a very exciting job profile with a mature career model in order to be able to develop along one's skills." The decision in favour of the IT industry has, therefore, not at all been regretted by Nadine Pfleger. With her technical background she can understand and assess technical details much better in her current position. These are the optimal prerequisites to take the PSO organisation with the support of her teams safely into the future.

"For the expansion strategy of Serviceware we clearly see as a team that growth is not only measured in terms of external parameters such as sales revenues or short-term profits. Internal parameters are just as important, to provide our customers with the best possible service. In this connection we have implemented and optimised processes and services, created competence centres, developed international partnerships and maintained a high employee satisfaction. Our expansion course hence becomes a win-win situation for customers and employees alike. This is the basis for another year of sustainable and valuable growth. Because at Serviceware we do not wait for the future."

Careware
A SERVICEWARE SOLUTION



STADT WIEN WIENER WOHNEN

*"The software of Serviceware is a web-based solution, offers an optimum web support, is workflow-based, includes a planning module and convinces with its design and transparency. The whole package is simply right."*

**Philipp Powazka,** Team Leader, Building Physics Customer Service, City of Vienna - Wiener Wohnen Kundenservice GmbH

Careware Service Resource Management

Maximum resource efficiency, minimised planning expenditure and reduced costs: with Careware, Service Resource Management companies are planning the optimum deployment of their staff, prepare the perfect route for the fulfilment of the service tasks on site and save a significant amount of time. The quality in field management increases. In 2018 alone around 4 million care appointments were, for instance, planned in the Netherlands via Careware. The software supports the entire process – from contract awarding to billing:

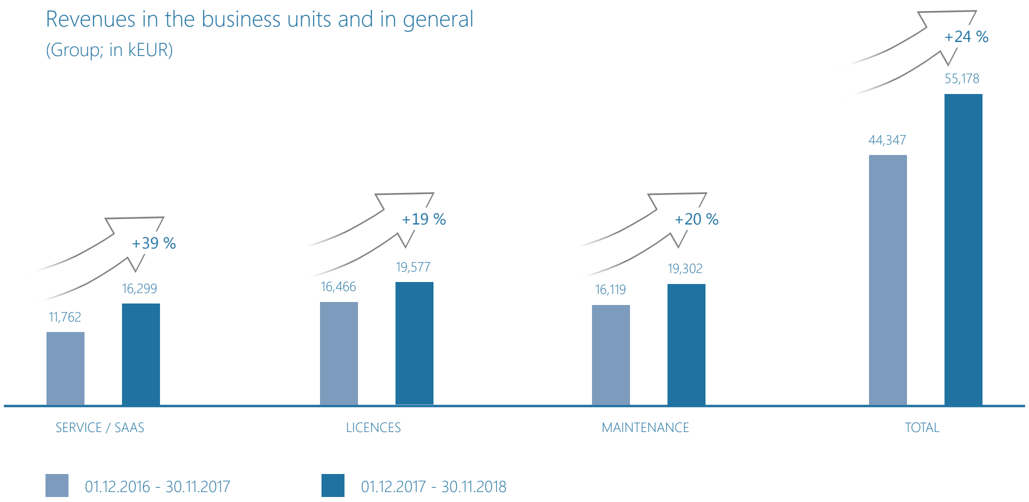
- Optimum resource and deployment planning, taking into account factors such as employee qualification or working time model
- Flexibility through the location-independent deployment planning with the Careware Field Service app
- Transmission of digital performance records in real time
- Significant increase in quality in customer service

The City of Vienna - Wiener Wohnen has used Careware, for instance, for years in appointment and deployment planning in field service. The agency of the Municipal Authority of the City of Vienna is the largest municipal facility manager in Europe. Tenants are reporting every year around 6,500 maintenance cases. In order to rapidly process this high number of enquiries and efficiently manage the personnel deployment, the building physics customer service of Wiener Wohnen utilises the field service management solution. With the app, the employees and teams have also access to the software on the go and ensure a complete documentation of the tenant visits. Furthermore, the upload of pictures is directly possible into the app – a genuine plus for digital customer service.

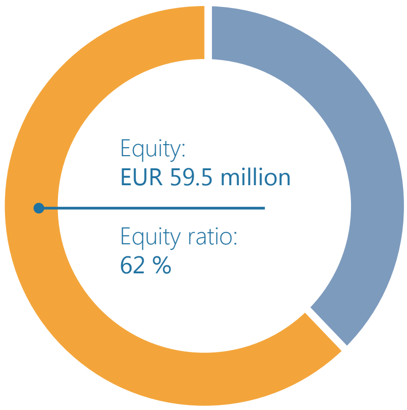
# Ratios 2017/2018

## Positive revenue development in fiscal 2017/2018

Revenues in the business units and in general
(Group; in kEUR)

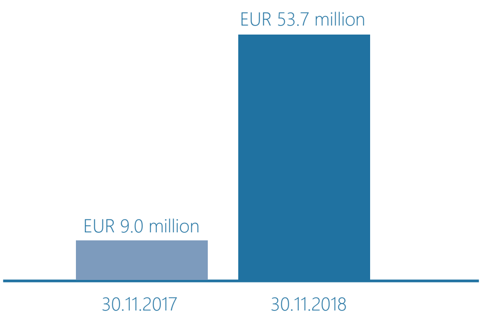



Serviceware SE has a sound capital structure
(30.11.2018: Group; IFRS)




Total assets: EUR 95.8 million

Successful IPO results in significant increase in liquid funds
(Group; IFRS)



# The Serviceware share in 2018

## Stock markets nationally and globally

The DAX Index lost around 18% in value in 2018. Such a big loss had not been suffered since the financial crisis in 2008. The TecDax lost around 4.2% in 2018 and the indices MDAX and SDAX had to put up with losses as well. Apart from these German indices, the stock indices in 2018 experienced a nosedive all over the world in 2018. The EURO STOXX 50 Index dropped by around 14% in 2018 and the US S&P 500 Index by around 8%. In global terms, the trade dispute of the USA with China could intensify at any time and then also burden Germany as an export nation. The forthcoming exit of the United Kingdom from the European Union represents an additional uncertainty for investors. The budget dispute between the EU Commission and the Italian government showed the market how fragile the economic situation in the Eurozone continues to be. Investors were, moreover, no longer able to rely on the loose monetary policy of the European Central Bank, because the ECB exited, as announced, the buying programme for government bonds. On the other hand, the US Fed has increased its most important key lending rate four times in 2018 to by now 2.5%.

## Share price of Serviceware SE

Since 20 April 2018 the Serviceware share has been listed in the Prime Standard of the Frankfurt Stock Exchange. The first quoted price in the electronic trading system Xetra amounted to EUR 24.005. After the IPO and until September 2018 the share price moved between EUR 23.75 and EUR 26.52 as a high on 3 September 2018. From September 2018 onwards many technology companies suffered sharp setbacks in stock prices. The share price reached its low on 27 December 2018 at EUR 14.90. At the end of December 2018 a recovery phase of the share price started and the share developed in January 2019 back to a price level of EUR 20-22. The Xetra year-end price was EUR 16.12.

## Stock Exchange activity 2018

Between 20 April and 28 December 2018 a total of 703,308 Serviceware shares were traded on Xetra. This corresponds to 18% of all shares in the free float (ca. 37.2%). The 2018 trading volume totalled on Xetra EUR 15.4 million. On the average of the 175 trading days since the IPO of Serviceware, 4,019 shares were traded on Xetra and the average trading volume per Stock Exchange day resulted in EUR 88,255.

## Analyst coverage

Analysts of Commerzbank and Hauck & Aufhäuser have observed the business development of Serviceware and have regularly published analyst studies. At the time of drafting this Annual Report (first quarter 2019) the assessments of the two banks were as follows:

| Bank | Last update of | Recommendation | Upside target |
|---|---|---|---|
| Commerzbank | 16.10.2018 | Buy | EUR 30.00 |
| Hauck & Aufhäuser | 23.10.2018 | Buy | EUR 30.00 |

## Investor Relations activities

With the listing in the Prime Standard of the Frankfurt Stock Exchange Serviceware is subject to particular transparency demands. Interim reports were published on the different quarters and for the fiscal year 2017/2018 this Annual Report is published. Through regular corporate news and ad hoc disclosures the capital market is informed about news concerning Serviceware SE. The corporate website provides all interested parties with comprehensive information on the company and the share. All the communication documents are made available in German and in English.

In November 2018 Serviceware participated in the German Equity Forum in Frankfurt am Main. Within the framework of a company presentation as well as in individual and group talks many investors, analysts and journalists were given explanations on the business model and the business development. Moreover, the managing directors were available for talks to interested investors at investor roadshows in Paris, London, Zurich and Frankfurt am Main as well as in many investor meetings and telephone conferences.

## Further information

| | |
|---|---|
| ISIN / Ticker symbol | DE000A2G8X31 / SJJ |
| Segment / Stock Exchange | Prime Standard (regulated market) / Xetra |
| Number of shares outstanding | 10.5 million |
| Free float | ca. 37.2% |
| First price at IPO on 20.04.2018 | EUR 24.005 |
| Annual high | EUR 26.52 |
| Annual low | EUR 14.90 |
| Xetra year-end price | EUR 16.12 |
| Market capitalisation on 31.12.2018 | EUR 169.26 million |
| Designated sponsor | Hauck & Aufhäuser |
| Analyst coverage | Hauck & Aufhäuser, Commerzbank |

# Letter from the Administrative Board

Dear Sir or Madam,

2018 was an extraordinarily eventful year for Serviceware. After the successful IPO in April, the company set another milestone in its 20 year history with the acquisition of SABIO in July. The knowledge management solution supplements the existing solution portfolio of Serviceware optimally and offers customers decisive added values to consistently push digitisation in their companies. Through the setting up of further European locations in the United Kingdom, Sweden and Bulgaria, Serviceware, moreover, extends its market penetration and access to qualified personnel. In combination with the further development of the HR strategy, which had been another central topic of the past fiscal year, these are decisive components to continue to advance the selected growth strategy. The Administrative Board has great confidence in the decisions taken by the Managing Directors and is convinced that this is the right approach to take Serviceware in future to a clear growth course.

The Administrative Board has fulfilled in fiscal 2018 the tasks and obligations in accordance with the law, the statutes and its internal regulations with greatest care. The body convinced itself at all times of the lawfulness and regularity of the management. We have constantly been available in an advisory capacity in our function and have jointly developed the management of the company with the goals set in an ongoing dialogue with the Managing Directors. The Administrative Board was at all times involved in all decisions which were of direct relevance for Serviceware. This was done, more particularly, through the transparent management by the Managing Directors.

## Meetings of the Administrative Board

In four ordinary meetings of the Administrative Board, the Managing Directors have regularly reported comprehensively in writing and orally about the current situation of Serviceware SE and informed about all important aspects and business transactions of the company. The members of the Administrative Board were provided in due time prior to all the meetings with all relevant information and had at all times the possibility to critically deal with the reports and draft resolutions submitted by the Managing Directors. In this way it was possible to make suggestions without any problems. The reports on the position and development possibilities of the company were discussed constructively by the Administrative Board and the Managing Directors.

The Administrative Board had between the meetings an ongoing exchange of information with the Managing Directors about the current business development.

The meetings of the Administrative Board focused on the following topics:

## Focal topics of the deliberations in the Administrative Board

1st Quarter 2018

At the extraordinary general meeting of Atrium 126. Europäische VV SE, the predecessor company of Serviceware SE, the number of members of the Administrative Board was extended to three on 30.01.2018. The following were appointed members of the Administrative Board effective 30.01.2018:

Mr Jean Christoph Debus (Chairman)
Mr Harald Popp (Deputy Chairman)
Mr Ingo Bollhöfer

The previous member of the Administrative Board, Mrs Conny Leuschner, resigned effective 30.01.2018.

From this date onwards until the IPO on 20 April 2018 the work of the Administrative Board was marked by typical Administrative Board activities such as agreeing contractual framework conditions with the Managing Directors and advising the Managing Directors.

All three members of the Administrative Board participated in the further three meetings of the Administrative Board in 2018.

### 2nd Quarter 2018

At the Administrative Board meeting, the Administrative Board was informed in detail about the successful IPO of Serviceware SE on 20.04.2018 by the Managing Directors.

In order to leverage the momentum of the IPO, first investment projects were presented from inflows of the IPO by the Managing Directors, intensively discussed and released by the Administrative Board. To reach the national and international growth objectives, the investment in national and international sales organisations through new recruitments was, more particularly, approved.

### 3rd Quarter 2018

The Administrative Board accompanied the Managing Directors intensely at the implementation of the inorganic growth strategy.

The risk management system was discussed in detail and improvements, which had become necessary as a result of the IPO, were adopted.

The acquisition of the Hamburg-based SABIO GmbH was finalised, whose leading eponymous knowledge management platform extends the Serviceware Enterprise Service Management platform by the essential “knowledge” component for the provision of services.

Based on the positive interim results of a detailed, comprehensive and careful due diligence, the Administrative Board instructed the Managing Directors during the Administrative Board meeting to enter into a share purchase agreement with the Sabio owners.

This was successfully implemented with the takeover of SABIO on 30.07.2018. In this way the Enterprise Service platform was not only supplemented by another value creating component but the SaaS expertise of Serviceware SE was enhanced altogether, since SABIO has already successfully completed the transformation from a traditional software licence model to Software as a Service.

### 4th Quarter 2018

Apart from growth, innovation is a focus of the exchange between the Administrative Board and the Managing Directors. An innovation driver in service is the use of Artificial Intelligence (AI).

During the Administrative Board meeting, the Administrative Board instructed the Managing Directors to set up an AI innovation lab in Darmstadt with the objective of enabling the use of AI in the Serviceware Enterprise Service Management platform.

The proximity to the University of Darmstadt promises a close interconnection with research to keep up pace with the times and an excellent access to highly qualified specialists.

## Committees of the Administrative Board

The Administrative Board has three members. Consequently, no committees have been set up. All topics were covered together and within the meaning of the highest possible efficiency.

## Composition of the Administrative Board

The members of the Administrative Board are:

- Jean Christoph Debus (Chairman), since 30.01.2018
- Harald Popp (Deputy Chairman), since 30.01.2018
- Ingo Bollhöfer, since 30.01.2018

## Corporate Governance

The Managing Directors and the Administrative Board supervised compliance of Serviceware SE with the rules of the German Corporate Governance Code. The Administrative Board adopted the declaration of conformity in accordance with § 161 AktG on 19.04.2018.

Serviceware meets the overwhelming part of the recommendations of the Code. The few deviations are explained in the Corporate Governance Report which was published together with the declaration on corporate management under https://serviceware.se/en.

## Approval of the Financial Statements

The consolidated financial statements and the consolidated management report of Serviceware SE as well as the financial statements and the management report were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable within the European Union (EU) and in accordance with the supplementary provisions under the German Commercial Code to be complied with in accordance with § 315e para 3 HGB.

The external auditors appointed by the court of registration at the request of the company, RSM GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Düsseldorf, has audited the financial statements and the consolidated financial statements of Serviceware SE as well as the management and consolidated management report for fiscal 2018 and issued an unqualified audit certificate.

During the Administrative Board meeting deliberations took place with the Managing Directors in the presence of the external auditor who reported about the essential results of his ongoing audit.

All documents and audit reports of the external auditor were circulated in due time to the members of the Administrative Board and intensely reviewed.

The result of the review corresponds fully to the external audit. The financial statements of Serviceware SE as well as the consolidated financial statements were adopted and/or endorsed by the Administrative Board in a conference call on 19 March 2019. The same applied to the consolidated management report and the management report submitted.

Consequently, the financial statements are adopted.

The Administrative Board thanks all employees of Serviceware SE as well as the Managing Directors Dirk K. Martin, Harald Popp and Dr. Alexander Becker for their commitment and the constructive co-operation in fiscal 2018.

Bad Camberg, March 2019

Jean Christoph Debus
(Chairman of the Administrative Board)

WE LIVE SERVICE!

# Combined Management and Group Management Report 2017/2018

*Serviceware SE, Bad Camberg*

# 1 Combined Management and Group Management Report

Serviceware is a European software provider for the digitisation of business processes.

The single-entity financial statements of Serviceware SE are prepared in accordance with the provisions of HGB (German Commercial Code) and AktG (German Stock Corporation Act); the consolidated financial statements are prepared in accordance with §315e HGB based on the International Financial Reporting Standards ("IFRS"). The reporting on the situation of the Group corresponds basically to the reporting on Serviceware SE. Supplementary information on the financial statements of Serviceware SE is provided in Section 1.7.

## 1.1 General Economic Development

Germany recorded in 2018 an increase in the gross domestic product by 1.5% (price-adjusted; source: Federal Statistical Office, January 2019[1]) and hence another upswing. The gross domestic product rose, however, 0.5 percentage points less strongly than still assumed by the Federal Government in its spring report. On a worldwide level, the international trade conflicts have resulted in reduced economic dynamics. Germany was not able to fully avoid this development.

The German industrial activity suffered according to information provided by the monthly report November 2018 of the Federal Government[2] during the second half year 2018 under a new test procedure prescribed by law since 1 September 2018 for emissions and consumption of newly registered private cars (WLTP). This constituted a burden shortly after its introduction on a temporary basis for the automotive manufacturers and their subcontractors following reduced new registrations and incoming orders. It had an adverse effect on the overall German industrial activity because according to the numbers of the Federal Statistical Office of September 2017[3] a considerable share of Germany's gross value added (4.5 percent) is accounted for by the automotive production. The incoming orders in the automotive industry were again increasing by the end of 2018 according to information provided by the Federal Government; in combination with a brightening of the expectations of the IFO business climate this meant at the end of 2018 that the slowdown of the industrial activities in Germany was overcome. By contrast, the industrial production declined in the Euro area (EA19) according to Eurostat, the statistical office of the European Union, in November 2018 versus November 2017 by 3.3%.[4] In this connection the situation in Germany hence developed to a large extent more positively.

On the German labour market, the number of gainfully employed rose in 2018 by 562,000 persons or 1.3% according to figures published by the Federal Statistical Office[5] in January 2019. The unemployment rate reached 4.9% in December 2018 (referred to all persons in civilian employment).[6] Consequently, Germany continues to belong to the countries with the lowest unemployment rate in Europe. In the entire Euro area the seasonally adjusted unemployment rate amounted according to EuroStat in November 2018 to 7.9% and was significantly above the German rate.[7] Compared to November 2017 (8.7%), the European unemployment rate dropped, however. 7.9% is, moreover, the lowest rate which has been recorded during the past 10 years in the Eurozone. This suggests that the Eurozone is in this area on the right track.

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1 https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2019/01/PD19_018_811.html
2 https://www.bmwi.de/Redaktion/DE/Downloads/Monatsbericht/Monatsbericht-Themen/2018-11-aufschwung.pdf?__blob=publicationFile&v=6
3 https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2017/09/PD17_326_811.html
4 https://ec.europa.eu/eurostat/documents/2995521/9490441/4-14012019-AP-DE.pdf/4fcec48f-dff8-4955-92dd-daba7a135174
5 https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2019/01/PD19_001_13321.html
6 https://de.statista.com/statistik/daten/studie/1239/umfrage/aktuelle-arbeitslosenquote-in-deutschland-monatsdurchschnittswerte/
7 https://ec.europa.eu/eurostat/documents/2995521/9477415/3-09012019-AP-DE.pdf/d958fa08-4cac-4947-932f-718fe2102874

Many companies reported recruitment problems in 2018. The average completed vacancies increased in the rolling annual average versus prior year according to the statistics portal statista (status: January 2019) by 13 to 112 days and the number of vacancies reached a record level with 796,427.[8] According to the Federal Employment Agency it is, however, not possible to refer to a general lack of labour or skilled labour. There are significant bottlenecks in some technical professional fields like building occupations as well as health and care occupations.[9] As in previous years, the investment activity was in 2018 an important pillar for growth in Germany. According to the monthly report for November 2018 of the Federal Ministry of Economic Affairs, the total gross investment in fixed assets is supposed to be in 2018 versus 2017 3.0% ahead of prior year. Capacity utilisation in industry was disproportionately high in 2018 and project financing remained favourable due to the ongoing low interest rates.

## 1.2 Industry Development

The lack of IT specialists has reached a new peak in 2018 according to information published by the digital association Bitkom in December 2018.[10] In Germany, there were 82,000 vacancies for IT specialists in December 2018. This corresponds to a significant increase of 49% versus 2017. According to Bitkom, software developers have the best prospects on the IT labour market. Three out of 10 companies across all industries (29%) with at least one IT vacancy are looking for programmers. They are followed by project managers (17%), application administrators (13%), quality managers (9%) and security experts (8%). An increasing trend has been recorded for the comparatively new profiles data scientist (7%) and virtual reality designer (6%).

Companies invest more into their IT security. The sales revenues with security solutions rose by 9% in 2018. In 2018 sales revenues of approximately EUR 4.1 billion were generated with hardware, software and services for IT security; this corresponded to a plus of 9% versus 2017 (Source: Bitkom, October 2018[11]).

With a view to the overall IT infrastructure, the market research company Gartner estimated in October 2017[12] that in 2018 companies all over the world will spend USD 3.7 trillions or 4.5% more for their IT infrastructure than in 2017.

The number of M&A transactions in the IT services and software industry has significantly grown in 2018 according to information from Transfer Partners (M&A Sector Report, Q3/2018[13]) in 2018. Already during the first half year 2018 the number of transactions amounted to 523 with an overall volume of around EUR 39 billion (+ 67% versus the first half year 2017). 15 transactions (full year 2017: 11 transactions) had a volume of more than EUR 1 billion each. This was essentially attributable to stiffer competition as well as increasing activity of private equity and non tech investors. The high stock of liquidity assets and the interest environment with an ongoing positive impact on the return on equity allow investors to build up technology portfolios.

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8 https://de.statista.com/statistik/daten/studie/2903/umfrage/jahresdurchschnittswerte-des-bestands-an-offenen-arbeitsstellen/
9 https://con.arbeitsagentur.de/prod/apok/ct/dam/download/documents/Arbeitsmarktbericht-12-18_ba030160.pdf
10 https://www.bitkom.org/Presse/Presseinformation/82000-freie-Jobs-IT-Fachkraeftemangel-spitzt-sich-zu
11 https://www.bitkom.org/Presse/Presseinformation/Markt-fuer-IT-Sicherheit-erstmals-ueber-4-Milliarden-Euro.html
12 https://www.heise.de/newsticker/meldung/Weltweite-IT-Ausgaben-sollen-2018-um-4-5-Prozent-wachsen-3942112.html
13 https://transfer-partners.de/content/9-sektorreport/20181018-it-services-software-q3-2018/q3-2018_sektorreport_it-services-software.pdf

## 1.3 Business Development

### Serviceware Group: Ratios of the Financial Statements for Fiscal 2017/2018 from 01 December 2017 to 30 November 2018

| | 01 December to 30 November | | | |
|---|---|---|---|---|
| In TEUR | 2017/2018 | 2016/2017 | Variation | % |
| Sales revenues | 55,178 | 44,347 | 10,831 | +24.4 % |
| - thereof Service/SaaS | 16,299 | 11,762 | 4,537 | +38.6 % |
| EBITDA | 3,219 | 5,870 | -2,651 | -45.2 % |
| EBITDA adjusted* | 4,547 | 5,870 | -1,323 | -22.5 % |
| EBIT | 2,725 | 5,632 | -2,907 | -51.6 % |
| EBIT adjusted* | 4,053 | 5,632 | -1,579 | -28.0 % |
| Financial result | -260 | -201 | -59 | -29.4 % |
| Results for the period before taxes | 2,465 | 5,431 | -2,966 | -54.6 % |
| Results for the period before taxes adjusted* | 3,793 | 5,431 | -1,638 | -30.2 % |
| Income tax | -3,553 | -782 | -2,771 | 254.4 % |
| Results for the period after taxes | -1,088 | 4,649 | -5,737 | -123.4 % |
| Results for the period after taxes adjusted* | 3,442 | 4,649 | -1,207 | -26.0 % |
| | 30.11.2018 | 30.11.2017 | | |
| Cash and cash equivalents | 53,695 | 9,015 | 44,680 | +496.6 % |
| Churn rate (%) [14] | 4.7 % | 6.6 % | | |
| Recurring revenue margin [15] | 55% | 60 % | | |

* The adjusted values shown in the table are based in terms of EBITDA, EBIT as well as results for the period before taxes on non-recurring effects in the amount of kEUR 1,328 for the IPO and concerning the result for the period after taxes on the aforementioned non-recurring effect of kEUR 1,328 as well as on the non-recurring taxation of contribution gains in the amount of around kEUR 3,202 in connection with the IPO.

The sales revenues of the Serviceware Group were increased during fiscal 2017/2018 to EUR 55.1 million or by 24.4% versus the comparative prior year period. Significant growth in sales revenues of 38.6% to EUR 16.3 million was achieved in the field of Service / Saas.

During the past fiscal year, the recurring revenues rose by 13.7% to kEUR 30,229.
The churn rate was lowered from 6.6% to 4.7%.

[14] *Churn Rate:* The Company defines churn rate as the percentage of the volume of revenues maintenance ending in a financial year due to the underlying contractual relationship ending and not being prolonged in relation to the total amount of revenues maintenance (as shown in the Combined Financial Statements) in such year („Churn Rate"). The Company discloses Churn Rate as a supplemental APM, as it believes this is a meaningful measure to evaluate the performance of the Company's business activities over time and to enhance the ability of investors to compare profitability.

[15] *Recurring Revenues:* The Company defines recurring revenues as the sum of the following revenues (**„Recurring Revenues"**): Revenues derived from continuing contractual obligations with a term of more than one year, which are in particular revenues generated by providing customers with maintenance services, managed services and SaaS; Revenues derived from license rental by Existing Customers (as defined below); and Revenues derived from individual services on demand ordered by Existing Customers; The Company qualifies customers as **„Existing Customer"** from the point in time the Company generates recurring revenues with a customer more than one year after the initial implementation.

The positive development of sales revenues is the result of a clearly defined growth strategy. After the successful IPO, organic growth was dynamically pushed during the second half of the fiscal year. Investments were made primarily into the extension of the sales and service staff. The investments increased personnel expenses but were necessary to render sales revenue growth dynamic. Moreover, investments were made into the development and extension of sales and service staff in the European sales subsidiaries in the UK, Sweden, Spain, the Netherlands, Austria and Switzerland.

After operating expenses (cost of materials) of kEUR 23,321 (2016/2017: kEUR 17,636), depreciations and amortisations, personnel expenses of kEUR 21.124 (2016/2017: kEUR 16,233) as well as other operating expenses of kEUR 8,584 (2016/2017: kEUR 5,850), including non-recurring expenses of kEUR 1,328 for the IPO, the EBITDA dropped versus the comparative prior year period by 45.2% to kEUR 3,219.

Earnings before interest and taxes (EBIT) fell by 51.6% to kEUR 2,725.

The financial result of kEUR –260 (prior year: kEUR -201) has deteriorated by 29.4%. The earnings before taxes for the period dropped versus the prior year period by kEUR 2,966 to kEUR 2,465.

Income taxes resulted essentially from the taxation of contribution gains in the amount of kEUR 3,202 which occurred as a result of the IPO in April 2018. The ordinary course of business led to income tax expenses in the amount of kEUR 1,028. The tax result was, moreover, affected by effects from deferred taxes. Overall, this resulted in tax income of around kEUR 677.

The earnings for the period after taxes showed a loss of kEUR -1,088 (prior year: kEUR +4,649).

The first half year 2017/2018 of Serviceware SE was marked by the IPO of the company during the second quarter of 2018. The setting up of Serviceware SE (formerly Atrium 126. Europäische VV SE) took place on 11 January 2018. On 14 March 2018 PM Computer Services Verwaltungs GmbH, PM Computer Services GmbH & Co. KG and helpLine CLM AG as well as Serviceware SE were contributed within the framework of a capital increase through non-cash contributions. On 20 April 2018 Serviceware SE went public which resulted in a gross inflow of EUR 60 million for the company.

During the second half year 2017/2018 the takeover of Sabio GmbH in Hamburg took centre stage. The setting up of the foreign sales companies in the UK and Sweden as well as the further extension of sales and service in all subsidiaries of Serviceware SE in Germany and abroad were other special developments for Serviceware SE.

Cash and cash equivalents in the amount of kEUR 53,695 (PY: kEUR 9,015) resulted essentially from the IPO proceeds which were reduced, more particularly, by the purchase price payment following the acquisition of all shares in Sabio GmbH in August 2018. The financial resources from the capital increase have already been used and are to continue to be used for growth financing through acquisitions, the further internationalisation and the extension of sales for an improved targeting of large companies.

The headcount continued to be increased on schedule during fiscal 2017/2018 to 378 persons as at 30.11.2018 in order to step up the effectiveness in sales and distribution with a focus on market penetration on the level of large customers and also throughout Europe. 58 employees were taken over within the framework of the acquisition of SABIO GmbH.

## 1.4 Position of the Group

The Managing Directors rate the development and the position of the Serviceware Group as very positive. Sales revenues, the orders in hand and the equity reached the highest level in corporate history in 2018. Expectations were met here. Profitability has deteriorated as expected after the implementation of the projects communicated during the IPO. Nonetheless the positive market development suggests a sustainable corporate growth which the Serviceware Group will support through the further extension of its capacities. The position of the Serviceware Group can be described as very good against the backdrop of the factors explained below.

### 1.4.1 Sales revenue development

The sales revenues of the Serviceware Group were significantly improved during the past fiscal year 2017/2018 and continued to range on a record level. In fiscal 2017/2018 sales revenues rose by 24.4% versus the comparative prior year period to kEUR 55,178. The growth rate is as high as it has not been in several years. All business units have contributed to the growth in revenues. The strongest growth was recorded by Service/SaaS with a 38.6% rise versus the comparable prior year period. During the reporting period, revenues from licences were 18.9% and maintenance revenues 19.7% above the prior year numbers.

Sales revenues break down as follows:

| In kEUR | 2017 | 2018 | Variation in % |
|---|---|---|---|
| Revenues Service/SaaS | 11,762 | 16,299 | +38.6 % |
| Revenues licences | 16,466 | 19,577 | +18.9 % |
| Revenues maintenance | 16,119 | 19,302 | +19.7 % |
| Total | 44,347 | 55,178 | |

### 1.4.2 Orders in hand

The orders in hand on the reporting date at the end of the fiscal year are mainly reflected by the advance payments received for maintenance and SaaS contracts. This concerns services already invoiced and deferred services for a period of up to 60 months. Given the binding nature of the contracts, the advance payments constitute already definite future revenues of the Serviceware Group. The revenues from the maintenance area are obtained from maintenance contracts running over several years. Compared to payments received for maintenance, managed service and SaaS contracts (deferred income) on 30 November 2017, payments increased by 30 November 2018 by around 16.7%. The proportion of renewal of maintenance contracts[16] of 95.3% has increased versus prior year.

### 1.4.3 Operating result (EBIT)

The positive sales revenue development during fiscal 2017/2018 is not yet reflected by the operating result. The EBITDA decreased versus the comparative prior year period by 45.2% to kEUR 3,219. Earnings before interest and taxes (EBIT) dropped by 51.6% to kEUR 2,725. The lower operating result is mainly attributable to additional burdens from personnel expenses, which rose by kEUR 4,891 to kEUR 21,124, operating expenses which rose by kEUR 2,734 to kEUR 8,584 and costs of material which were kEUR 5,685 higher and reached kEUR 23,321.

16 Proportion of contract renewals corresponds to (1-churn rate)

During the reporting period investments were made into the further expansion of human resources in sales and service to respond to the increase in customer demand and accelerate growth in particular in the field of Service/SaaS. Moreover, the higher personnel expenses resulted primarily from the setting up of the development centre in Spain and Romania and the management compensations incurred by Serviceware SE since February 2018. With the recruitment of highly specialised developers in Spain and Romania Serviceware is countering the increasing lack of skilled labour in Germany. Part of the management compensations were not recognised through profit and loss because of the company structure during the prior year comparison period.

The increase in other operating expenses concerns essentially costs in a direct connection with the IPO in the amount of kEUR 1,328. These advances contributed together with the burdens referred to in the previous paragraph towards the EBIT adjusted by kEUR 1,328 being during the fiscal year around 28% under the prior year comparison period.

*Earnings before taxes*

The financial result of kEUR -260 includes in addition to interest expenses also currency exchange losses against the Swiss franc which are in the books on the reporting date but will be recovered once these liabilities will have been repaid within the Group. As a result, the financial result deteriorated from kEUR -201 to kEUR -260. Earnings before taxes (EBT) decreased versus the prior year comparison period by kEUR 2,966 to kEUR 2,465. The comments made on the EBIT apply accordingly to the change in EBT and the Group earnings after taxes described below.

### 1.4.4 Group earnings after taxes

For fiscal 2018 tax expenses totalling kEUR 3,553 versus kEUR 782 during prior year are reported. Income tax expenses in the amount of kEUR 3,553 result essentially from the taxation of contribution gains arising through the IPO of Serviceware SE.

After adjustment of this non-recurring and extraordinary tax expenses in the amount of EUR 3.2 million, the taxation ratio for the current fiscal year amounts to altogether 26.9% (prior year: 14.4%).

After deduction of taxes, there is a consolidated net loss for fiscal 2018 of kEUR 1,088 (prior year: net income in the amount of kEUR 4,649).

## 1.5 Capital Expenditure

During fiscal 2018 investments in the amount of kEUR 11,231 (prior year: kEUR 210) were made. They concern essentially additions in connection with the acquisition of the shares in SABIO GmbH (goodwill kEUR 4,928, SABIO trademark kEUR 1,768, customer base kEUR 2,905 and internally generated intangible assets kEUR 895). The remaining capital expenditure of kEUR 731 concerns the enlargement and modernisation of operating and office equipment as well as the acquisition of software licences.

## 1.6 Financial position and capital structure

The financial position and capital structure of the Group have significantly improved versus prior year. In the wake of the capital increase as a result of the IPO, the consolidated balance sheet total has more than tripled versus 30 November 2017 to kEUR 95,818 on 30 November 2018. This corresponds to an increase of current assets by kEUR 52,612 to kEUR 77,500 and of equity by kEUR 55,104 to kEUR 59,494. The increase in non-current assets by kEUR 11,715 to kEUR 18,318 is mainly attributable to an increase in goodwill by 175% to kEUR 7,736 and the increase in other intangible assets by kEUR 5,461 to kEUR 5,477. The rise in current assets by kEUR 52,612 includes the increase in liquidity by kEUR 44,680 (+ 496%), the increase in trade receivables by kEUR 6,370 (+ 77%) to kEUR 14,636 and the increase in other current receivables / assets by kEUR 1,571 (+ 21%) to kEUR 9,170. Other current receivables / assets cover essentially payments on account made for maintenance contracts with a residual term of less than 12 months. The variation in trade receivables results from the growth in sales revenues and is largely attributable to the extended payment terms for invoices concerning longer term maintenance contracts. 70.8% (prior year: 59%) of the trade receivables were not yet due on the balance sheet date. Consequently, kEUR 5,529 are accounted for by growth in undue receivables.

Current liabilities rose during fiscal 2018 compared to 30 November 2017 by kEUR 8,765 (+ 45%) to kEUR 28,394. The increase resulted primarily from two items. On the one hand, current tax liabilities increased mainly due to the extraordinary and non-recurring tax expenses from the IPO by kEUR 3,479 to kEUR 4,315; furthermore, the other current liabilities rose by kEUR 4,062; this corresponds essentially to an increase in advance payments received for maintenance contracts with a residual term of less than 12 months. Trade receivables went up by kEUR 861 (+29.7%) to kEUR 3,759; other current financial liabilities rose by kEUR 362 (+ 50.3%) to kEUR 1,082.

Equity increased as a result of the successful IPO by 1,255% to kEUR 59,494. The equity ratio amounts to 62.1% on 30 November 2018 and is hence significantly above the value of 13.9% on 30 November 2017. The subscribed capital amounts to kEUR 10,500 and is composed of 10.5 million no-par value ordinary shares with an accounting value of EUR 1.00 each (PY: kEUR 783). Reserves decreased by kEUR 48,576 to kEUR 49,828. The variation in reserves relates essentially to the funds from the IPO and the cost of the IPO of around kEUR 2,331 set off against reserves with no effect on income, which contrast with higher deferred tax liabilities of around kEUR 665.
The result carried forward has essentially changed due to the negative period result in the amount of kEUR -1,088 and the dividend paid in February in the amount of kEUR -1,926 made from the corresponding equity share of helpLine CLM AG in Switzerland.
In the cumulated other equity further effects with no impact on profit or loss, which included during the past fiscal year mainly currency effects, are reflected.

## 1.7 Presentation of the situation of Serviceware SE (single-entity financial statements according to HGB – German Commercial Code)

The balance sheet total of Serviceware SE amounts to EUR 65.1 million, with the largest part in the amount of EUR 45.5 million being held as cash and cash equivalents. EUR 18.4 million correspond to borrowings and shareholdings in affiliated companies. The current assets amount to EUR 1.3 million and consist almost exclusively of receivables from affiliated companies.

Serviceware SE has at the end of the fiscal year a net loss of EUR 3.2 million. The company generates income primarily from the charging of management services to the affiliated companies. The largest part of the expenses concerns consulting services which have been incurred as a result of the IPO on 20 April 2018.

## 1.8 Cashflow Statement

The cash and cash equivalents of Serviceware SE rose as at 30 November 2018 versus 30 November 2017 by 496% to an amount of kEUR 53,695. Current business activities have resulted during fiscal 2018 in an outflow of cash and cash equivalents of kEUR 2,491 (prior year: inflow of kEUR 5,820), which is mainly attributable to the development of receivables and other assets based on the reporting date.

Investing activities resulted in an outflow of kEUR 7,541 (prior year: kEUR 221), which was mainly attributable to the payments in connection with the acquisition of Sabio GmbH.
Financing activities resulted in an inflow of kEUR 54,659 (prior year: outflow of kEUR 3,254), which originates essentially from contributions due to equity inflow totalling kEUR 57,451 and the payment of dividends from retained profits of kEUR 1,927 (kCHF 2,210) in February 2018.
Moreover, there is an increase in cash and cash equivalents of kEUR 52 (prior year: kEUR 15) due to exchange rates resulting from effects from cash and cash equivalents held in foreign currency.

## 1.9 Employees

The Serviceware Group employed 378 employees on the reporting date 30 November 2018, which corresponds to a net growth of 93 employees. Of the 378 employees 313 employees work in Germany, 25 employees in the Netherlands, 17 employees in Spain, 13 employees in Austria, four employees in Switzerland and four in Bulgaria and one employee in Sweden and one in the United Kingdom.
In functional terms, we have on the reporting date 30 November 2018 82 employees in sales and marketing (PY: +32.3%), 171 employees in Service & Support (PY: +31.5%), 73 employees in software development (PY: +40.4%) and 52 employees in administration (PY: +26.8%).

Since a positive headcount development and a low fluctuation rate are decisive for the business success of Serviceware SE, many ratios concerning our human resources are collected in order to obtain an overall picture as to the development of our people not only in quantitative terms, but also with a view to their special skills.

The staffing of IT projects is a major challenge for IT companies. Against the backdrop of the strong demand for qualified IT staff and the lack of skilled labour in Germany, IT specialists continued to be recruited at the Spanish company and also sales staff were employed. Moreover, qualified employees were recruited at all the other locations in order to increase the clout in sales and service with a focus on the market penetration at large customers.

# 2 Opportunities and Risks

As a software company with revenues in many European and extra-European countries, Serviceware SE is exposed to many different risks whose occurrence could jeopardise the development of the company. In accordance with its risk policy, Serviceware SE basically takes only risks which are assessed as unavoidable within the framework of value adding activities but are controllable.
The risk management system of Serviceware SE was modified within the framework of the IPO in fiscal 2018 and adjusted to the requirements of the new circumstances. It is implemented throughout the company and is further developed. We check our business goals, internal company processes and risk control measures continuously by means of the controlling systems, procedures and reporting standards.
Moreover, the known risks are assessed on a regular basis in all business units. In this connection all risks are verified and evaluated with a view to their probability of occurring and the impact on the continued existence of the company. Existing measures are reviewed and new measures to be introduced, if necessary, are determined and implemented. Despite the regular monitoring and upgrading of risk management, risks cannot, however, be completely excluded.
We describe below only those risks which are considered to be essential since they can have a major influence on the business as well as the assets, finance and earnings position.

## 2.1 Global risks and opportunities

The opportunities and risks for the development of the world economy have an impact on the development of the export-oriented German economy. Since the prevailing share of the sales revenues originates from companies based in Germany, the slowdown in world economic activities will have adverse effects on the business development. Current risks include, for instance, the forthcoming hard exit of the United Kingdom from the EU and the foreign trade policy marked by protectionism of the USA, China and other states. The high level of indebtedness of many countries throughout the world does not contribute to the stability of the financial markets. By contrast, we see opportunities in the ongoing moderate interest policy of the central banks.

In the event of a plunge of the world economy, the investment reluctance of our customers can have a long-term impact on our order backlog and hence impair the assets, financial and earnings position of Serviceware SE. In order to compensate the impact of the difficult market environment as far as possible, the development of the international markets is permanently monitored in order to initiate corrective measures as soon as possible. Moreover, the extension of recurring revenues, which are generated for 12 months or longer, are to attenuate the consequences of investment restraints.

Other uncertainties such as political or statutory changes, which Serviceware SE encounters on the different markets, can likewise have a considerable influence on the daily business. In order to counter the risk resulting from the change in statutory provisions (tax law regulations and other regulations), Serviceware SE bases its decisions and the design of its business processes on comprehensive advice by internal experts and also external specialists.

We see global opportunities in the possibility to offer our software as "Software-as-a-Service" all over the world to customers through the internet. Nonetheless this opportunity involves the risk that large companies have provided for sophisticated evaluation processes before the awarding of a contract. Since we only have key account sales in Europe for the moment or the latter is just being set up, there is a risk that we cannot be awarded interesting large-scale projects because we are not on site with our sales. Furthermore, extensive evaluation processes can delay purchasing decisions. This would have an adverse effect on the business development of Serviceware SE.

## 2.2 Strategic opportunities and risks

Organic and inorganic growth of Serviceware SE has a major share in sales revenue and profit growth. As far as inorganic growth is concerned, we see the risk that we cannot acquire the companies matching our strategy, since they are either not for sale or do not exist. Furthermore, there is the risk that the already acquired companies do not develop as positively as expected. A higher than anticipated fluctuation amongst employees of the acquired companies or wrong assumptions concerning the revenue and earnings potential can have a negative impact on the business development of the Serviceware Group. Negative earnings contributions and high depreciations and amortisations in respect of acquired companies would likewise have an adverse effect on the earnings position.

As far as the organic development is concerned, we see the risk that we do not find enough sales and implementation partners or the induction of these partners is slower than anticipated. However, if we succeed in finding, more particularly, in European countries outside Germany, further sales and implementation partners for our software, this would have a positive influence on our earnings and revenues.

In the medium term the implementation of a successful strategy of regional expansion has a big influence on the revenue, earnings and assets position of Serviceware SE. If we do not succeed in implementing the newly founded sales companies outside Germany and generate sufficient revenues, the business development of the Serviceware Group will be adversely affected.

Furthermore, the strategic business orientation, which consists in focusing on the SaaS business, can mean that the earnings and revenues potentials will be subject to a shift in future and that the current revenue expectations cannot be realised.

With a view to the profit earning capacity in relation to revenues, we see in this case an opportunity to dynamically increase the relative earnings if we succeed in growing disproportionately with the production of the Enterprise Service Management platform.

## 2.3 Personnel management opportunities and risks

The success of Serviceware SE depends to a large extent on the way in which we will succeed in future in retaining qualified and experienced employees with a high specialist and social competency, in particular in software consulting projects on a permanent and motivated basis and in adjusting employee knowhow through targeted training measures to the rapidly changing market requirements.

The intense competition for qualified IT specialists increases the risk that employees will leave the company or not enough new employees can be recruited. In order to reduce this risk on the one hand and increase success on the other, Serviceware has developed an internal reporting and ratio system which identifies the areas in the company where improvements in view of employee retention have to take place. Furthermore, Serviceware SE intends to position and present itself as a modern and attractive employer. To this effect an employer brand is developed together with a performance and success-dependent compensation model and the possibility of participating in further development programmes in initial and continuing education. Our leadership culture must be upgraded in such a way that our employees are provided with a long-term perspective at Serviceware SE.

We see an opportunity in continuing to recruit the necessary number of high-quality IT employees in the further extension of the international service and development locations in Spain and Bulgaria. To recruit new talents, intensive contacts are maintained with universities, dual training is carried out and trainee programmes are offered. Furthermore, we provide training in occupations relating to the IT environment.

We want to continue to exploit any opportunities available to us and align a sufficient number of highly qualified employees for Serviceware SE.

## 2.4 Opportunities and risks from software projects

We will continue to deal with competition on the market through experience, innovations, reliability and a high degree of quality. We enforce our high-quality demands through internal procedures and quality control. Nonetheless quality defects cannot be avoided and increase the risk that customers do not fully pay for the services and that the revenue, earnings and assets position of Serviceware SE is adversely affected.

We believe that price pressure which can result at project acquisition through the high intensity of competition, is another challenge. In the customer project business Serviceware SE is partly confronted with offers from competitors which have not been calculated in a cost-covering manner and hence exert pressure on competitors. Serviceware SE deals with these risks, in particular in the field of fixed-price projects, with standards for the calculation and approval in connection with the acceptance and execution of software implementation projects in order to avoid losses from projects. As a result of regular reporting by project controlling directly to the managing director in charge, the development of the software implementation projects is permanently monitored to identify deviations at an early stage and initiate counter measures as soon as possible. Nonetheless it can happen that individual projects are not developing on schedule, which might have an adverse effect on the success of Serviceware SE at the end of the day.

In order to reduce the risk of errors in connection with consulting and implementation of customer solutions, our contracts include restrictions of liability for possible warranty claims. Furthermore, third-party liability insurance policies are taken out for these risks. If necessary, provisions are created for potential liability risks.

There is an ongoing risk that portfolio customers postpone or no longer extend service and licence contracts if their economic situation deteriorates, and the acquisition of new customers is difficult. Another risk consists in the ability of anticipating product trends and customer demand at the development of our standard software. If we do not succeed in this field, this has an adverse effect on our revenue, earnings and asset position. We counter this risk by developing software with agility so that we are able to respond quickly to demand trends or changes. Furthermore, the co-operation with various universities is to ensure that we continue to offer an attractive and innovative software product on the market.

## 2.5 Financial opportunities and risks

The cash management of Serviceware SE regularly checks the liquidity on a Group level and on the level of the individual subsidiaries. By means of regular liquidity status reports and an active receivables management it is to be ensured that sufficient liquidity is available and that our receivables are paid when due. Nonetheless there is a risk that individual debtors become insolvent or delay payments beyond their due date. We take a conservative approach to the investment of liquid funds and attach importance to a high solvency and collateral of the debtor and that exposure protection systems work. At the investment of liquidity, safety prevails over yield. There is a risk that negative interest rates have to be paid in fiscal 2019. At the initiation of contracts, a systematic credit assessment of the potential customer is to ensure that the risk of individual defaults due to a bad creditworthiness is minimised.

Since the financial receivables from our customers are broadly distributed over industries and the potential default of the highest individual receivables would not have jeopardised our existence so far, the risk is under this aspect limited. Nonetheless it cannot be excluded that large receivables default. This would have negative consequences for the revenue, earnings and asset position of Serviceware SE.
Serviceware SE is currently not engaged in any active hedging against other currencies. When investing liquid funds Serviceware SE is prudent and ensures that the funds which are held as liquidity reserve can be made available at short notice. It, therefore, primarily invests in fixed-term deposits and financial instruments of debtors with a high creditworthiness. The interest rate exposure is not hedged.
Serviceware SE has currently enough liquid funds to always meet its financial obligations.

# 3 Accounting-related risk management system and internal control system

The internal controlling and risk management system in the Serviceware Group includes all accounting-related processes as well as all risks and controls with a view to the accounting of the Serviceware Group. The objective is the identification and assessment of risks which can have a major influence on the financial statements. Any risks which are identified can be monitored and managed in a targeted manner through the introduction of measures and the implementation of corresponding controls, to ensure enough safety to prepare financial statements in conformity with the laws and regulations.

Serviceware has an internal control and risk management system in view of the Group accounting process in which suitable structures and processes are defined and implemented in the organisation. They are designed in such a way that prompt, uniform and correct accounting of all business processes and transactions is secured. It ensures compliance with the statutory norms and accounting principles for all companies included in the consolidated financial statements. Both the risk management system and the internal control system include all subsidiaries which are relevant for the consolidated financial statements with all processes which are relevant for the financial statements. A uniform central booking process ensures that the subsidiaries prepare their financial statements in close co-ordination with the parent company. The controls which are relevant for accounting, focus, more particularly, on risks relating to material mis-statements in financial reporting. The assessment of mis-statements is based on the probability of occurrence and the financial impact on revenues and EBIT. Amendments to laws, accounting standards and other communications are permanently analysed in view of their relevance and impact on the consolidated financial statements both by internal and external specialists.

Essential elements of risk management and control in accounting are the clear assignment of responsibilities and controls at the preparation of the financial statements, adequate access regulations to the IT systems which are relevant for accounting and clear definition of responsibilities at the inclusion of external specialists. The four-eye principle and segregation of functions are further important control principles in the financial reporting process.

The identified risks and the corresponding measures taken are updated in the half-year reports to the Administrative Board of Serviceware SE.

The effectiveness of internal controls in view of accounting is assessed at least once a year, primarily within the framework of the process of preparation of the financial statements. The above-mentioned risk areas do not have any impact threatening the continued existence of the Group neither individually nor in their cumulative effect.

The principles of the financial policy of the Group are defined by the Managing Directors. The ultimate goals of finance management are the securing of liquidity and the restriction of financial risks. Serviceware is currently not engaged in any active exchange rate hedging against other currencies. If necessary, this management is the central task of Serviceware SE for all its subsidiaries. At the investment of liquid funds Serviceware is prudent and attaches importance to the fact that the funds held as necessary liquidity reserve for business operations can be made available at short notice. It, therefore, invests primarily in fixed-term deposits and / or in financial instruments of debtors with a very good credit standing. The management of solvency risks of our contracting partners is the central task of Serviceware SE for all its subsidiaries. There is no interest rate hedging. A return on the liquidity reserve is in the current interest environment no goal of the Group; it is rather about avoiding negative interest rates in respect of the liquidity reserves. An essential source for corporate financing is our operating business activity with the generated inflows. Long-term investments can be financed both by own and borrowed funds. This is managed centrally by Serviceware SE for all its subsidiaries. There is currently no major credit line. Financial liabilities are reduced on schedule.

All central management measures are regularly discussed at the meetings of the Managing Directors and at the meetings of the Administrative Board to be adjusted to the relevant developments. In this connection the management measures are supported by various ratios (eg sales revenues, EBIT, deferred items, cashflow).

# 4 Corporate Governance Statement acccording to §§ 289f, 315d HGB (German Commercial Code)

## 4.1 Declaration of conformity

The corporate governance statement in accordance with § 315d HGB is available on the website of the company under "Investor Relations":

German:
https://serviceware.se/de/investor-relations/corporate-governance/

English:
https://serviceware.se/investor-relations/corporate-governance/

## 4.2 Information about the management practices which are applied beyond the statutory requirements

Within the framework of its IPO in fiscal 2018, Serviceware SE has modified its risk management system and adapted it to the requirements of the new circumstances. It has been implemented throughout the Group and is developed further. The business goals, internal corporate processes and risk control measures are constantly reviewed by means of the controlling systems, processes and reporting standards applied. A detailed description of these internal risk management and controlling systems can be found in Section 3 of this Management Report.

The Managig Directors of Serviceware SE comply with the applicable laws. There are so far no more extensive publicly accessible codified corporate management practices.

## 4.3 Functioning of the Administrative Board and the Managing Directors

Serviceware SE has a monistic management and control structure. The monistic system is characterised in accordance with Art. 43-45 SE-VO (SE Regulation) in conjunction with §§ 20ff SEAG (SE Implementation Act) by the fact that the management of the SE is carried out by a uniform body, the Administrative Board. The Managing Directors are conducting the current operations of the company. Another body is the General Meeting.

The Administrative Board of Serviceware SE manages the company, determines the baselines of its activities and supervises the implementation by the Managing Directors. It appoints and dismisses the Managing Directors. In accordance with the Statutes, the Administrative Board has three members, who must all be elected by the General Meeting. The current members of the Administrative Board are Mr. Christoph Debus (Chairman), Mr. Harald Popp and Mr. Ingo Bollhöfer. The current members are appointed until the end of the General Meeting which decides about the formal approval of the acts for the first full or incomplete fiscal year, but no longer than for six years after the appointment of the respective member of the Administrative Board.

The Administrative Board meets at least every three months to deliberate about the development of the business and its prospects. The Administrative Board had four ordinary meetings and no extraordinary meeting in 2018.

The Managing Directors conduct the business of the company with the goal of creating sustainable added value under their joint responsibility. They implement the baselines and instructions which are elaborated by the Administrative Board. This body is currently composed of three members, namely Mr. Dirk K. Martin (CEO), Mr. Harald Popp (CFO) and Dr. Alexander Becker (COO). The Managing Directors inform the Administrative Board regularly, promptly and comprehensively about all relevant issues concerning corporate planning, business developments, the risk situations, risk management and compliance. They deal with deviations of the business development from the defined plans and goals by stating the corresponding reasons.

The Managing Directors are obliged to immediately disclose all conflicts of interests vis-à-vis the Administrative Board and to inform the other Managing Directors accordingly. They may only take over sideline activities, and more particularly mandates on supervisory boards and comparable mandates outside the Serviceware Group, with the prior consent of the Administrative Board. During the past fiscal year there have not been any conflicts of interests among the Managing Directors of Serviceware SE.

Description of the functioning and composition of the committees of the Administrative Board.

In accordance with the Rules of Procedure of the Administrative Board, the Administrative Board may ask individual members of the Administrative Board to implement the resolutions and execute the measures and set up committees of the Administrative Board. At present there are no committees of the Administrative Board.

## 4.4 Targets for the women's quota

At the staffing of the management positions at Serviceware SE as well as on the two levels below the Managing Directors, it matters for the Administrative Board in accordance with the requirements under the German Stock Corporation Act that the candidate has the skills, knowledge and experience which are a prerequisite to the management activities. By contrast, the Administrative Board believes that criteria such as gender of the candidate is of secondary importance, even if diversity is expressly welcomed.

## 4.5 Diversity concept

The composition of the Administrative Board and the Managing Directors is based exclusively on knowledge, skills and specialist experience of the different candidates. No age limit or maximum term for Managing Directors or members of the Administrative Board have been laid down. With a view to age and the term the company believes that there is no reason for such limits. No limit for membership has been defined and according to the Administrative Board it does not make sense given, more particularly, the shareholder structure. Criteria such as the gender of the candidate is at present considered by the company of secondary importance, even if diversity is expressly welcomed. It is intended to continue to stick to these principles in order to secture experience and skills. The Administrative Board believes that proposals for the composition of the Administrative Board and the Managing Directorate should be decided individually in the respective concrete situation and without the elaboration and publication of a concept.

# 5 Compensation Report

The compensation system of the Managing Directors includes apart from fixed salary components also variable salary components. The variable compensation components are oriented, more particularly, on the increase in current sales revenues versus prior year and individual goals which are based on the areas of responsibility of the managing director. In fiscal 2017/2018 the variable salary components are limited to 60% of the total compensations.

# 6 Disclosures in accordance with §289a and §315a HGB

As a listed company with registered office in Germany, Serviceware SE, whose voting stock is listed on an organised market within the meaning of § 2.7 of the Securities Acquisition and Takeover Act (WpÜG), namely in the regulated market of the Frankfurt Stock Exchange (Prime Standard), is obliged to disclose in the Management and Group Management report the information in accordance with § 289a Para 1 HGB and § 315a Para 1 HGB.

### Composition of the subscribed capital

The subscribed capital of Serviceware SE amounted on 30 November 2018 to EUR 10,500,000 and includes 10,500,000 no-par value bearer shares with a proportionate amount in the share capital of EUR 1. There are no different classes of shares. At the beginning of the abridged fiscal year 2018 the share capital amounted to EUR 120,000 and was increased during the reporting period initially by a capital increase through non-cash contributions decided by the annual meeting on 14 March 2018 of EUR 7,880,000 and then by a capital increase for cash of EUR 2,500,000 decided by the general meeting of 4 April 2018. All shares bear the same rights and obligations. Every share entitles the holder to one vote in the general meeting of the company. The shares are fully entitled to dividend from 11 January 2018 onwards.

### Capital increase through non-cash contributions 2018

The general meeting of 14 March 2018 decided to increase the share capital of the company in respect of which no contributions were outstanding, by an amount of EUR 7,880,000 againstnon-cash contributions.  7,880,000 no-par bearer shares were issued with a proportionate amount of the share capital of EUR 1.00 (hereinafter referred to as "new shares"). The new shares were issued for an issuing amount of EUR 1.00 per new share and with profit entitlement from the beginning of the then current fiscal year. The total issuing amount was EUR 7,880.000. The subscription right of the shareholders was excluded. All shares in PM Computer Services Verwaltungs GmbH, Bad Camberg, PM Computer Services GmbH & Co. KG, Bad Camberg and helpLine CLM AG, Baar (Switzerland) were contributed as non-cash constributions.

The implementation of the capital increase was entered in the Commercial Register on 3 April 2018.

### Capital increase for cash 2018

The general meeting of 4 April 2018 decided to increase the share capital of the company in respect of which no contributions were outstanding, by an amount of up to EUR 2,500,000 for cash.
The capital increase was carried out in the amount of EUR 2,500,000. 2,500,000 no-par bearer shares were issued, each with a proportionate amount of the share capital of EUR 1.00 (hereinafter referred to as "new shares". The new shares were issued for an issuing amount of EUR 1.00 per new share and with profit entitlement from the beginning of the then current fiscal year. The statutory subscription right of the shareholders was excluded.

The implementation of the capital increase cash was entered in the Commercial Register on 19 April 2018.

Gross issuing proceeds of EUR 60,000,000 were achieved

## Restrictions concerning the voting rights or the transfer of shares

The shareholders aventura Management GmbH, Bad Camberg, Germany, dreifff Management GmbH, Bad Camberg, Germany and Ingo Bollhöfer, Wiebaden, have undertaken within the framework of the IPO of the company vis a vis COMMERZBANK Aktiengesellschaft and Hauck & Aufhäuser Privatbankiers Aktiengesellschaft that within a period of six months after the first trading day of the shares of the company at the Frankfurt Stock Exchange, ie 20 April 2018 and within an additional period of another six months they will not without the prior written consent of COMMERZBANK Aktiengesellschaft and Hauck & Aufhäuser Privatbankiers Aktiengesellschaft (which may not be withheld or delayed without good reasons): (i) offer, pledge, allocate, market, pay, sell, transfer or otherwise dispose directly or indirectly of shares of the company (including the issuing or selling of securities which can be converted to shares of the company), (ii) prompt or approve directly or indirectly the announcement, implementation or execution of an increase of the share capital of the company or a direct or indirect placement of shares of the company, (iii) directly or indirectly submit an increase of the share capital of the company to the general meeting for the adoption of a resolution or approve such a proposal, (iv) prompt or approve directly or indirectly the announcement, implementation or proposal of any issuing of financial instruments, which create options or subscription rights which can be converted to shares of the company or (v) carry out a transaction or take a measure which corresponds to one of the aforementioned measures in economic terms.

## Shares in the capital which exceed 10% of the voting rights

On 30 November 2018 the following direct and indirect shares in the capital of Serviceware SE exceeded the threshold of 10.00% of the voting rights:

a) Mr Dirk K. Martin, held through aventura Management GmbH, Bad Camberg, Germany as well as
b) Mr Harald Popp, held through dreifff Management GmbH, Bad Camberg, Germany.

## Shareholders vested with special rights which grant control rights

No shares with special rights were issued which would grant control rights.

## Voting right control for the shareholding of employees

There is no voting right control if employees have a share in the capital of Serviceware SE.

## The statutory provisions and the provisions of the Statutes about the appointment and dismissal of members of the Administrative Board as well as Managing Directors and about the amendment to the Statutes.

### Appointment and dismissal of members of the Administrative Board and Managing Directors

As far as the appointment and dismissal of members of the Administrative Board is concerned, reference is made to the applicable statutory provisions of §§ 28, 29 SEAG as well as §§ 15 ff. of the Articles of Association. According to these provisions the Administrative Board consists of three members who must all be elected by the general meeting. At present the Administrative Board consists of Mr Christoph Debus (Chairman), Mr Harald Popp and Mr Ingo Bollhöfer.
As far as the appointment and dismissal of Managing Directors is concerned, reference is made to the applicable statutory provision of § 40 SEAG. Moreover, § 12 of the Statutes stipulates that the Administrative Board appoints one or more Managing Directors. In accordance with § 12 Para 3 of the Statutes, the Administrative Board may appoint one of these Managing Directors as spokesperson or chief executive officer (CEO) as well as deputy Managing Director. Managing Directors may be dismissed at any time by resolution of the Administrative Board in accordance with § 12 Para 2 of the Statutes. At present Mr Dirk K. Martin (CEO), Mr Harald Popp (CFO) and Dr. Alexander Becker (COO) are Managing Directors of the company.

## Amendments to the Statutes

The amendments to the Statutes are governed by Article 9 Para 1 lit. C) (ii) SE-VO and §§ 133, 179 AktG (German Stock Corporation Act) according to which every amendmen to the Statutes requires a resolution by the general meeting. The Administrative Board is empowered according to § 16.2 of the Statutes to adopt resolutions about the amendments to the Statutes which concern only the version. Resolutions of the general meeting concerning amendments to the Statutes require in accordance with §§ 133, 179 AktG in conjunction with § 28 Para 2 of the Statutes the simple majority of the votes cast and in addition the simple majority of the share capital represented during the adoption of the resolutions unless statutory provisions or the Statutes impose a larger majority in individual cases.

## Powers of the Administrative Board in particular with a view to the possibility of issuing and buying back shares

Authorised capital 2018

By resolution of the general meeting of 14 March 2018 the Administrative Board was empowered to increase the share capital of the company during the period up to 13 March 2023 by a total of up to EUR 4,000,000 by a single or multiple issuing of up to 4,000,000 new no-par value shares against cash and / or non-cash contributions (Authorised Capital 2018).

The shareholders have, as a matter of principle, a subscription right. The Administrative Board is empowered to exclude the subscription right of the shareholders as a whole or in part. The exclusion of the subscription right is only admissible in the following cases:

(i) in the event of capital increases for cash, if the shares of the company are listed at the Stock Exchange (regulated market or open market and / or the successors to these segments), the number of shares issued does not exceed 10% of the share capital and the issuing amount of the new shares does not essentially remain below the Stock Exchange price of the shares of the company already traded at the Stock Exchange of the same category and with the same terms at the time of the fixing of the issue price within the meaning of §§ 203 Para 1 and 2, 186 Para 3 Sentence 4 AktG. The amount of 10% of the share capital must be charged against the amount accounted for by shares which during the term of this empowerment until the time of its use are issued and / or sold by virtue of other corresponding empowerments to the exclusion of the subscription right by direct or corresponding application of § 186 Para 3 Sentence 4 AktG, to the extent that such a charging is required by statutory provisions. Within the meaning of this empowerment the issuing price is the amount to be paid by a third party or the third parties when taking over the new shares by an issuing intermediary with a simultaneous obligation for the intermediary to offer the new shares to one or more third parties determined by the company for acquisition;

(ii) In the event of capital increases against non-cash contributions, more partiuclarly for the acquisition of companies, parts of companies and shareholdings in companies, industrial property rights such as patents, trademarks or licences based thereon or other product rights or other contributions in kind, including receivables, bonds, convertible bonds and other financial instruments;

(iii) As far as necessary to grant the owners and / or creditors of the bonds issued by the company and its affiliates with option or conversion rights and / or obligations a subscription right in respect of new shares to the extent they would be entitled to after the exercise of their option or conversion right and / or after the fulfilment of an option and / or conversion obligation;

(iv) For fractions which arise as a result of the subscription ratio.

The entry of the Authorised Capital in the Commercial Register was made on 3 April 2018.

Empowerment to issue bonds

a) By resolution of the general meeting of 4 April 2018 the Administrative Board was empowered to issue until 3 April 2023 once or several times convertible bonds and / or bonds cum warrants or profit participation rights with and without conversion or subscription rights ( jointly hereinafter referred to as "Bonds") with a total nominal amount of up to EUR 100,000,000. The term of the Bonds or the period until the first possibility of termination for the company may not exceed 20 years. The holders of the Bonds referred to in the above sentence may be granted conversion or subscription rights in respect of up to 4,000,000 no-par value bearer shares of the company with a proportionate amount in the share capital of a total of up to EUR 4,000,000. The conversion and subscription rights may be exercised from a contingent capital to be decided at the general meeting of 4 April 2018 or future general meetings, from existing or future Authorised Capital and / or from a cash capital increase and / or from existing shares and / or provide a cash compensation instead of the delivery of the shares. The Bonds may be issued for cash or as non-cash contributions.

b) At the issuing of the bonds the shareholders have a statutory subscription right unless the subscription right is excluded in accordance with the provisions below.

c) The Administrative Board was empowered to exclude the subscription right of the shareholders,

(i) in order to exclude fractions from the subscription right;

(ii) to offer the convertible bonds and / or the bonds cum warrants and / or the profit participation rights which are provided with a conversion or a subscription right, to individual investors for subscription insofar as in compliance with § 186 Para 3 Sentence 4 AktG the percentage of shares to be issued under these bonds does not exceed 10% of the share capital available upon the entry into force of this empowerment and existing at the resolution about the exercise of the empowerment and the issue price of the bonds does not remain essentially below the theoretical market value of the bonds determined in accordance with recognised methods of financial mathematics. The amount which is accounted for by shares which are issued or sold by virtue of another corresponding empowerment to the exclusion of the subscription right in direct or corresponding application of § 186 Para 3 Sentence 4 AktG is to be charged against the amount of 10% of the share capital, to the extent that such a charging is required by law;

(iii) to offer the profit participation rights without conversion or subscription right to individual investors for subscription to the extent that the issue price is not essentially below the theoretical market value of the profit participation rights determined in accordance with recognised methods of financial mathematics and to the extent that the profit participation rights are merely similar to an option, ie establish neither membership like rights nor conversion or subscription rights in respect of shares of the company, do not grant any participation in the liquidation proceeds and the amount of the payment is not governed by the amount of the net income for the year, the balance sheet profit or the dividend;

(iv) To the extent that it is necessary to grant holders of conversion and subscription rights which were granted by the company or affiliated companies of the company in respect of shares of the company a subscription right to bonds which are issued in accordance with this empowerment to the extent that they would be entitled to after the exercise of their conversion or subscription right or after the fulfilment of any conversion obligation (anti-dilution provisions); or

(v) To the extent that bonds are issued against contributions in kind, in particular to acquire companies, parts of companies and stakes in companies, industrial property rights such as patents, trademarks or corresponding licences or other product rights or other non-cash contributions, including bonds, convertible bonds and other financial instruments and the exclusion of the subscription right is in the prevailing interests of the company.

Contingent Capital 2018

By resolution of the general meeting of 4 April 2018 the share capital of the company was contingently increased by up to EUR 4,000,000 with the issuing of up to 4,000,000 new no-par value bearer shares with entitlement to profits from the beginning of the fiscal year of their issuing (Contingent Capital 2018). The Contingent Capital increase serves for the exercise of bonds which are issued by virtue of the above mentioned empowerment resolution of the general meeting of 4 April 2018 under agenda item 1.

Empowerment to acquire and dispose of treasury shares

By resolution of the general meeting of 4 April 2018 the company was empowered to acquire treasury shares in the amount of 10% of the share capital of the company at the time of the general meeting of 4 April 2018. The acquired shares may not exceed at any time 10% of the share capital of the company together with other treasury shares which the company has already acquired or still owns or which are attributable to it in accordance with §§ 71a ff. AktG. The empowerment became effective upon the expiration of the general meeting of 4 April 2018 and applies until 3 April 2023. Effective 30 November 2018 no treasury shares were held. The acquisition may be made as a whole or in parts, once or several times by the company.

Moreover, the Administrative Board was empowered by resolution of the general meeting of 4 April 2018 to dispose of the treasury shares acquired by virtue of the above-mentioned or a previous empowerment in accordance with § 71 Para 1 No. 8 AktG by observing the principle of equal treatment (§ 53a AktG) for other purposes than the trading in treasury shares. The disposal of the acquired treasury shares may be carried out through the Stock Exchange. The acquisition right of the shareholders is excluded in this connection.

Empowerment to use derivatives within the framework of the acquisition and disposal of treasury shares in accordance with § 71 Para 1 No. 8 AktG

By resolution of the general meeting of 4 April 2018 it was moreover decided that the acquisition of the treasury shares may also be made by using certain derivatives (hereinafter referred to as "Equity Derivatives"). For the disposal and redemption of shares acquired by using Equity Derivatives, the rules defined under agenda item 3 of the general meeting of 4 April 2018 apply.

## Significant agreements subject to the condition of a change in control following a takeover bid

There are no significant agreements of the company which are subject to the condition of a change in control following a takeover bid.

### Compensation agreements in the event of a takeover bid with the members of the Administrative Board or employees

According to the respective employment contracts of the Managing Directors Popp and Martin, the company and the Managing Directors are entitled each to terminate the service agreement within a period of three months after the occurrence of a change of control subject to a period of notice of three months to the end of a month. In the event of a termination, severance pay is provided for, which takes the claims into account that the managing director would have if the service agreement had been carried out up to the expiration of its term. The severance pay includes

a) the fixed compensation in accordance with the service agreement for the residual term of the service agreement, whereby the calculation of the severance pay is based on a maximum period of 24 months, plus

b) all variable compensation components for the residual term of the respective service agreement; the amount of variable compensation components to be paid is calculated in view of the targeted growth of the company based on the last planning numbers adopted by the Administrative Board for the period of the residual term of the service agreement and

c) a compensation for the value in use of the company car of the managing director for the residual term of the service agreement. The compensation for the value in use is to be calculated on the basis of the financial advantage of the private possibility to use as well as

d) at the otpion of the managing director either a compensation for the share options granted to the managing director based on the value of the share options at the time of retirement from the company based on the assumption that the waiting periods are met at this point in time or the upholding of the share options granted provided that within the vesting period the managing director is not responsible for the reasons which lead to the termination of the service agreement;

e) The total amount of the compensation is calculated in accordance with the provisions of Clause 4.2.3 of the German Corporate Governance Code and together with the ancillary payments it may not exceed the value of the compensation for 24 months. The value of the compensation of the share options in accordance with lit. d) is not taken into account at this calculation.

# 7 Supplementary Report

After the balance sheet date, no additional events occurred which have an essential impact on the assets, financial and earnings position of Serviceware SE.

# 8 Outlook

The Federal Government expects in its annual economic report 2019[17], published in January 2019 for 2019, an increase of 1.0% albeit with weaker growth of the price-adjusted gross domestic product. The labour market is likewise to continue its positive development without any changes so that the private income will continue to significantly grow, too. Against the backdrop of rising wages and salaries and employment as well as the investments of the companies, it is expected that the domestic economy remains a major pillar of the general economic cycle. The low interest rate environment sets perceivable impulsions in particular in the building industry. The expansive fiscal policy provides the cyclical situation with a further boost. According to the German government, the economic development in Germany remains marked by an uptrend but due to the global foreign trade environment it has moved into rough waters. The general economic growth pace is likely to weaken in 2019 versus 2018.

In the field of information technology, telecommunications and entertainment electronics (ICT market), Bitkom expects according to information published in January 2019[18] for 2019 sales revenues of EUR 168.5 billion (+ 1.5%). IT remains with a probable revenue of EUR 92.2 billion and a growth of 2.5% a growth driver of the ICT industry. With a volume of EUR 26.0 billion the software segment will continue to strongly increase in 2019 and record the by far most significant growth rates (+ 6.3%). IT services are expected to reach a plus of 2.3% and hence substantial growth to a market volume of EUR 40.8 billion. The IT hardware is expected to slightly decline to EUR 25.4 billion (- 0.7%). At the end of 2019 1.2 million people are likely to be employed in the ICT industry. This corresponds to a plus of 40,000 jobs and a rise of 3.5% versus 2018.

We as Managing Directors of Serviceware SE assume that fiscal 2019 can be influenced by world policy developments. Since we still generate a large part of our sales revenues in Germany and the economic development of Germany shows as a result of its vital foreign trade a certain susceptibility to impairments caused by economic policy measures marked by protectionism in many states, escalations in the trade dispute between China and the USA and the imminent exit of the United Kingdom from the European Union could have an adverse effect on the general economic development of Germany.

Despite these challenges we expect that we can continue our growth path in terms of sales revenues and will record a lower double digit percentage growth. This assessment is supported by the fact that we have been able to further extend our portfolio of contracts with recurring revenues and the proceeds expensed until 30.11.2018 are cancelled to a large extent during fiscal 2019 with a recognition through profit and loss. Furthermore, Sabio GmbH will for the first time be fully consolidated in fiscal 2018/2019 after it was acquired in July 2018. These revenues are likewise to a large extent recurring, so that there is another positive influence on our growth. Furthermore, our positive assessment of growth in revenues is supported by the fact that we have succeeded through organic investments in laying in additional markets in Europe the foundation for a dynamic regional revenue expansion outside the core market. The largest influence on the revenue and profit growth will be exercised by the revenue development in the new regional markets. If the investments made in sales and service staff in the new regions will be successful, we can expect significant growth impulsions.

Moreover, we identify in many companies a growing need for digitisation as a major opportunity for our revenue growth. The market evolves in such a way that digitisation is considered and pushed as a decisive productivity factor and competitive edge.

[17] https://www.bmwi.de/Redaktion/DE/Publikationen/Wirtschaft/jahreswirtschaftsbericht-2019.html
[18] https://www.bitkom.org/Marktdaten/ITK-Konjunktur/ITK-Markt-Deutschland.html

During the first fiscal half year 2018/2019 we expect that profitability will develop through a sideways movement as planned based on the ongoing high investment quota in sales and service staff on the level of the second half year 2017/2018 and the resulting sales revenues will only be realised from fall 2019 onwards, ie towards the end of the fiscal year 2018/2019.

For the entire current fiscal year 2018/2019 we anticipate on the basis of the revenue forecast a moderate increase in earnings before taxes. Earnings after taxes will then probably significantly improve, since the non-recurring trade tax burden caused by the IPO will no longer be incurred during the current fiscal year.

Bad Camberg, 19 March 2019

Dirk K. Martin | Harald Popp | Dr. Alexander Becker

# Consolidated Financial Statements 2017/2018

## *Serviceware SE, Bad Camberg*

# Consolidated balance sheet as at 30 November 2018

| In EUR | Notes | 30. Nov 2018 | 30. Nov 2017 |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 1. | 7,736,316 | 2,808,711 |
| Other intangible assets | 1. | 5,476,994 | 16,308 |
| Property, plant and equipment | 2. | 801,885 | 458,573 |
| Other non-current assets | 4. | 2,960,347 | 3,294,248 |
| Deferred income tax assets | 5. | 1,341,959 | 24,700 |
| **Non-current assets** | | **18,317,501** | **6,602,540** |
| | | | |
| Inventories | | 0 | 8,986 |
| Trade receivables | 3. | 14,635,698 | 8,265,621 |
| Other current receivables/assets | 4. | 9,169,800 | 7,598,620 |
| Cash and cash equivalents | 6. | 53,694,629 | 9,015,053 |
| **Current assets** | | **77,500,127** | **24,888,280** |
| | | | |
| **Balance sheet total** | | **95,817,628** | **31,490,820** |
| **Liabilities** | | | |
| Subscribed capital | 7. | 10,500,000 | 782,750 |
| Reserves | 8. | 49,827,627 | 1,251,609 |
| Profits and losses brought forward | | -635,316 | 2,380,403 |
| Accumulated other equity | | -167,477 | -48,463 |
| Equity without non-controlling shares | | 59,524,834 | 4,366,299 |
| Non-controlling shares | | -30,629 | 23,412 |
| **Equity** | | **59,494,205** | **4,389,711** |
| | | | |
| Other non-current provisions | | 0 | 108,000 |
| Deferred income tax liabilities | 11. | 1,378,754 | 0 |
| Non-current financial liabilities | 9. | 2,591,626 | 3,631,084 |
| Other non-current liabilities | 10. | 3,958,944 | 3,732,653 |
| **Non-current liabilities** | | **7,929,324** | **7,471,737** |
| | | | |
| Current income tax liabilities | | 4,315,193 | 836,328 |
| Current financial liabilities | 9. | 1,082,433 | 720,265 |
| Trade payables | | 3,758,529 | 2,897,070 |
| Other current liabilities | 10. | 19,237,944 | 15,175,709 |
| **Current liabilities** | | **28,394,099** | **19,629,372** |
| | | | |
| **Balance sheet total** | | **95,817,628** | **31,490,820** |

# Consolidated statement of comprehensive income for the period from 01 December 2017 to 30 November 2018

| In EUR | Note | Dec. 17 - Nov. 18 | Dec. 16 - Nov. 17 |
|---|---|---|---|
| Sales revenues | 12. | 55,177,579 | 44,347,495 |
| Other operating income | 13. | 1,069,614 | 1,230,770 |
| Changes in inventory | | 0 | 10,381 |
| Cost of materials | 14. | -23,320,660 | -17,635,983 |
| Personnel expenses | 15. | -21,123,652 | -16,232,973 |
| Depreciation & amortisation | | -494,521 | -238,071 |
| Other operating expenses | 16. | -8,583,532 | -5,849,723 |
| Operating result (EBIT) | | 2,724,828 | 5,631,896 |
| Interest income | | 0 | 421 |
| Interest expenses | | -260,111 | -201,458 |
| Financial result | | -260,111 | -201,037 |
| Earnings before taxes | | 2,464,717 | 5,430,859 |
| Income taxes | 17. | -3,552,662 | -781,623 |
| Period profit/loss | 18. | -1,087,945 | 4,649,236 |
| | | | |
| Items which may in future be reclassified in the P&L: | | | |
| Balancing item from the currency translation of foreign subsidiaries | | -119,014 | -106,039 |
| Other result | | -119,014 | -106,039 |
| Comprehensive income | | -1,206,959 | 4,543,197 |
| Period profit / loss | | | |
| thereof, shareholders of the Serviceware SE Group | | -1,033,904 | 4,633,538 |
| thereof, non-controlling shares | | -54,041 | 15,697 |
| Comprehensive income | | | |
| thereof, shareholders of the Serviceware SE Group | | -1,152,918 | 4,527,499 |
| thereof, non-controlling shares | | -54,041 | 15,697 |

# Consolidated cash flow statement for the period from 01 December 2017 to 30 November 2018

| In EUR | Dec. 17 - Nov. 18 | Dec. 16 - Nov. 17 |
|---|---|---|
| Period loss/profit | -1,087,945 | 4,649,236 |
| Depreciation & amortisation of non-current assets | 494,521 | 238,071 |
| Tax expense | 3,552,662 | 781,623 |
| Change in provisions | -108,000 | 10,000 |
| Change in non-current liabilities | 226,292 | 0 |
| Change in deferred taxes / deferred tax income | -700,149 | -24,700 |
| Financial result | 260,111 | 201,038 |
| Change in non-current assets | 333,902 | 0 |
| Change in items of current assets and current liabilities | | |
| - Change in inventory | 8,986 | 12,164 |
| - Change in receivables / other assets | -7,493,401 | -612,208 |
| - Change in liabilities | 3,315,652 | 1,242,202 |
| Income taxes paid | -1,293,294 | -677,394 |
| Cash inflow/outflow from current business activity | -2,490,664 | 5,820,031 |
| Capital expenditure on intangible assets and on property, plant and equipment | -524,080 | -221,060 |
| Payments for additions to the group of consolidated companies | -7,016,679 | 0 |
| Cash inflow/outflow from investing activity | -7,540,759 | -220,639 |
| Payment of dividends/profits to shareholders | -1,927,774 | -2,663,297 |
| Cash receipts from equity contributions | 57,451,398 | 0 |
| Interest expenses | -187,714 | -201,459 |
| Repayment of non-current liabilities | -1,039,458 | -720,265 |
| Raising of non-current liabilities | 362,168 | 330,836 |
| Cash inflow/outflow from financing activity | 54,658,620 | -3,254,185 |
| Exchange rate-related change in cash and cash equivalents | 52,379 | 14,658 |
| Change in cash and cash equivalents | 44,679,576 | 2,359,866 |
| Cash and cash equivalents at the beginning of the period | 9,015,053 | 6,655,187 |
| Cash and cash equivalents at the end of the period | 53,694,629 | 9,015,053 |

Explanations cf. No. 20 Consolidated Notes

# Consolidated statement of changes in equity for the period from 1 December 2017 to 30 November 2018

| In EUR | Subscribed capital | Reserve | Profits and losses brought forward | Currency translation reserve | Non-controlling shares | Total |
|---|---|---|---|---|---|---|
| 1 December 2017 | 782,750 | 1,251,609 | 2,380,403 | -48,463 | 23,412 | 4,389,711 |
| Period result | | | -1,087,945 | | | -1,087,945 |
| Currency translation | | | | -119,014 | | -119,014 |
| Comprehensive income | | | -1,087,945 | -119,014 | | -1,206,959 |
| Result allocation – Minority in helpLine BV | | | | | -54,041 | -54,041 |
| Dividends to shareholders | | | -1,927,774 | | | -1,927,774 |
| Change due to restructuring and IPO | 9,717,250 | 50,241,943 | | | | 59,959,193 |
| Costs of equity raising with a neutral effect on profit or loss minus deferred taxes | | -1,665,925 | | | | -1,665,925 |
| 30 November 2018 | 10,500,000 | 49,827,627 | -635,316 | -167,477 | -30,629 | 59,494,205 |

Explanations cf. No. 21 Consolidated Notes

# Combined statement of changes in equity for the period 01 December 2016 to 30 November 2017

| In EUR | Subscribed capital | Reserve |
|---|---|---|
| 1 December 2016 | 782,750 | 1,251,609 |
| Period result | | |
| Dividends to shareholders | | |
| Currency translation | | |
| Result allocation – Minority in helpLine BV | | |
| Capital increase - Minority in helpLine BV | | |
| 30 November 2017 | 782,750 | 1,251,609 |

| Profits and losses brought forward | Currency translation reserve | Non-controlling shares | Total |
|---|---|---|---|
| 341,964 | 57,576 | -44,785 | 2,389,114 |
| 4,649,236 | | | 4,649,236 |
| -2,610,797 | | | -2,610,797 |
| | -106,039 | | -106,039 |
| | | 15,697 | 15,697 |
| | | 52,500 | 52,500 |
| 2,380,403 | -48,463 | 23,412 | 4,389,711 |

# Statement of changes in fixed assets for the fiscal year from 01.12.2017 to 30.11.2018

| | Determination of the acquisition and production costs | | | |
|---|---|---|---|---|
| In EUR | Status 01.12.2017 | Additions | Reclassifications, Disposals | Status 30.11.2018 |
| I. Intangible assets | | | | |
| 1. Industrial property rights | 3,501 | 0 | 0 | 3,501 |
| 2. IT software | 276,994 | 34,386 | 0 | 311,380 |
| 3. Goodwill | 2,808,711 | 4,927,605 | 0 | 7,736,316 |
| 4. Internally generated intangible assets | 0 | 894,573 | 0 | 894,573 |
| 5. SABIO trademark | 0 | 1,768,281 | 0 | 1,768,281 |
| 6. SABIO customer base | 0 | 2,905,460 | 0 | 2,905,460 |
| 7. Intangible assets under construction | 0 | 36,173 | 0 | 36,173 |
| Total Pos. I. | 3,089,206 | 10,566,479 | 0 | 13,655,685 |
| | | | | |
| II. Property, plant and equipement | | | | |
| 1. Cars | 31,082 | 0 | -668 | 31,750 |
| 2. Furniture and fixtures | 1,252,058 | 462,833 | 2,744 | 1,712,146 |
| 3. Office equipment | 263,495 | 5,091 | 2,469 | 266,116 |
| 4. Fixtures | 53,450 | 118,009 | 0 | 171,459 |
| 5. Low-cost assets | 0 | 78,259 | 78,202 | 57 |
| 6. Collective item furniture and fixtures | 0 | 0 | 0 | 0 |
| Total Pos. II. | 1,600,085 | 664,191 | 82,748 | 2,181,528 |
| | | | | |
| Total Pos. I.-II. | 4,689,291 | 11,230,670 | 82,748 | 15,837,213 |

| Determination of the depreciations and amortisations | | | | Carrying amount | |
|---|---|---|---|---|---|
| Status 01.12.2017 | Additions (Annual depreciations) | Reclassifications, Disposals | Status 30.11.2018 (accumulated) | 30.11.2018 | 30.11.2017 |
| | | | | | |
| 0 | 0 | 0 | 0 | 3,501 | 3,501 |
| 264,187 | 13,005 | 0 | 277,192 | 34,188 | 12,807 |
| 0 | 0 | 0 | 0 | 7,736,316 | 2,808,711 |
| 0 | 87,287 | 0 | 87,287 | 807,286 | 0 |
| 0 | 29,471 | 0 | 29,471 | 1,738,809 | 0 |
| 0 | 48,424 | 0 | 48,424 | 2,857,036 | 0 |
| 0 | 0 | 0 | 0 | 36,173 | 0 |
| 264,187 | 178,188 | 0 | 442,375 | 13,213,310 | 2,825,019 |
| | | | | | |
| | | | | | |
| 2,105 | 11,708 | 0 | 13,813 | 17,937 | 28,977 |
| 939,114 | 194,886 | 0 | 1,133,999 | 578,147 | 312,945 |
| 165,528 | 18,319 | 0 | 183,847 | 82,269 | 97,967 |
| 34,766 | 13,218 | 0 | 47,983 | 123,475 | 18,684 |
| 0 | 78,202 | 78,202 | 0 | 57 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 1,141,512 | 316,333 | 78,202 | 1,379,643 | 801,885 | 458,573 |
| | | | | | |
| 1,405,699 | 494,521 | 78,202 | 1,822,018 | 14,015,195 | 3,283,592 |

# Statement of changes in fixed assets for the fiscal year from 01.12.2016 to 30.11.2017

| | Determination of the acquisition and production costs | | | |
|---|---|---|---|---|
| In TEUR | Status 01.12.2016 | Additions | Reclassifications, Disposals | Status 30.11.2017 |
| I. Intangible assets | | | | |
| 1. Industrial property rights | 4 | 0 | 0 | 4 |
| 2. IT software | 266 | 10 | 0 | 276 |
| 3. Goodwill | 2,809 | 0 | 0 | 2,809 |
| Total Pos. I. | 3,079 | 10 | 0 | 3,089 |
| II. Property, plant and equipment | | | | |
| 1. Furniture and fixtures | 1,103 | 180 | 0 | 1,283 |
| 2. Office equipment | 256 | 7 | 0 | 263 |
| 3. Fixtures | 53 | 0 | 0 | 53 |
| 4. Low-cost assets | 0 | 23 | 23 | 0 |
| Total Pos. II. | 1,413 | 210 | 23 | 1,600 |
| Total Pos. I.-II. | 4,492 | 220 | 23 | 4,689 |

| Determination of the depreciations and amortisations | | | | Carrying amounts | |
|---|---|---|---|---|---|
| Status 01.12.2016 | Additions (Annual depreciations) | Reclassifications, Disposals | Status 30.11.2017 (accumulated) | 30.11.2017 | 30.11.2016 |
| | | | | | |
| 0 | 0 | 0 | 0 | 4 | 4 |
| 226 | 38 | 0 | 264 | 12 | 40 |
| 0 | 0 | 0 | 0 | 2,809 | 2,809 |
| 226 | 38 | 0 | 264 | 2,825 | 2,853 |
| | | | | | |
| | | | | | |
| 789 | 153 | 0 | 941 | 342 | 314 |
| 147 | 18 | 0 | 165 | 98 | 109 |
| 28 | 6 | 0 | 34 | 19 | 25 |
| 0 | 23 | 23 | 0 | 0 | 0 |
| 964 | 200 | 23 | 1,140 | 459 | 448 |
| | | | | | |
| 1,190 | 238 | 23 | 1,404 | 3,284 | 3,301 |

# Consolidated Notes

## General Information

Serviceware SE, Bad Camberg, (hereinafter referred to as "Serviceware" or the "Company") is a European public limited liability company entered in the Commercial Register under number HRB 5894 with the local court Limburg an der Lahn and the parent company of the Serviceware Group (hereinafter referred to as "Group" or "Serviceware Group"). The business address of the Company is Carl-Zeiss-Strasse 16 in 65520 Bad Camberg. The fiscal year of the Company runs from 1 December to 30 November of a year. The duration of the company is unlimited.

Serviceware is a Societas Europaea according to the law of the European Union as well as German law and was founded in the Federal Republic of Germany. The relevant legal order for the Company is the law of the Federal Republic of Germany.

The object of the companies of the Serviceware Group is the production, trade in and sale of software and the associated hardware for computer applications and the conduct of trainings, seminars and consulting as well as the maintenance of these services and the consulting of companies on economic and organisational matters.

The Company acts as a consulting holding company for its subsidiaries by taking over management functions for the latter.

According to the voting rights notifications available to the Company, the following shareholders have a stake in the share capital of Serviceware:

| Shareholder | Number of shares taken up | Shareholding interest in % (rounded) |
|---|---|---|
| Dirk K. Martin [1] | 3,296,545 | 31.40% |
| Harald Popp [2] | 3,296,545 | 31.40% |
| Free float | 3,906,910 | 37.20% |
| Total | 10,500,000 | 100.00% |

[1] held by aventura management GmbH, Bad Camberg
[2] held by dreifff management GmbH, Bad Camberg

The shares of the Company have been listed in the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange since 20 April 2018. The ISIN (International Securities Identification Number) is DE000A2G8X31, the WKN (Securities Identification Number) is A2G8X3 and the ticker symbol is SJJ.

These consolidated financial statements are to be released by the Administrative Board for publication on 19 March 2019.

The financial statements of Serviceware SE, Bad Camberg, as well as the consolidated financial statements of the Serviceware Group are published in the Bundesanzeiger (Federal Gazette).

The consolidated financial statements of the Serviceware Group were prepared for the fiscal year from 1 December 2017 to 30 November 2018 in accordance with the International Financial Reporting Standards (IFRS), as applicable within the European Union (EU) and the supplementary provisions under German commercial law to be complied with in accordance with § 315e Para 3 HGB (German Commercial Code).

The consolidated financial statements have been prepared in Euro. Unless otherwise mentioned, all amounts are stated in thousand euro (kEUR). The profit and loss account is prepared in accordance with the total cost method. In order to improve the clarity of presentation individual items in the balance sheet and the statement of comprehensive income can be aggregated. The breakdown of these items is shown in the Notes. In the presentation rounding differences can occur with the mathematically precise values.

The accounting policy corresponds as a matter of principle to the methods applied during the previous year. The values shown in the balance sheet differentiate between non-current and current assets and liabilities which are disclosed in the consolidated Notes, if prescribed, in accordance with their maturities. The financial statements of Serviceware and its subsidiaries are included into the consolidated financial statements taking into account the accounting and valuation methods applying uniformly to the Group.

## Standards, interpretations and amendments to standards and interpretations to be applied for the first time during the fiscal year

During fiscal 2017/2018 the following pronouncements and / or amendments to pronouncements of the IASB were applied for the first time:

| Pronouncement | Essential content | Mandatory application EU |
|---|---|---|
| Amendments to IAS 12 | Income taxes: recognition of deferred tax assets for unrealised losses | 01.01.2017 |
| Amendments to IAS 7 | Statement of cash flows: disclosures about changes in certain liabilities arising from financing activities | 01.01.2017 |

The new or amended announcements have no or no material impact on the consolidated financial statements of the Serviceware Group.

The Group has not applied any standards published by IASB before their mandatory application.

## Published but not yet applicable standards, interpretations and amendments

| Standard | New or amended standards and interpretations | Mandatory application EU |
|---|---|---|
| Amendments to IFRS 4 | Insurance contracts: consequences from the first-time adoptions of IFRS 9 and IFRS 17 | 01.01.2018 |
| Amendments to IFRS 2 | Share-based payment transactions: different clarifications | 01.01.2018 |
| Amendments to IAS 40 | Investment property | 01.01.2018 |
| Annual Improvement Project 2014-2016 | Various amendments | 01.01.2018 |
| Amendments to IAS 28 | Investments in associates and joint ventures | 01.01.2019 |
| Annual Improvement Project 2015-2017 | Various amendments | 01.01.2019 |
| IFRS 9 altogether | Financial instruments | 01.01.2018 |
| Amendments to IFRS 9 | Financial instruments: early repayment options with negative prepayment penalty | 01.01.2019 |
| IFRS 15 | Revenue from contracts with customers | 01.01.2018 |
| IFRS 16 | Leases | 01.01.2019 |
| IFRS 17 | Insurance contracts | 01.01.2021 |
| IFRIC 22 | Foreign currency transactions and advance consideration | 01.01.2018 |
| IFRIC 23 | Uncertainty over income tax treatments | 01.01.2019 |

In July 2014 IASB published IFRS 9 "Financial instruments". The application is mandatory for the reporting periods starting from 1 January 2018. The standard introduces new recognition and measurement provisions for financial instruments and replaces IAS 39. The new provisions include essentially the following matters which are relevant for the Company:

- The new provisions on the classification of financial assets will result, depending on the respectively underlying business model, in some cases in changes in respect of measurement and presentation.
- Equity instruments held are allocated on the level of the individual instrument irrevocably at the initial recognition to a measurement category and measured at Serviceware as a matter of principle at fair value through the other consolidated result without reclassification affecting income of the cumulative profits and losses on disposal (OCI option). Against the backdrop of the new provisions on impairment future expected losses are partly recognised earlier as an expense.

The impact was analysed within the framework of a Group-wide project on the implementation of the new standard. Based on the current assessment by the management, the first-time and ongoing application will not result in any material impact on the consolidated financial statements for the Serviceware Group.

In Mai 2014 the IASB published IFRS 15 "Contracts with Customers" and in April 2016 some clarifications concerning IFRS 15. IFRS 15 replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" as well as the corresponding interpretations. The new standard as well as the clarifications are applicable to fiscal years which begin on or after 01.01.2018. The EU endorsement became effective in September 2016 and October 2017, respectively.

IFRS 15 provides for a comprehensive framework to determine whether and to what extent and when revenue is to be recognised. The basic principle of IFRS 15 consists in an entity recognising revenue once goods or services have been transferred. This core principle is implemented within the framework of the standard by a five-step model. In this connection it is first necessary to identify the relevant contracts with the customer and identify the performance obligations therein. After the determination of the transaction price, the latter is then to be allocated to each performance obligation. The recognition of revenue is then made in the amount of the anticipated consideration for each separate performance obligation satisfied at a point in time or over time.

The standard has no material impact on the presentation of the assets, financial position and earnings of the Serviceware Group, since the new provisions, in particular those concerning the revenue recognition of services provided by the Serviceware Group and products sold do not involve any material changes versus the standards applied so far. The revenue recognition of construction contracts and service contracts (or components of service contracts) is carried out within the Group according to the effort-expended method and hence meets the prerequisites to a recognition of revenue over time in accordance with the new standard.

In January 2016 the IASB published IFRS 16 "Leases". IFRS 16 abolishes the existing classification of leases on a lessee level into operating and finance leases. IFRS 16 introduces instead a single lessee accounting model according to which the lessee is obliged to recognise for leases with a term of more than 12 months assets (for the right of use) and lease liabilities. This means that leases so far not accounted for must be reported in future – to a large extent comparable to the current reporting of finance leases. IFRS 16 is to be applied for fiscal years which begin on or after 1 January 2019; an earlier application is permitted as long as IFRS 15 is already applied. The EU endorsement became effective in October 2017. Serviceware does not, however, use the possibility of an earlier application.

The Serviceware Group concludes contracts about the lease of cars, buildings as well as fixed assets essentially as operating lessee. The application of IFRS 16 will probably result in the following impact on the reporting of the assets, financial and earnings position of the Group: concerning the minimum lease payments reported under other financial obligations from operating leases, the initial application of the standard will result in an increase of the non-current assets through the recognition of the rights of use. Consequently, the financial liabilities will increase following the reporting of the corresponding liabilities. In addition, the type of expenses from leases will change, since IFRS 16 replaces the existing straight-line expenses for operating leases by the amortisation of the rights of use and the interest on the lease liabilities. Furthermore, IFRS 16 provides for reporting the repayment part of the lease payments as part of the cash flow from financing, so that the operating cash flow will improve. The quantitative impact on the consolidated financial statements cannot yet be described in a reliable manner. The current operating lease volume is shown under 23.

## Discretionary decisions and uncertainties on estimates

The reporting on the assets, financial and earnings position in the consolidated financial statements is dependent on accounting policies as well as assumptions and estimates. The actual amounts may deviate from the estimates. The following material estimates and corresponding assumptions as well as the uncertainties involved in the accounting policies are decisive to understand the underlying risks of financial reporting as well as the impact the estimates, assumptions and uncertainties can have on the consolidated financial statements.

The measurement of the valuation of property, plant and equipment and intangible assets is associated with estimates to determine the fair value at the time of acquisition if they were acquired within the framework of a business combination. Furthermore, the expected useful life of the assets has to be estimated. The determination of the fair value of assets and liabilities as well as the useful lives of the assets are based on judgements by the management. Within the framework of the determination of the impairment of property, plant and equipment and intangible assets estimates are likewise made which refer, amongst other things, to the cause, time and amount of the impairment. An impairment is based on many different factors. As a matter of principle, changes in respect of the current competition conditions, expectations concerning the growth of the industry, increases in capital expenditures, changes in respect of the future availability of financing resources, technological obsolescence, the discontinuation of services, current replacement costs, purchase prices paid in comparable transactions and other changes concerning the environment which point to an impairment are taken into account. The identification of indications which suggest an impairment, the estimate of future cash flows as well as the determination of the fair value of assets (or groups of assets) involve considerable judgements which the management has to make in terms of identification and examination of indications suggesting an impairment, the expected cash flows, the applicable discount rates, the respective useful lives as well as the residual values.

The determination of the recoverable amount of a cash generating unit involves estimates by the management. The methods applied for the calculation of the recoverable amount include methods on the basis of discounted cash flows and methods which use market prices as a basis. The judgements on the basis of discounted cash flows are based on forecasts which result from the financial plans approved by management and are also used for internal purposes. The selected planning horizon reflects the assumptions for short to medium-term market developments and is selected in order to obtain a stable business outlook of the company which is necessary for the calculation of the perpetual annuity. Discount rates are determined on the basis of external variables derived from the market, taking into account the risks involved in the cash generating unit. Future changes in respect of the aforementioned assumptions may have a material influence on the fair value of the cash generating units.

The management creates valuation allowances for doubtful accounts receivable, to take into account any anticipated losses resulting from the insolvency of customers. The bases used by the management to assess the adequacy of the valuation allowances for doubtful accounts receivable are the maturity structure of the balance of receivables and experience in respect of write-offs of receivables in the past, the creditworthiness of the customers as well as changes in respect of the terms of payment. If the financial position of a customer deteriorates, the extent of write-offs to be made may exceed the extent of anticipated write-offs.

The recognition and valuation of provisions and contingent liabilities are associated to a considerable extent with estimates by the management. The assessment of the probability that pending proceedings are successful, or a liability arises or the quantification of the possible amount of the payment obligation is, for instance, based on the judgement of the respective facts. Furthermore, provisions are made for anticipated losses from pending business transactions, if a loss is probable and this loss can be estimated in a reliable manner. Because of the uncertainties involved in this judgement, the actual losses may possibly deviate from the original estimates and hence from the provision amount. Furthermore, the determination of provisions for taxes and legal risks involves considerable estimates. These estimates may change as a result of new information. To obtain new information the Serviceware Group mainly uses the services of internal experts as well as the services of external consultants such as actuaries or legal advisers. Any changes concerning the estimates of these anticipated losses from pending business transactions may have a considerable impact on the future earnings position.

## Accounting Policies

### Intangible assets (without goodwill)

Intangible assets with a determinable useful life are valued at their acquisition costs and, as a matter of principle, amortised on a straight-line basis over their respective useful life. Such assets are impaired if the recoverable amount – the higher value from the fair value minus costs to sell and value in use – is lower than the carrying amount.

Intangible assets with an indeterminable useful life are valued at acquisition costs. They are not subject to scheduled amortisation but are examined on an annual basis and whenever there are indications for an impairment concerning their recoverability, and if necessary, they are written off to their recoverable amount. If the reasons for the previous impairments no longer exist, these assets are written up taking into account scheduled depreciations to the maximum amount which would have resulted if no impairments had been reported during the earlier periods. The useful life and the depreciation methods for intangible assets are reviewed at least on every reporting date; if expectations deviate from existing estimates, the corresponding amendments are recognised in accordance with IAS 8 as changes in accounting estimates.

The useful life amounts for software as a rule to three to five years. The intangible assets of brand "SABIO" and the customer base disclosed within the framework of the acquisition of SABIO GmbH, Hamburg, are amortised in each case over a useful life of 20 years. The useful life of the capitalised development costs amounts to three years from the commencement of marketing of the developed products.

## Goodwill

Goodwill is not subject to scheduled amortisation but is examined on the basis of the recoverable amount of the cash generating unit to which the goodwill is allocated for a possible impairment. The impairment test is carried out regularly at the end of each fiscal year and, in addition, whenever there are indications that the cash generating unit suffers from an impairment in its value.

## Property, plant and equipment

Property, plant and equipment are measured at acquisition or production costs, reduced by scheduled straight-line depreciations and possibly impairments. The depreciation period is governed by the probable economic useful life of the assets. In the year of acquisition property, plant and equipment are depreciated on a pro rata basis. The residual book values, the useful lives and the depreciation methods of the assets are reviewed at least on each reporting date; if expectations deviate from the existing estimates, the corresponding changes are reported in accordance with IAS 8 as changes in accounting estimates. If a property, plant and equipment asset consists of several parts with different useful lives, the individual material parts are depreciated over their individual useful lives. Maintenance and repair costs are recognised as an expense on the date on which they are incurred. Public investment allowances reduce the acquisition or production costs of those assets for which the allowance has been granted. A property, plant and equipment asset is derecognised if the asset is disposed of or if no other economic benefit is to be expected from its use or disposal. The profit or loss from the disposal of a property, plant and equipment asset is the difference between the net realisable value and the carrying amount of the asset and is recognised at the time of derecognition in the other operating income or other operating expenses. The useful lives of the essential asset categories are represented in the following table:

| | |
|---|---|
| Other equipment, operational and office equipment | 3 to 13 years |

Tenant fixtures are either depreciated over their respective lifetime or over the shorter period of a possible leasing.

## Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the acquisition and production costs. Borrowing costs for assets which are recognised at fair value and for inventories which are regularly manufactured or produced in large amounts, are not capitalised.

## Impairment of intangible assets (including goodwill) and property, plant and equipment

Impairments are determined by comparing the carrying amount with the recoverable amount. If individual assets cannot be allocated to own future cash inflows generated independently from other assets, the impairment is to be tested on the basis of the superordinate cash generating unit of assets. On every reporting date it is reviewed whether there are any indications that an asset has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset or the cash generating unit is to be determined. In the event of intangible assets with indeterminable useful life (goodwill), an annual impairment test is in addition carried out on a regular basis. Within the framework of the impairment test the goodwill acquired in connection with a business combination is allocated to each cash generating unit which is likely to benefit from the synergies from the merger. If the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount, the goodwill allocated to this cash generating unit is to be reduced in the amount of the difference. An impairment of the goodwill may not be revoked. If the impairment of the cash generating unit exceeds the carrying amount of the allocated goodwill, the additional impairment has to be distributed on a proportional basis to the assets allocated to the cash generating unit. The fair values and / or values in use (as far as they can be determined) of the individual assets are to be taken into account as lower value limit. If the conditions for impairments recognised in previous periods no longer exist, the corresponding assets (with the exception of goodwill) must be written up through profit and loss. The recoverable amount of a cash generating unit is determined from the higher value from the fair value less disposal costs and value in use of the asset. The recoverable amount is determined as a rule by applying the discounted cash flow (DCF) method, unless a measurement based on a market price is relevant. These DCF calculations are based on forecasts derived from financial plans approved by the management and which are also used for internal purposes. The selected planning horizon reflects the assumptions for short to medium-term market developments. Cash flows which go beyond the planning period are calculated by means of adequate growth rates. The main assumptions on which the calculation of the recoverable amount by the management is based, are explained under "Discretionary judgements and uncertainties of estimates".

### Other provisions

Other provisions, which are reported in these financial statements under other liabilities and are presented and explained separately as other deferrals under Section 10, are recognised for current legal or factual obligations vis a vis third parties which are uncertain in terms of their maturity or their amount. Provisions are made for such obligations if they are based on past business transactions or events, are likely to lead to outflows of financial resources and these outflows can be determined in a reliable manner. Provisions are recognised with their probable settlement amount taking into account all identifiable risks and uncertainties. The settlement amount is determined on the basis of a best possible estimate whereby adequate estimate procedures and information sources depending on the characteristics of the obligation are used.

For a large number of similar obligations, the group of obligations is considered as a whole. The expected value method is used as an estimation method. In the event of bandwidths of possible events with the same likelihood of occurrence, the mean value is applied. Individual obligations (eg legal and litigation risks) are regularly valued with the most likely result unless other estimates lead to an adequate measurement due to special probability distributions. For the measurement of provisions historical experience, current cost and price information as well as estimates and / or expert opinions of specialists and experts are used. Insofar as historical experience or current cost and price information is used for the determination of the settlement amount, these values are updated taking into account the probable period of settlement. In this respect adequate price development indicators (eg inflation rates) are used. Provisions are discounted if their effect is material. For discounting purposes market interest rates before taxes are used which reflect the term and risk of the obligation (if not yet taken into account at the determination of the settlement amount).

Refund claims are not offset against provisions but are capitalised separately as soon as their realisation is as certain as possible. Provisions for decommissioning, reproduction or similar obligations which occur as a result of the acquisition of property, plant and equipment, are recognised with no effect on profit and loss and result in subsequent increases or decreases of the carrying amount of the property, plant and equipment asset concerned. This hence also leads to changed scheduled depreciations of the asset to be recognised in future and hence to a recognition with an effect on net income of the changes in estimate over the residual useful life.

## Financial instruments

A financial instrument is a contract which leads at the same time in one company to a financial asset and in another company to a financial liability or an equity instrument. Financial assets include, more particularly, cash and cash equivalents, trade receivables as well as other loans granted and receivables, financial investments held to maturity and primary and derivative financial assets held for trading. Financial liabilities regularly establish a repayment entitlement in cash or in a different financial asset. This includes, more particularly, bonds, trade payables, liabilities to financial institutions, liabilities from finance leases and derivative financial liabilities.

Financial instruments are recognised as soon as the Serviceware Group becomes a contractual party to the provisions of the financial instrument. In the event of regular way purchases or sales (purchases or sales within the framework of a contract whose terms and conditions provide for the delivery of the asset within a specific period which is usually determined by provisions or conventions of the respective market), the settlement day is relevant for the first-time recognition as well as derecognition, ie the day on which the asset is delivered to or by the Serviceware Group. Financial assets and financial liabilities are disclosed as a rule without being offset; they are only offset if there is a right to offsetting at present concerning the amounts and if it is intended to bring about a balance on a net basis. If contracts for the purchase or sale of non-financial assets come within the scope of application of IAS 39, they are recognised in accordance with the provisions of this standard. Financial assets are measured at their first-time recognition at fair value. for all financial assets which are measured at fair value through profit or loss, the transaction costs directly allocable to the acquisition need to be taken into account. The fair values recognised in the balance sheet correspond as a rule to the market prices of the financial assets. If these are not immediately available, they are calculated by applying recognised valuation models and by using current market parameters.

Trade receivables as well as other non-current assets are measured with the carrying amount at the time of addition minus impairments – to the extent that they have maturities of more than one year by applying the effective interest method. The impairments which are made by way of specific valuation allowances take the expected default risks into sufficient account; concrete defaults lead to the derecognition of the receivables concerned. Within the framework of individual valuation allowances, financial assets for which there is a potential impairment are grouped by means of equivalent default risk properties and examined together for impairments as well as possibly adjusted in terms of value. For the necessary determination of the expected future cash flow not only the contractually agreed cash flows but also historical default experience is taken into account. The impairment of trade receivables is made by using valuation allowance accounts. Cash and cash equivalents, which include money accounts and short-term financial investments, have at their addition typically a residual term of up to three months and are measured at amortised costs. For certain financial investments it is both intended and also to be expected economically with sufficient reliability that they will be held until final maturity. These financial assets are measured by applying the effective interest method at amortised cost.

Cash and cash equivalents, which include cash accounts and short-term deposits at banks, have on addition typically a residual term of up to three months and are measured at amortised cost. In the consolidated statement of cash flows the Serviceware Group reports the cash flows from interests as inflows or outflows in the cash flow from current business activity.

Other non-current receivables are measured at amortised cost by applying the effective interest method.

For certain financial investments it is intended and economically to be expected with sufficient reliability that they are held to maturity. These financial assets are measured at amortised cost by applying the effective interest method.

The primary financial assets which do not meet the definition of a different category of financial instruments are only categorised as available for sale and are, as a matter of principle, measured at fair value. The profits and losses then resulting at fair value are recognised in equity with no effect on profit or loss. This does not apply if it concerns permanent or material impairments as well as currency-related changes in value of borrowed capital instruments which are recognised with an effect on profit or loss. Only after the derecognition of the financial assets the cumulative profits and losses recognised in equity from the measurement are recognised at fair value in the profit and loss account with an effect on income.

If the fair value cannot be determined with sufficient reliability for non-listed equity instruments, the shares are measured at acquisition costs (possibly minus impairments). The Serviceware Group has so far not used the possibility to designate financial assets at their first recognition as financial assets at fair value through profit or loss.

On every reporting date the carrying amounts of the financial assets which are not to be measured at fair value with an effect on profit or loss are examined for objective substantial indications in view of an impairment, such as considerable financial difficulties of the debtor, the high probability of insolvency proceedings against the debtor, the discontinuation of an active market for the financial asset, a major change in respect of the technological, economic and legal environment as well as the market environment of the issuer or a permanent decline of the fair value of the financial asset at amortised costs. When reviewing for the existence of a possible impairment need for financial assets in the form of investments – which belong to the measurement category "financial assets available for sale" – the overall circumstances of the individual case are considered. A possible impairment loss which arises from a lower fair value compared to the carrying amount is measured with an effect on profit or loss. If changes in value of the fair value of financial assets available for sale have so far been recognised in equity (other comprehensive income), they have to be eliminated up to the amount of the determined impairment from the other comprehensive income and recognised in the profit and loss account with an effect on income.

If it turns out at later measurement points that the fair value has objectively increased due to events which have occurred after the recognition of the impairment, the impairments are revoked in the corresponding amount. For debt instruments this reversal of impairments is recognised with an effect on profit or loss. Impairments which concern equity instruments available for sale and recognised at acquisition costs without stock exchange listing may not be revoked. The fair value of securities which need to be held until final maturity to be determined within the framework of the review for possible impairments as well as the fair value of the loans and receivables measured at amortised cost correspond to the cash value of the estimated future cash flow discounted with the original effective interest rate. The fair value of unlisted equity instruments measured at amortised costs results as a cash value of the expected future cash flow, discounted with the current interest rate which corresponds to the special risk situation of the investment.

Financial liabilities are measured at fair value upon their initial recognition. The transaction costs directly attributable to the acquisition are also recognised for all financial liabilities which are not measured at fair value with an effect on profit or loss. If for trade payables the agreed payment term is longer than usual at that point in time on the corresponding procurement market, this liability is not disclosed in the trade payables but in the other interest-bearing liabilities.

Trade payables as well as other primary financial liabilities are measured by applying the effective interest method at amortised cost.

### Contingencies (contingent liabilities and assets)

Contingencies (contingent liabilities and assets) are possible obligations or assets which result from past events or whose existence is conditional upon the occurrence or non-occurrence of one or more uncertain future events which are not fully under the control of the Serviceware Group. Contingent liabilities are also current obligations which result from past events in respect of which the outflow of resources which represent an economic benefit is unlikely or in respect of which the scope of the obligation cannot be estimated with sufficient liability. Contingent liabilities are measured at fair value if they were taken over within the framework of a company acquisition. Contingent liabilities not taken over within the framework of a company acquisition are not recognised. Contingent receivables are not recognised. If the realisation of earnings is, however, almost certain, the corresponding asset is no longer to be considered as a contingent receivable and is recognised as an asset. If an outflow of resources with economic benefit is not unlikely, information on contingent liabilities is published in the Notes to the consolidated financial statements. The same applies to contingent receivables if the inflow of economic benefit is likely.

### Leasing

The beneficial ownership of leased items is attributed in a lease relationship to the contracting partner who bears the material opportunities and risks involved in the leased item. If the lessor bears the material opportunities and risks (operating lease), the leased item is recognised by the lessor in the balance sheet. The measurement of the leased item is governed by the accounting provisions which are relevant for the leased item. The lease payments are recognised in profit or loss by the lessor. The lessee in an operating lease recognises the lease payments to be made during the lease with an effect on profit or loss. Contractually agreed future changes in respect of the lease payments during the term are recognised throughout the entire term only once at the time of the conclusion of the contract in expenses (straight-line lease). In the event of any extension options the sufficiently certain use of extension options is first taken into account at the time of conclusion of the lease. If the original assessment of the use of extension options changes in the course of the lease, a corresponding change in estimate is to be made for the determination of the future obligations under operating lease transactions. If the lessee bears the material opportunities and risks involved in the ownership of the leased item (finance lease), the lessee has to recognise the leased item in the balance sheet. The leased item is measured at the time of addition with its fair value or the lower cash value of the future minimum lease payments and depreciated over the estimated useful life or the shorter contractual term. The depreciation is recognised with an effect on profit or loss. The lessee recognises at the time of addition at the same time a lease liability the amount of which corresponds to the carrying amount of the leased item. The lease liability is amortised and adjusted during the subsequent period in accordance with the effective interest method. The lessor in a finance lease recognises receivables in the amount of the net investment value under the lease. The lease income is subdivided into repayments of the lease liability and financial income. The receivable from the lease is amortised and adjusted in accordance with the effective interest method.

### Sales revenues

Sales revenues include all revenues resulting from the ordinary activities of the Serviceware Group. The sales revenues are recognised without value-added tax or other tax collected at the customers and paid to the tax authorities. They are measured in accordance with the realisation principle in accordance with the service provision. In the event of multiple-component contracts the recognition of sales has to be determined separately for each identified valuation unit (component). Agreements, which cover the delivery and / or provision of several separate products and / or services, must be separated into individual components and for each component a separate income contribution must be determined. At the Serviceware Group this concerns, more particularly, software bundles. The price for the entire multiple-component business is distributed on the basis of the proportionate individual selling prices to the different components, ie the individual selling price of each individual component is put in relation with the sum of the individual selling prices of the bundled services. The proportionate individual selling price of an individual component and the realised revenues for this valuation unit are however limited by the part of the return service to be provided by the customer for the multiple-component business, whose payment is not dependent on the provision of further services. Payments to customers, including payments to dealers and intermediaries (rebates, commission), are basically recognised as revenue reduction. If the return service has a benefit of its own and can be measured in a reliable manner, the payments are recognised as expenses.

Sales revenues from manufacturing and service contracts (or components of service contracts) are realised in accordance with the stage of completion. The performance progress or stage of completion is determined as a rule by the proportion of the contract costs incurred up to the reporting date to the total contract costs estimated on the reporting date. If a reliable estimate of the total contract costs and hence the degree of completion is not possible, sales revenues are only recognised in the amount of the contract costs incurred as expenses. A proportionate profit is then only realised upon completion.

Sales revenues from rental and leasing transactions, which are not to be considered as sale in economic terms, are recognised on a straight-line basis over the rental period.

### Income taxes

Income taxes include both actual income taxes and deferred taxes. Actual and deferred tax income and tax expenses are to be recognised as a matter of principle if they are likely. The valuation is based on the tax provisions which apply or have been announced on the reporting date, provided that the announcement has the effect of an actual entry into force. If actual and deferred taxes are recognised, they must be disclosed as income or expenses unless they result from a transaction which is recognised outside the profit and loss account either in the other comprehensive income or in the equity or is related to a business combination. In the balance sheet actual tax income has, as a matter of principle, to be offset against actual tax expenses and deferred tax income against deferred tax expenses, if there is an enforceable right to offsetting of actual tax income against actual tax liabilities, there is an intention to carry it out and the tax income and tax expenses relate to income tax levied by the same tax authority. Actual tax income and tax expenses are to be measured with the amount of the expected payment or refund to or from the tax authority. They include both the current year and any expenses / income from previous years.

Deferred taxes are recognised for temporary differences between the carrying amounts in the consolidated balance sheet and the tax balance sheet as well as for tax loss carry-forwards and tax credits. By deviation from this principle no deferred taxes are recognised for temporary differences if they result from the initial recognition of assets or liabilities, neither the IFRS earnings (before taxes) nor the tax earnings are influenced and no business combinations are concerned. Moreover, no deferred tax liabilities are created in respect of temporary differences which are related to the initial accounting of a goodwill. Deferred tax liabilities in connection with temporary differences from shareholdings in subsidiaries, joint agreements and associated companies, are calculated as a matter of principle unless Serviceware is able to control the chronological sequence of the reversal of the temporary difference and the temporary differences will probably not reverse in the foreseeable future.

## Principles of consolidation

### Subsidiaries

Subsidiaries are companies which are directly or indirectly controlled by Serviceware. Control exists if and only if an investor disposes of the decision-making power, is exposed to variable returns or is entitled to rights concerning the returns or if based on the decision-making power he is able to influence the amount of the variable returns. The existence and impact of substantial potential voting rights which are currently exercised or can be converted, including potential voting rights held by other affiliated companies are taken into account when judging whether a company is controlled. All subsidiaries are included into the consolidated financial statements.

The income and expenses of a subsidiary are included into the consolidated financial statements from the time of its acquisition. The income and expenses of a subsidiary remain included in the consolidated financial statements until the control by the parent company ends. As far as necessary, the accounting concepts of subsidiaries are adapted to the accounting concepts of Serviceware which are uniform across the Group. Expenses and income, receivables and payables as well as the results between the companies included into the consolidated financial statements are eliminated. With the loss of the controlling influence a gain or loss from the derecognition of the subsidiary is disclosed in the consolidated profit and loss account in the amount of the difference between (i) the income from the disposal of the subsidiary, the fair value of the retained shares, the carrying amount of the non-controlling shares as well as the cumulated amounts accounted for by the subsidiaries in the other comprehensive income and (ii) the carrying amount of the disposed net assets of the subsidiary.

### Business combinations

A business combination exists if Serviceware obtains control over another company. All business combinations must be reported in accordance with the purchase method. The acquisition costs of an acquired subsidiary are measured on the basis of the fair value of the transferred return service, ie the sum of assets given up, debts taken over and equity instruments issued. Incidental acquisition costs are, as a matter of principle, recognised as expenses. The acquisition costs are distributed over the acquired assets, debts and contingent liabilities – regardless of the shareholding of Serviceware – to the full amount at the fair values. This is determined by the value ratios at the time when control over the subsidiary was obtained. The valuation of a possible goodwill is determined by the surplus of the sum from the acquisition costs, the value of the shares of other shareholders (non-controlling shares) and the fair value of the equity shares already held prior to the acquisition date by Serviceware (step acquisition) over the fair value of the acquired net assets. The difference from the revaluation of shares already held by Serviceware must be recognised with an effect on profit or loss.

For every business combination there is an option concerning the measurement of the non-controlling shares. These may be recognised either directly with the fair value (ie with the share of other shareholders in the total shareholder value of the acquired company) or with the share of the fair value of the acquired net assets accounted for by other shareholders. This means that in the first case, the minority shareholders also participate in the goodwill resulting from the business combination, whereas in the second case, the share of the other shareholders in the revalued assets and liabilities remains restricted and the goodwill is only recognised in the amount of the share accounted for by Serviceware. Transactions concerning the further purchase or sale of equity shares with other shareholders which do not affect the controlling influence of Serviceware do not result in any change in goodwill. The difference between the fair value of the transferred or obtained return service (ie the purchase price of the shares) and the carrying amount of the equity accounted for by the corresponding non-controlling shares is to be offset against the consolidated equity with a neutral effect in terms of profit or loss in the capital reserve and / or increases the latter. The option to recognise the part of the goodwill accounted for by minorities was not exercised.

## Changes in the scope of consolidation and other transactions

During fiscal 2017/2018 the following transactions were carried out within the Serviceware Group which had an impact on the scope of consolidation. Other changes to the scope of consolidation – not reported here – did not have any material significance for the consolidated financial statements of the Serviceware Group.

*Acquisition of SABIO GmbH, Hamburg (SABIO)*
Effective 30 July 2018 100% of the shares in SABIO GmbH were acquired by helpline CLM AG, Baar/Switzerland.

SABIO is a leading provider of knowledge management solutions with a Software as a Service (SaaS) business model. The goal of the acquisition of SABIO was the perspective that Serviceware would be able as one of the first providers worldwide to integrate a knowledge management module into its Enterprise Service Management (ESM) platform. In this way Serviceware offers its customers the possibility to further increase the efficiency of their services and lower their costs significantly on top. The combination of the existing software of Serviceware with the SABIO solution, moreover, offers the opportunity to further improve service processes by means of Artificial Intelligence.

The purchase price includes a fixed and a variable component ("earn out"); the fixed acquisition costs including incidental acquisition costs amounted to around kEUR 7,931. The variable component of the purchase price (earn out) is measured against the achievement of certain recurring sales revenues and is in this case due as subsequent purchase price payments. The estimated fair value of the earn out at the time of acquisition amounts to kEUR 1,200. The fair value has not changed until the reporting date.

For the above mentioned purchase price the following assets and liabilities were taken over at fair value on the acquisition date:

| Assets and Liabilities<br>Sabio GmbH, Hamburg | kEUR |
|---|---|
| Non-Current Assets | |
| Cash on hand and at banks | 916 |
| Trade receivables | 266 |
| Other assets | 182 |
| Non-Current Assets | |
| Intangible assets | 5.569 |
| Property, plant and equipment | 210 |
| Current Liabilities | |
| Trade payables | 74 |
| Other liabilities | 1.167 |
| Provisions | 200 |
| Deferred taxes | 1.402 |
| Non-Current Liabilities | |
| Other liabilities | 168 |
| Assets | 4.132 |
| Purchase Price | 9.060 |
| Goodwill | 4.928 |

Within the framework of the purchase price allocation the equity of SABIO was revalued. Intangible assets were disclosed which are capitalised in the consolidated financial statements of the Serviceware Group. This concerns the brand "SABIO", which was measured at kEUR 1,768 at the time of acquisition and for which a useful life of 20 years is estimated as well as a customer base which is valued at kEUR 2,905 at the time of acquisition and also has an estimated useful life of 20 years. The remaining difference resulting after the disclosure of the intangible assets was capitalised as goodwill and amounts to kEUR 4,928.

If SABIO had been part of the Group since the beginning of the fiscal year, the sales revenues of the Group would increase by approximately kEUR 3,108 and the result for the year would be reduced by kEUR 331. Moreover, the amortisation of the brand "SABIO" and the customer base would have involved additional expenses in the amount of kEUR 156.

| in kEUR | 2017/2018 |
|---|---|
| Sales revenues | 4.780 |
| Other capitalised own work | 289 |
| Other income | 25 |
| | |
| Aggregate operating performance | 5.094 |
| Expenses for goods and purchased services | 666 |
| | |
| Gross income | 4.428 |
| Personnel expenses | |
| a) Wages and salaries | 2.764 |
| b) Social security contributions and expenses for pension scheme | 500 |
| | |
| Depreciations on property, plant and equipment | 302 |
| Other operating expenses | 1.205 |
| Other interest and similar income | 1 |
| Interest and similar expenses | 61 |
| | |
| Result from ordinary activities | -405 |
| Extraordinary income | 0 |
| Income taxes | 0 |
| Other taxes | 0 |
| | |
| Net income / loss | -405 |

*IPO*

During the general meeting of Serviceware SE it was decided on 14 March 2018 to increase the share capital of the Company from EUR 120,000 by EUR 7,880,000 to EUR 8,000,000 through the issuing of 7,880,000 new no par value bearer shares with a calculated share in the share capital of EUR 1.00 per no par value share.

The issued shares are entitled to a share in the profits from the beginning of the current fiscal year. The capital increase was made against non-cash contributions by contributing 100% of the shares in PM Computer Services Verwaltungs GmbH, PM Computer Services GmbH & Co. KG and helpLine CLM AG to Serviceware SE.

The IPO of Serviceware SE took place on 20 April 2018. Within the framework of the IPO on 20 April 2018 another 2,500,000 shares with a nominal value of EUR 1.00 each were issued at an issuing price of EUR 24.00 within the framework of a capital increase. This results in a total of 10,500,000 shares which have a nominal value of EUR 1.00 each. Since the IPO they constitute the share capital in the amount of EUR 10,500,000. In connection with the aforementioned IPO, costs in the amount of kEUR 3,659 have been incurred of which kEUR 2,331 were offset against the capital reserves with no effect on profit or loss.

The shares of the company are listed in the regulated market (segment: Prime Standard) of the Frankfurt Stock Exchange.

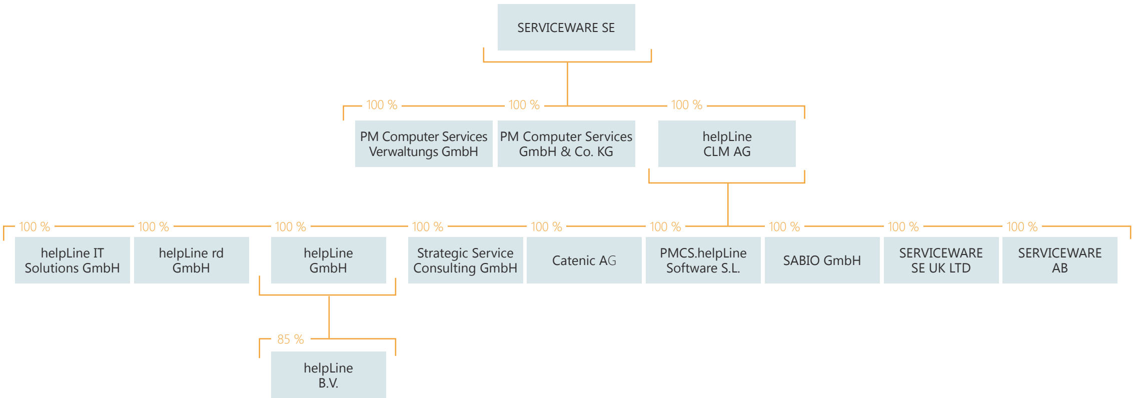
On the balance sheet date the following shareholdings exist:

| Name | Founded / Acquired on | Registered Office | Share capital | Shareholding |
|---|---|---|---|---|
| PM Computer Services Verwaltungs GmbH (PMCS Verwaltungs GmbH) | 03.06.2005 | Carl-Zeiss-Str. 16, 65520 Bad Camberg, Germany | EUR 25.600 | 100 % |
| PM Computer Services GmbH & Co. KG (PMCS GmbH & Co. KG) | 29.06.2004 | Carl-Zeiss-Str. 16, 65520 Bad Camberg, Germany | EUR 250.000* | 100 % |
| helpLine CLM AG | 01.12.2003 | Haldenstrasse 5, 6340 Baar, Switzerland | CHF 610.000 | 100 % |
| helpLine IT solutions GmbH | 06.07.2004 | Karl-Farkas-Gasse 22, 1030 Wien, Austria | EUR 35.000 | 100 % |
| helpLine GmbH | 02.12.2003 | Carl-Zeiss-Str. 16, 65520 Bad Camberg, Germany | EUR 25.000 | 100 % |
| helpLine rd GmbH | 06.11.2009 | Kalscheurener Straße 2A, 50354 Hürth, Germany | EUR 25.000 | 100 % |
| Strategic Service Consulting GmbH | 22.11.2011 | Friedrichstr. 95, 10117 Berlin, Germany | EUR 25.000 | 100 % |
| helpLine BV | 05.06.2002 | Dellaertweg 9, 2316 WZ Leiden, the Netherlands | EUR 28.409 | 85 % |
| Catenic AG | 14.11.2014 | Hauptstraße 1, 82008 Unterhaching, Germany | EUR 328.778 | 100 % |
| PMCS.helpLine Software S.L. | 07.06.2017 | Gremi de Sabaters 21, 07009 Palma, Illes Balears, Spain | EUR 3.000 | 100 % |
| SABIO GmbH | 30.07.2018 | Schützenstraße 5, 22761 Hamburg, Germany | EUR 43.576 | 100 % |
| Serviceware SE UK Ltd. | 22.08.2018 | 282 Farnborough Road, Abbey House, Farnborough, Hampshire, GU14 7NA, UK | GBP 100 | 100 % |
| Serviceware AB | 29.08.2018 | Vasagatan 7, 11120 Stockholm, Sweden | SK 50.000 | 100 % |

* Limited liability capital

## Foreign currency translation

Transactions in foreign currency are translated into the functional currency with the exchange rate on the day of the transaction. On the reporting date monetary items are translated based on the exchange rate on the reporting date; non-monetary items are translated with the exchange rate on the day of the transaction. Exchange differences are recognised with an effect on profit or loss. The assets and liabilities of the affiliated companies whose functional currency is not the euro, are translated from the respective country currency into euro based on the middle rates applying on the reporting date. The profit and loss account of the foreign affiliated companies whose functional currency is not the euro are translated like the corresponding annual results on the basis of monthly average exchange rates of the reporting period. The differences occurring as a result of the application of the two exchange rates are recognised with no effect on profit or loss.




The exchange rates of currencies which are important for the Serviceware Group varied versus the euro as follows:

| | Exchange rate on the reporting date | | Average exchange rate | |
|---|---|---|---|---|
| | 30.11.2017 | 30.11.2018 | 2016/2017 | 2017/2018 |
| Switzerland | 1,169 | 1,134 | 1,119 | 1,158 |
| United Kingdom | 0,879 | 0,891 | 0,664 | 0,884 |
| Sweden | 9,921 | 10,320 | 9,619 | 10,388 |

## Notes to the Balance Sheet

### 1. Goodwill and Other Intangible Assets

| in kEUR | 30.11.2017 | 30.11.2018 |
|---|---|---|
| Goodwill | 2,809 | 7,736 |
| "Sabio" trademark | 0 | 1,739 |
| Sabio customer base | 0 | 2,857 |
| Internally generated intangible assets | 0 | 807 |
| Intangible assets under construction | 0 | 36 |
| IT software | 12 | 34 |
| Industrial property rights | 4 | 4 |
| **Total** | **2,825** | **13,213** |

Trademarks

Within the framework of the acquisition of all shares in SABIO in 2018, the acquired trademark “SABIO” was identified as an intangible asset and recognised at the time of acquisition in the amount of kEUR 1,768. The trademark “SABIO” is amortised on a straight-line basis over an estimated economic useful life of 20 years. The amortisation amount in 2017/2018 amounted to kEUR 29, so that the carrying amount on the balance sheet date 30.11.2018 amounts to kEUR 1,739.

Customer base

Within the framework of the acquisition of all shares in SABIO in 2018 acquired customer bases were identified as intangible assets and recognised at the time of initial valuation with a value of kEUR 2,905. The customer bases are amortised over a probable useful life of 20 years. The amortisation amount in 2017/2018 amounted to kEUR 48 so that the carrying amount on 30.11.2018 amounts to kEUR 2,857.

Development services

The recognised development services (carrying amount at the time of acquisition: kEUR 894) acquired within the framework of the acquisition of SABIO are amortised on schedule over a residual useful life of three years from the time of marketing. The amortisation effective in 2017/2018 amounted to kEUR 87. The residual carrying amount on the balance sheet date amounts to kEUR 807.

Goodwill

The goodwill as at 30 November 2018 is distributed over the following companies:

| in kEUR | 2016/2017 | 2017/2018 |
|---|---|---|
| SABIO GmbH | 0 | 4,928 |
| Helpline BV | 2,291 | 2,291 |
| Catenic AG | 517 | 517 |
| Total | 2,809 | 7,736 |

For the review of the recoverability of goodwill in accordance with IAS 36 the value in use of the unit was calculated and compared to the carrying amount. If the carrying amount is above the value in use, a write-off is carried out. The value in use results from the discounted operating cash flows of the planning period, by a WACC derived by means of a peer group analysis. An indicative control was carried out by means of the income capitalisation approach.

In conformity with IFRS 13, the following Level 3 parameters were selected for the impairment test as basic assumptions:

| Assumptions impairment test | 2017/2018 |
|---|---|
| Risk-free base rate | 1.25 % |
| Market risk premium | 6.25 % |
| Beta factor | 0.87 % |
| WACC | 6.68 % |

The impairment test based on the value in use was made for all three companies on the basis of the following assumptions:

- Based on 2018, increasing sales revenues are expected until 2023.
- For the planning variables of 2024 (terminal value) a growth rate of 1% was assumed.

The impairment test did not result in any impairment on the reporting date. The managing directors used past experience as the basis for their assumptions concerning forecasts underlying the determination of the value in use.

## 2. Property, Plant and Equipment

| in kEUR | 30.11.2017 | 30.11.2018 |
|---|---|---|
| Furniture and fixtures | 313 | 578 |
| Fixtures | 19 | 124 |
| Office equipment | 98 | 82 |
| Cars | 29 | 18 |
| Total | 459 | 802 |

## 3. Trade Receivables

| | | 2018 | | |
|---|---|---|---|---|
| in kEUR | Gross | Specific Valuation Allowance | Collective Specific Valuation Allowance | Net |
| Trade receivables thereof | 14,789 | 16 | 138 | 14,635 |
| Not past due | 10,477 | 0 | 0 | 10,477 |
| Past due up to 90 days | 2,883 | 0 | 0 | 2,883 |
| Past due between 90 days and 12 months | 1,197 | 0 | 0 | 1,197 |
| Past due between 12 months and 3 years | 232 | 16 | 138 | 78 |

| | | 2017 | | |
|---|---|---|---|---|
| in kEUR | Gross | Specific Valuation Allowance | Collective Specific Valuation Allowance | Net |
| Trade receivables thereof | 8,380 | 29 | 85 | 8,266 |
| Not past due | 4,948 | 0 | 0 | 4,948 |
| Past due up to 90 days | 2,596 | 0 | 0 | 2,596 |
| Past due between 90 days and 12 months | 777 | 0 | 55 | 722 |
| Past due between 12 months and 3 years | 59 | 29 | 30 | 0 |

Trade receivables are not bearing interest and are as a rule due within 7 – 30 days. Doubtful accounts receivable from the sale of goods and services in the amount of kEUR 154 (prior year: kEUR 114) were written off. This corresponds to a default rate of 1.0% (prior year: 1.4%).

The Company grants terms of payment which are usual in the industry and country. As far as the trade receivables which are neither impaired nor past due are concerned, there are no indications on the reporting date that the debtors will not meet their payment obligations.

## 4. Other Current and Non-Current Assets

| Current<br>in kEUR | 30.11.2017 | 30.11.2018 | Variation<br>absolute |
|---|---|---|---|
| Adcance payments | 5.068 | 7.742 | 2.674 |
| Tax receivables | 145 | 617 | 472 |
| Supplier bonuses | 210 | 281 | 71 |
| Deposits | 65 | 211 | 146 |
| VAT receivables | 464 | 9 | -455 |
| Others | 1.648 | 310 | -1.338 |
| Total | 7.600 | 9.170 | 1.570 |

| Non-current<br>in kEUR | 30.11.2017 | 30.11.2018 | Variation<br>absolute |
|---|---|---|---|
| Advance payments | 3.294 | 2.960 | -334 |
| Total | 3.294 | 2.960 | -334 |

The other assets of the Company are not collateralised and do not bear any interest. Consequently, the Company bears the risk that there may be bad debt losses in the amount of the carrying amounts.

The financial instruments included in the other current assets are due within periods of up to one year on the respective reporting date.

## 5. Deferred Income Tax Assets

The deferred income tax assets in the amount of kEUR 1,342 include kEUR 665 OF IPO costs which have reduced the capital without effect on profit or loss (equity reduction through IPO costs kEUR 2,331), the deferred taxes (kEUR 264) on the basis of the net income of Serviceware SE which includes essentially the not directly allocable IPO costs hence to be recognised with an effect on the profit and loss account as well as losses carried forward of the other affiliated companies (kEUR 413).

## 6. Cash and Cash Equivalents

| in kEUR | 30.11.2017 | 30.11.2018 | Variation (absolute) |
|---|---|---|---|
| Cash on hand | 2 | 2 | 0 |
| Cash in banks | 9,013 | 53,693 | 44,680 |
| Total | 9,015 | 53,695 | 44,680 |

Cash in banks is partly bearing interest on the basis of variable interest rates on balances due daily. The fair value of the liquid funds amounts to kEUR 53,695 (prior year: kEUR 9,015).

## 7. Subscribed Capital

The subscribed capital of the Serviceware Group amounts on the balance sheet day to EUR 10,500,000 (prior year: EUR 782,750). The increase in the subscribed capital versus prior year results from the capital increase carried out during fiscal 2017/2018 in conjunction with the issuing of 2,500,000 new no par value shares with a nominal value of EUR 1 per share. On 30.11.2017 the subscribed capital of the Group of kEUR 783 included the share capital of helpline CLM AG (kEUR 507), the subscribed capital of PM Computer Services Verwaltungs GmbH (kEUR 26) and the limited liability capital of PM Computer Services GmbH & Co. KG (kEUR 250).

Serviceware SE (founded on 11 January 2018) was purchased on 29/30 January 2018 as a shelf company indirectly from Messrs Harald Popp and Dirk Martin through their management holdings dreifff management GmbH and aventura management GmbH. On 14 March 2018 the share capital of EUR 120,000 was increased to EUR 8,000,000, by newly issuing 7,880,000 no par value shares with a nominal value of EUR 1 each against a non-cash capital contribution of dreifff management GmbH, aventura management GmbH and Ingo Bollhöfer. This was not a business combination within the meaning of IFRS 3, since this combination was carried out under joint control.

Within the framework of the IPO on 20 April 2018 another 2,500,000 no par value shares were issued with a nominal value of EUR 1 each in the wake of a capital increase. This results in a total of 10,500,000 no par value shares, with a nominal value of EUR 1 each. They constitute the share capital in the amount of EUR 10,500,000 since the IPO.

In accordance with Clause 8.3 of the statutes of Serviceware SE the Administrative Board is empowered to increase the share capital of the Company during the period up to 13 March 2023 by a total of up to EUR 4,000,000 through a single or multiple issuing of up to 4,000,000 new no par value shares against cash and / or non-cash contributions (Authorised Capital 2018 in accordance with the resolution of the general meeting of 14 March 2018). The shareholders have, as a matter of principle, a subscription right.

The Administrative Board is empowered to exclude the subscription right of the shareholders as a whole or in part.

The Administrative Board is empowered to lay down the further content of the share rights and the further details of the capital increase and its implementation. The Administrative Board is empowered to determine that the fresh shares in accordance with § 186 Para 5 AktG (German Stock Corporation Act) are to be taken over by a bank or a company operating in accordance with § 53 Para 1 Sentence 1 or § 53b Para 1 Sentence 1 or Para 7 KWG (German Banking Act) with the obligation to offer it to the shareholders for subscription.

The Administrative Board is empowered to amend the version of the statutes in accordance with the respective scope of the share capital increase from the Authorised Capital.

On 4 April 2018 the general meeting adopted a contingent capital ("Contingent Capital 2018") of up to EUR 4,000,000.

## 8. Reserves

The reserves developed in accordance with the values disclosed in the statement of changes in equity. The items are explained below:

a) Capital reserve – share premium

The capital reserve increased, more particularly, as a result of the capital increase carried out in connection with the IPO. A share surplus of kEUR 57,500 was generated. The costs allocable directly to the IPO which were offset with no effect on profit or loss against the reserves amounted to kEUR 2,331.

b) Currency adjustment items

In the consolidated balance sheet there is, furthermore, a reserve for currency adjustments within the equity. This item serves for reporting differences due to the currency translation of the financial statements of the foreign subsidiaries.

## 9. Financial Liabilities

The financial liabilities include the liabilities to financial institutions which are as follows:

| in kEUR | 2017 | 2018 |
|---|---|---|
| Non-current | | |
| collateralised | 3,631 | 2,592 |
| Current | | |
| collateralised | 720 | 1.082 |
| **Total** | **4,351** | **3,674** |
| | | |
| < 1 year | 720 | 1,082 |
| 1-3 years | 2,288 | 2,066 |
| > 3 years | 1,343 | 526 |
| **Total** | **4,351** | **3,674** |

The interests amount to 1.95% to 6.30%. The loans are collateralised as follows:

a) by personal guarantees of the managing directors Harald Popp and Dirk Martin up to a maximum amount of kEUR 408,
b) life assurances of the managing directors Harald Popp and Dirk Martin up to a maximum amount of kEUR 200
c) as well as receivables from two subsidiaries.

## 10. Other Liabilities

The other liaiblities include:

| in kEUR | 30.11.17 | 30.11.18 |
|---|---|---|
| Current | | |
| Advances received | 9,938 | 13,668 |
| Accrued liabilities | 4,012 | 2,983 |
| Liabilities earn out from company acquisition | 0 | 1,200 |
| Value-added tax liabilities | 669 | 891 |
| Liabilities wage and church tax | 250 | 354 |
| Others | 307 | 142 |
| Total | 15,176 | 19,238 |
| | | |
| Non-Current | | |
| Advances received | 3,733 | 3,959 |
| Total | 3,733 | 3,959 |

The liabilities from earn out concern the acquisition of SABIO. In accordance with the contractual agreements, subsequent purchase price payments are due if certain recurring sales revenues are achieved.

The advances received involve essentially maintenance contracts with a residual term of more than a year.

The other accruals disclosed in other liabilities concern essentially personnel related liabilities (vacation, performance bonuses, overtime, charges paid to the employers liability assurance association and severely disabled compensation charge) in the amount of kEUR 1,589 (prior year: kEUR 1,492), liabilities from outstanding purchase invoices kEUR 1,037 (prior year kEUR 686), closing and auditing costs in the amount of kEUR 178 (prior year: kEUR 184).

## 11. Deferred Tax Liabilities

The deferred tax liabilities in the amount of kEUR 1,378 result from the acquisition of SABIO, more particularly from the capitalisation of the trademark "SABIO" and the customer base as intangible asset.

## Notes to the Profit and Loss Account

### 12. Sales Revenues

| in kEUR | 2016/2017 | 2017/2018 | Variation |
|---|---|---|---|
| Germany | 34,292 | 44,343 | 10,051 |
| Austria | 5,608 | 5,582 | -26 |
| Switzerland | 2,369 | 1,433 | -936 |
| Others | 2,078 | 3,820 | 1,742 |
| **Total** | **44,347** | **55,178** | **10,831** |
| | | | |
| Service / SaaS | 11,762 | 16,299 | 4,537 |
| Licences | 16,466 | 19,577 | 3,111 |
| Maintenance | 16,119 | 19,302 | 3,183 |
| **Total** | **44,347** | **55,178** | **10,831** |

### 13. Other Operating Income

The other operating income is made up as follows:

| in kEUR | 2016/2017 | 2017/2018 | Variation |
|---|---|---|---|
| Price gains | 596 | 310 | -286 |
| Advertising allowances | 167 | 114 | -53 |
| Others | 468 | 646 | 178 |
| **Total** | **1,231** | **1,070** | **-161** |

### 14. Cost of Materials

The cost of materials is made up as follows:

| in kEUR | 2016/2017 | 2017/2018 | Variation |
|---|---|---|---|
| Purchased services | 18,270 | 25,089 | 6,819 |
| Rebates | -572 | -971 | -399 |
| Others | -62 | -797 | -735 |
| **Total** | **17,636** | **23,321** | **5,685** |

### 15. Personnel Expenses

| in kEUR | 2016/2017 | 2017/2018 | Variation |
|---|---|---|---|
| Wages and salaries | 13,992 | 18,304 | 4,312 |
| Social security contributions including pension scheme provision | 2,241 | 2,820 | 579 |
| **Total** | **16,233** | **21,124** | **4,891** |

## 16. Other operating expenses

The other operating expenses include the following items:

| in kEUR | 2016/2017 | 2017/2018 | Variation |
|---|---|---|---|
| Administrative expenses* | 1,931 | 3,566 | 1,635 |
| Distribution costs | 1,707 | 2,265 | 558 |
| Rental expenses | 826 | 1,184 | 358 |
| Vehicle expenses | 895 | 1,034 | 139 |
| Insurances, contributions, fees | 74 | 247 | 173 |
| Price losses | 335 | 202 | -133 |
| Repairs | 16 | 34 | 18 |
| Others | 65 | 51 | -14 |
| Total | 5,849 | 8,583 | 2,734 |

* The administrative expenses included in other operating expenses are made up as follows:

| in kEUR | 2016/2017 | 2017/2018 | Variation |
|---|---|---|---|
| Closing, auditing as well as consulting costs | 215 | 1,264 | 1,049 |
| Software support costs | 890 | 1,010 | 120 |
| Recruitment costs | 212 | 470 | 258 |
| Training costs | 217 | 320 | 103 |
| Telephone | 112 | 150 | 38 |
| Others | 284 | 351 | 67 |
| Total | 1,931 | 3,566 | 1,634 |

Of the IPO costs in the amount of kEUR 1,328 recognised with an effect on profit or loss, an essential part is accounted for by legal and consulting fees in connection with the IPO of Serviceware. Moreover, costs in the amount of kEUR 2,331, which were directly allocable to the IPO, were offset against the reserve with no effect on profit or loss.

## 17. Income Taxes

The main components of the income tax expenses for fiscal 2016/2017 and 2017/2018 are made up as follows:

| in kEUR | 2016/2017 | 2017/2018 | Variation |
|---|---|---|---|
| Current income taxes | 793 | 1,028 | 235 |
| Extraordinary income taxes | 14 | 3,202 | 3,188 |
| Deferred taxes | -25 | -677 | -652 |
| Stated tax amount | 782 | 3,553 | 2,771 |

The extraordinary taxes in the amount of kEUR 3,202 are trade taxes caused by the contributions and the subsequent IPO.

The tax rates to be applied to the individual subsidiaries are:

| Name | Income tax rate |
|---|---|
| Serviceware SE | 29.1 % |
| SABIO GmbH | 29.1 % |
| PM Computer Services GmbH & Co. KG | 13.3 % |
| PM Computer Services Verwaltungs-GmbH | 29.1 % |
| helpLine GmbH | 29.1 % |
| helpLine rd GmbH | 32.6 % |
| Strategic Service Consulting GmbH | 30.2 % |
| Catenic AG | 26.2 % |
| helpLine IT solutions GmbH | 25.0 % |
| helpLine B.V. | 20 % bis 25 % |
| helpLine CLM AG | 11.5 % bis 14.25 % |
| PMCS. HELPLINE SOFTWARE Empresa S.L. | 25.0 % |
| Serviceware SE UK Ltd. | 19.0 % |
| Serviceware AB | 22.0 % |

The reconciliation between the income tax expenses and the product of the reported result for the period and the Group tax rate to be applied for fiscal 2016/2017 and 2017/2018 is made up as follows:

| in kEUR | 2016/2017 | 2017/2018 |
|---|---|---|
| Earnings before taxes | 5,431 | 2,465 |
| Income tax rate 29.125% (prior year 13.30%) | 722 | 718 |
| | | |
| Effects of tax rates from other tax jurisdictions | 59 | 264 |
| | | |
| Extraordinary tax expenses | 14 | 3,202 |
| | | |
| Non-deductible operating expenses | | |
| - Non-deductible supervisory board compensations | 28 | 20 |
| - Other non-deductible operating expenses | 108 | 49 |
| | | |
| Non-taxable earnings | -149 | -700 |
| Total income tax expense | 782 | 3,553 |

During the reporting year deferred taxes on the level of the individual companies were netted as during the previous year.

The income taxes for 2016/2017 and 2017/2018 include corporation tax, trade earnings tax, solidarity surcharge and the corresponding foreign taxes. In the Federal Republic of Germany, the corporation tax rate for distributed and retained profits amounts to 15%. Furthermore, a solidarity surcharge is levied on the corporation tax in the amount of 5.5%. The trade tax was calculated on the basis of the rate of assessment of the competent municipality. As a result of the prior year structure in terms of company law, the income tax expenses consisted primarily of expenses for trade earnings tax.

The tax losses carried forward for domestic affiliated companies do not lapse apart from the exception mentioned below and amount to kEUR 7,149 (prior year: kEUR 2,667) concerning the corporation tax and kEUR 5,644 (prior year: kEUR 1,628) concerning the trade tax.
In fiscal 2018 tax expenses in a total amount of kEUR 3,553 versus kEUR 782 during the previous year are reported. The trade tax expenses of kEUR 3,666 result primarily from the taxation of contribution gains following the IPO of Serviceware SE. The losses carried forward of helpline B.V. Leiden, Netherlands, in the total amount of kEUR 1,266 (prior year: kEUR 827) have the following time limits as far as corporation tax is concerned:

- kEUR 220 until 2018/2019,
- kEUR 251 until 2019/2020,
- kEUR 31 until 2023/2024,
- kEUR 325 until 2024/2025,
- kEUR 439 until 2026/2027.

As at 30.11.2018 loss carryfowards in the amount of kEUR 636 have not been used.

## 18. Earnings after Taxes

| in kEUR | 2016/2017 | 2017/2018 | Variation |
|---|---|---|---|
| Period earnings before taxes | 5,431 | 2,465 | -2,966 |
| Income tax | -782 | -3,553 | -2,771 |
| Profit / loss for the period | 4,649 | -1,088 | -5,737 |

## 19. Earnings per Share

When calculating the undiluted earnings per share, the earnings allocable to the holders of ordinary shares of the parent company are divided by the weighted average number of ordinary shares outstanding during the year.

The following table includes the amounts used for the calculation of the undiluted earnings per share:

| in EUR, unless otherwise stated | 2017/2018 |
|---|---|
| Earnings of the shareholders | -1,087,945 |
| Weighted average of shares outstanding (undiluted) | 7,264,167 |
| Earnings per share (undiluted) | -0.15 |

Against the backdrop of the IPO which only took place in fiscal 2017/2018 there is no prior year comparison basis. The average number of shares was weighted on a pro rata temporis basis in accordance with the respective issuing.

## Other Information

### 20. Notes to the Statement of Cash Flow

Serviceware discloses the cash flow from current business activity in conformity with IAS 7 "Statement of Cash Flow" in accordance with the indirect method based on which the profit or loss of the period is adjusted by the impact of non-cash transactions, accruals or deferrals of the cash inflows or outflows from current business activity in the past or in future and earnings or expense items in conjunction with the cashflow from investing and financing activities. The reconciliation is made starting from earnings before taxes; tax payments are disclosed within the operating cash flow, interest received as part of the cash flow from investing activity and interest paid as part of the cash flow from financing activity. The cash flows from financing activity are almost exclusively caused by payments. Changes in fair value are of absolutely subordinate significance. Changes of cash and cash equivalents caused by exchange rates concern, more particularly, the translation of cash positions in foreign currencies.

The acquisition of SABIO had an influence on the change in cash and cash equivalents insofar as cash totalling kEUR 916 was taken over.

The cash and cash equivalents are defined in accordance with the cash management of the Company. Theyincludes cash funds and demand deposits at banks:

| in kEUR | 30.11.2017 | 30.11.2018 | Variation (absolute) |
|---|---|---|---|
| Cash on hand | 2 | 2 | 0 |
| Cash in banks | 9,013 | 53,963 | 44,680 |
| Total | 9,015 | 53,695 | 44,680 |

### 21. Notes to the Statement of Changes in Equity

The Company distributed kEUR 1,928 in fiscal 2017/2018. Further distributions are not planned for the fiscal year.
As a result of the restructuring of the Serviceware Group (capital increase through the contribution of shares of PM Computer Services Verwaltungs GmbH, PM Computer Services GmbH & Co. KG and helpLine CLM AG) as well as the IPO the subscribed capital of the Group increased during the fiscal year 2017/2018 by kEUR 9,717 to kEUR 10,500. In this connection the capital reserve rose by kEUR 49,576 to kEUR 49,828 after offsetting of the costs of equity raising and deferred taxes.

### 22. Further Information on Financial Instruments in accordance with IFRS 7

According to IFRS 13 it must be stated for all financial instruments, whose fair value is disclosed or which are recognised at their fair value on which parameters the measurement is based. The measurement techniques are categorised into the following three levels:

Level 1:
Measurement with quoted (non-adjusted) prices in active markets for identical assets or liabilities.

Level 2:
Measurement for the asset or liability is made either directly or indirectly on the basis of observable input data, which do not represent a quoted price in accordance with Level 1.

Level 3:
Measurement on the basis of models with input parameters which are unobservable on the market.

Liabilities from acquisitions are conditional, subsequent purchase price payments (earn outs) for acquisitions made. The fair value is determined by means of the DCF method. Apart from the planning of the business development of the unit taken over, a discount rate to the end of the respective terms was used. On the reporting date the fair value corresponds to the contractual amount to be paid when due. The biggest influencing factor for the fair value is the planning of the business course which is based on result-driven ratios. In the event of a reduction of the goal achievement to around 90% of the goal achievement assumed upon acquisition, liabilities from acquisitions are reduced by around 50%; in the event of a rise to 110% of the goal achievement assumed upon acquisition, liabilities rise by 50%. This liability is due in 2019.

The fair values of the time deposits, long-term borrowings, loans as well as long term receivables, leasing receivables and trade payables correspond to the cash value of the cashflow taking into account the risk weighted interest rates with matching maturities plus a creditworthiness adjustment.

For all current financial assets and liabilities, the carrying amount corresponds to the fair value. This includes the current trade receivables, leasing receivables, securities and trade payables, the other financial assets, cash and cash equivalents and other financial liabilities.

During the reporting period ending on 30.11.2018 there were no reclassifications between measurements at fair value of Level 1 and Level 2 and no reclassifications into or from measurements at fair value of Level 3.

The financial assets and financial liabilities were made up as follows on the balance sheet date 30.11.2018 versus prior year:

| 30.11.2018 | | | | Fair Value | | |
|---|---|---|---|---|---|---|
| in kEUR | Fair value | Loans granted and receivables | Amortised cost | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | | |
| Trade receivables* | 14,636 | 14,636 | | | | |
| Other assets | 1,552 | 1,552 | | | | 1,552 |
| Cash and cash equivalents* | 53,695 | | 53,695 | | | |
| Total | 69,883 | 16,188 | 53,695 | | | |
| | | | | | | |
| Financial liabilities | | | | | | |
| Trade payables* | 3,759 | | 3,759 | | | |
| Liabilities to banks | 3,675 | | 3,675 | | | 3,675 |
| Other liabilities | 8,902 | | 8,902 | | | 8,902 |
| Total | 16,336 | | 16,336 | | | |

* without fair value disclosure, since the carrying amount corresponds approximately to the fair value

| 30.11.2017 | | | | Fair Value | | |
|---|---|---|---|---|---|---|
| in kEUR | Fair value | Loans granted and receivables | Amortised cost | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | | |
| Trade receivables* | 8,266 | 8,266 | | | | |
| Other assets | 317 | 317 | | | | 317 |
| Cash and cash equivalents* | 9,015 | | 9,015 | | | |
| Total | 17,598 | 8,583 | 9,015 | | | |
| | | | | | | |
| Financial liabilities | | | | | | |
| Trade payables* | 2,897 | | 2,897 | | | |
| Liabilities to banks | 4,351 | | 4,351 | | | 4,351 |
| Other liabilities | 3,871 | | 3,871 | | | 3,871 |
| Total | 11,119 | | 11,119 | | | |

* without fair value disclosure, since the carrying amount corresponds approximately to the fair value

## 23. Contingent Liabilities and Other Financial Obligations

Apart from customary rent guarantees of a subordinate amount, there are no contingent liabilities to which the Company is exposed.

Furthermore, there are financial obligations from the renting of office spaces and office equipment, the leasing of fixed assets, cars as well as office technology. The lease and leasing agreements have an average term of between three and 10 years and partly include extension options. No obligations are imposed on the lessee upon the conclusion of these leasing agreements.

The resulting other financial obligations are as follows:

| in kEUR | 2018/2019 | 2019 until 2022 | from 2023 |
|---|---|---|---|
| Building rent | 1,107 | 3,222 | 99 |
| Car leasing | 299 | 154 | 0 |
| Renting of fixed assets | 16 | 15 | 0 |
| Total | 1,422 | 3,391 | 99 |

## 24. Segment Reporting

The identification of operating segments presupposes that for essential corporate components the earnings position is reviewed and measured by a key decision maker as a basis for the resource allocation and the performance measurement, the corporate segment generates earnings and makes expenses during its business activity and financial information is available for this entity. Several segments can be combined in one segment if the type of products and services, the production processes, the customers for whom the products and services are intended as well as the sales methods applied are similar and / or the quantitative threshold values which are relevant for the formation of segments are not reached.

The Serviceware Group has only one uniform business segment within the meaning of IFRS 8 which includes the sale and implementation of software solutions with a view to an efficient provision of services.

Serviceware is an innovative developer and provider of software solutions for business service management, more particularly in the field of Enterprise Service Management (ESM). Serviceware offers its customers an integrated software platform and further support with a view to the automation and standardisation of workflows and service processes within a company.

With its own business software helpLine/Serviceware, Anafee, Careware and Sabio, Serviceware covers the ESM area with solutions for IT service management, IT financial management, field service management and knowledge management. Apart from these ESM solutions, Serviceware sells IT infrastructure of leading manufacturers of security, data and system management software.

In accordance with the strategy of the Company as a provider of integrated ESM solutions, IT infrastructure, software licences, maintenance services and services are offered in an integrated manner for customers and are comparable in respect of their risk structure. The software solutions are used for small and medium-sized companies on the SME market as well as for customers of the upper Mittelstand and large accounts. The selection of the software solution depends essentially on the specific technical and professional requirements of the respective customer. Only with a view to the distribution approach a distinction is made between the targeting of the SME and the premium market. For this reason, the Administrative Board manages the Company on the basis of ratios concerning the overall business. There is no segmentation of the business for that reason. The Group does not prepare any segment reporting.

The sales revenues generated by the companies from the services provided and products sold can be taken from the Notes concerning the sales revenues both in terms of type and according to the geographical regions in which these sales revenues were generated.

## 25. Transactions between Related Parties

Transactions with persons or companies which can be influenced by the Serviceware Group and which can influence the Serviceware Group must be disclosed if the corresponding transactions have not yet been covered by inclusion of consolidated companies into the consolidated financial statements.

Apart from the members of the Administrative Board, the following persons have to be considered as related parties:

| Name | Relationships with the Group |
|---|---|
| Dirk K. Martin, Bad Camberg | Managing Director of Serviceware SE (from 30 January 2018 onwards), |
| | Shareholder of Serviceware SE, |
| Harald Popp, Wiesbaden | Managing Director of Serviceware SE (from 30 January 2018 onwards), |
| | Shareholder of Serviceware SE, |
| | Member of the Supervisory Board of Catenic AG |
| Dr. Alexander Christoph Becker, Hünstetten | Managing Director of Serviceware SE (from 30 January 2018 onwards). |
| Ingo Bollhöfer, Frankfurt am Main | Member of the Supervisory Board of Catenic AG |
| Jean Christoph Debus, Bad Homburg | Chairman of the Administrative Board of Serviceware SE |

The managing directors of the subsidiaries included in the consolidated financial statements must likewise be considered as related parties.

The following transactions were made with persons and companies which belong to the Serviceware Group as related persons or companies:

### Managing Directors

Dirk K. Martin, Bad Camberg
Harald Popp, Bad Camberg
Dr. Alexander Becker, Hünstetten

The managing directors received altogether during the past fiscal year a fixed compensation of kEUR 1,061 and a variable compensation of kEUR 398.

As at 30 January 2018 Dirk K. Martin took over the position of CEO. He receives a fixed annual compensation and has a variable target component. In the event of a change in control he is entitled to a non-recurring payment under certain circumstances.

As at 31 January 2018 Mr Harald Popp took over the position of CFO. He receives a fixed annual compensation and has a variable target component. In the event of a change in control he is entitled to a non-recurring payment under certain circumstances.

Moreover, the managing directors Harald Popp and Dirk K. Martin received in their capacity as shareholders of CLM helpline AG during the past fiscal year a dividend in the total amount of kEUR 1,928 for previous fiscal years.

Mr Dirk K. Martin sold during the past fiscal year and indirectly through a related company advertising media and consumer goods to the Company in an amount of around kEUR 27.

The managing directors of the subsidiaries have not conducted any business with the Group apart from their activities with the corresponding bodies for which they have received a corresponding compensation.

### Administrative Board

The Company refunds for each member of the Administrative Board any expenses incurred by him when exercising his office in an adequate and proven amount as well as the possibly arising value-added tax for the compensation.
The non-managing members of the Administrative Board, Ingo Bollhöfer and Christoph Debus received during the past fiscal year a fixed compensation of kEUR 108 and a variable compensation of kEUR 122.

## 26. Financial Risk Management

### Risk management for financial instruments

The Group is exposed through its operations and the use of financial instruments to financial risks. The management of these financial risks has been set up in order to ensure that reasonable resources are available at all times for the development of the Group by monitoring the credit risk, the liquidity risk, the interest risk and the market risks. The Group is guided by clearly defined processes which have been adopted by the Administrative Board and secure the effectiveness of the financial risk management.

The essential risks result from default, liquidity, exchange rate, interest rate and fair value risks. Other price risks from financial instruments do not exist.

### Default risk

The carrying amount of the financial assets corresponds to the maximum default risk. Except for retentions of title customary in the industry for all trade receivables there are no collaterals. Insofar as default risks are identifiable for the financial assets, these risks are covered by value adjustments. The Serviceware Group provides its creditors without almost no exception with no collaterals.

The default risk is permanently controlled through implemented processes. In the event of a material default risk the corresponding facts are investigated separately. In this way it is ensured that the reported financial assets are recognised with their realisable value. The Group uses ageing structure analysis in order to monitor the default risk of the financial assets.

The Group has no material default risk in respect of a single contracting party.

### Interest rate risk

The fair value risk concerns the risk that the fair value of the future financial cashflows which result from the financial instruments of the Group fluctuate, eg due to changes of the interest rates quoted on the market. The loans taken up by the Group are completely subject to fixed interest rates and, therefore, not exposed to any significant interest rate risks.

### Foreign exchange risk

The Group prepares its financial statements in EUR so that both the result and the net assets position of business transactions conducted outside Germany are exposed to a foreign currency risk due to the translation to EUR. Any increase or decrease of the euro by 10% vis a vis the essential currencies would have an effect on the result not exceeding kEUR 223 (prior year: kEUR 72).

In the event of increases or decreases of the euro vis a vis the relevant currencies by 10% the translation of the statements of the subsidiaries in foreign currencies would increase or decrease by a maximum of kEUR 38 (prior year: kEUR 161) by means of the modified reporting date method of the currency adjustment items in equity.

### Liquidity risk

The liquidity risk concerns the risk that the Group is not able to meet its financial obligations due to an excessively low availability of liquid funds upon maturity. In order to prevent this risk, the Group has always a certain amount of cash and cash equivalents available which according to the managing directors is sufficient to meet all obligations due.

As at 30 November 2018 the financial liabilities of the Group have the following maturities. The information is provided on the basis of the contractual non-discounted payment obligations.

| in kEUR | Due within 1 year | Due 1 to 2 years | Due over 5 years | 30.11.2018 Total |
|---|---|---|---|---|
| Interest-bearing loans | 1,083 | 2,515 | 77 | 3,675 |
| Trade payables | 3,759 | | | 3,759 |
| Other financial liabilities | 8,902 | | | 8,902 |
| Total | 13,744 | 2,515 | 77 | 16,336 |

| in kEUR | Due within 1 year | Due 1 to 2 years | Due over 5 years | 30.11.2017 Total |
|---|---|---|---|---|
| Interest-bearing loans | 720 | 3,631 | 0 | 4,351 |
| Trade payables | 2,897 | | | 2,897 |
| Other financial liabilities | 3,871 | | | 3,871 |
| Total | 7,488 | 3,631 | 0 | 11,119 |

### Fair value of the financial instruments

The carrying amount of the current receivables, liabilities, cash and cash equivalents as well as loans corresponds essentially to their fair value against the backdrop of the short-term nature of this financial instrument and the immaterial discounting effect.

### Fair value hierarchies

The Group does not recognise any financial instruments which are measured at fair value.

### Capital control

The priority goal of capital control of the Company is:

- Securing of a positive continuation forecast for the Group
- Securing of stability and further growth of the Group
- Make available capital to secure the ability to manage Group risks.

The Group controls its capital by means of the capital structure. In this way it is to be ensured that an optimum capital structure is maintained which guarantees the benefits for the shareholders, whereby the future capital requirements of the Group and how the capital can be used effectively are taken into account. The Group has no formal dividend policy.

The assets of the Group which are classified and controlled as capital, present themselves as follows:

| in kEUR | 2017 | 2018 |
|---|---|---|
| Cash and cash equivalents | 9,015 | 53,695 |
| Trade receivables | 8,266 | 14,636 |
| | **17,281** | **68,331** |

## Further Notes based on the provisions of HGB (German Commercial Code)

### Managing Directors

| Name | Function |
|---|---|
| Dirk K. Martin | CEO |
| Harald Popp | CFO |
| Dr. Alexander Becker | COO |

Dirk K. Martin is in his capacity as CEO responsible for strategy, sales and marketing as well as research and development.

Harald Popp is appointed as CFO. He is in charge of finance, investor relations, human resources and legal.

Dr. Alexander Becker is appointed as COO; he is responsible for the internal and external services and operational processes.

### Administrative Board

| Name | Position on the Administrative Board | Memberships in statutory supervisory or similar German and foreign control bodies |
|---|---|---|
| Jean Christoph Debus | Chairman | Thomas Cook GmbH, Oberursel; Supervisory Board<br>Thomas Cook Airlines UK Ltd, Manchester, UK; Managing Director<br>Thomas Cook Group Airlines Ltd., London, UK; CEO<br>Thomas Cook Scandinavia A/S, Kopenhagen, Dänemark; Chairman of the Board<br>Thomas Cook GmbH, Chairman of the Executive Management (until January 2018) |
| Harald Popp | Deputy Chairman | dreifff Management GmbH, Bad Camberg; Managing Director<br>Catenic AG, Unterhaching, Chairman of the Supervisory Board |
| Ingo Bollhöfer | Member | Catenic AG, Unterhaching, Member of the Supervisory Board |

### Employees

The Serviceware Group employs 378 employees on the reporting date 30 November 2018; this corresponds to a net growth by 93 employees. Of the 378 employees, 313 employees work in Germany, 25 employees in the Netherlands, 17 employees in Spain, 13 employees in Austria, four employees in Switzerland and four in Bulgaria and one employee in Sweden and in the United Kingdom.
In functional terms, the Company has on the reporting date 30 November 2018 in Sales & Marketing 82 employees (PY: +32.3%), in Service & Support 171 employees (PY: +31.5%), in Software Development 73 employees (PY: +40.4%) and in Administration 52 employees (PY: +26.8%).

On an annual average, the Serviceware Group employed 354 employees, including 14 apprentices. On the annual average 299 employees were employed in Germany, 25 in the Netherlands, 13 in Austria including the legally dependent branch establishment in Bulgaria, 12 employees in Spain, four employees in Switzerland and one employee in the United Kingdom.

### Auditor’s Fees

| in kEUR | 2017/2018 |
|---|---|
| Annual audit | 178 |
| Other audit-related services | 30 |
| Tax consultancy services | 0 |
| Other services | 0 |
| Total | 208 |

The auditing fees for the external audit include the audit of the single entity financial statements of Serviceware SE according to HGB (German Commercial Code), the Serviceware consolidated financial statements according to IFRS as well as of the main domestic subsidiaries of Serviceware SE according to HGB. The external auditor audits the single entity financial statements of the Company for fiscal 2017/2018 for the first time and has audited the consolidated financial statements consistently since the audit period 2014/2015.

### Waiver of Disclosure according to § 264b HGB

PM Computer Services GmbH & Co. KG, Bad Camberg, exercises the option in accordance with § 264 b HGB concerning the preparation, audit and publication of the financial statements as well as the management report. It is included in these consolidated financial statements.

**Ban on distribution**
For amounts totalling kEUR 565 there is a ban on distribution according to § 268 Para 8 HGB on the level of SABIO.

## Corporate Governance

The Company has submitted the declaration of conformity in accordance with § 161 AktG (German Stock Corporation Act) and made it permanently accessible on the website of the Company.

## Events after the balance sheet date

After the balance sheet date there have not been any other events which have material effects on the net assets, financial and earnings position of Serviceware SE.

## Declaration by the legal representatives

"We declare that to the best of our knoweldge and in accordance with the applicable accounting principles for reporting, the consolidated financial statements provide a true and fair view of the net assets, financial and earnings position of the Group and that in the combined management report / consolidated managemnet report the course of business including the business result and the situation of the Group are presented in such a way that a true and fair view is conveyed with a description of the main opportunities and risks of the probable devleopment of the Group."

Bad Camberg, 19 March 2019

| | | |
|---|---|---|
| Dirk K. Martin | Harald Popp | Dr. Alexander Becker |
| CEO | CFO | COO |

# Independent auditor's report

To Serviceware SE, Bad Camberg

## Statement about the audit of the consolidated financial statements and the combined management report and consolidated management report

### Audit Opinion

We have audited the consolidated financial statements of Serviceware SE and its subsidiaries (the Group) – including the consolidated balance sheet as at 30 November 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cashflow for the fiscal year from 1 December 2017 to 30 November 2018 as well as the consolidated notes, including a summary of significant accounting methods. Furthermore, we have audited the consolidated management report of Serviceware SE which is combined with the management report of the Company for the fiscal year from 1 December 2017 to 30 November 2018. The explanatory notes by the management have not been audited in terms of content in conformity with the German statutory provisions.

According to our assessment based on the findings gained during the audit

- the enclosed consolidated financial statements correspond in all material respects to the IFRS, as they have to be applied in the EU and the German statutory provisions to be applied in addition in accordance with § 315e Para 1 HGB (German Commercial Code) and taking into account these provisions gives a true and fair view of the assets and financial position of the Group as at 30 November 2018 as well as its income situation for the fiscal year from 1 December 2017 to 30 November 2018 and

- the enclosed consolidated management report gives altogether an appropriate view of the situation of the Group. This consolidated management report is in all material respects in conformity with the consolidated financial statements, corresponds to the German statutory provisions and constitutes an adequate representation of the opportunities and risks concerning the future development. Our audit opinion on the consolidated management report does not cover the content of the above- mentioned declaration by the management.

In accordance with § 322 Para 3 Sentence 1 HGB we hereby declare that our audit has not resulted in any objections concerning the regularity of the consolidated financial statements and the consolidated management report.

### Basis for the audit opinion

We have carried out our audit of the consolidated financial statements and the consolidated management report in conformity with § 317 HGB and the EU Statutory Audit Regulation (No. 537/2014; hereinafter referred to as "EU Audit Regulation" (EU-AR) taking into account the German generally accepted audit principles defined by the German Institute of Chartered Accountants (IDW). Our responsibility under these provisions and principles is described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the consolidated management report" of our Independent Auditor's Report in more detail. We are independent from the affiliated companies in conformity with the European as well as German provisions under commercial and professional law and have fulfilled our other German professional obligations in conformity with these requirements. Furthermore, we declare in accordance with Article 10 Para 2 letter f) EU-AR that we have not provided any prohibited non-audit services referred to in Article 5 (1) EU-AR. We are of the opinion that the audit evidence obtained by us is sufficient and appropriate to serve as a basis for our audit opinion on the consolidated financial statements and the consolidated management report.

## Particularly significant audit items in the auditing of the consolidated financial statements

Particularly significant audit items are items with which in accordance with our reasonable discretion were most essential in our audit of the consolidated financial statements for the fiscal year from 1 December 2017 to 30 November 2018. These items were taken into account in connection with our audit of the consolidated financial statements as a whole and in our corresponding audit opinion; we do not issue any separate audit opinion on these items.

From our point of view the following circumstances were most relevant in our audit:

- Recoverability of the goodwill
- Acquisition of the shares in Sabio GmbH
- Sales revenues from licence and maintenance sales

We have structured our presentation of these particularly important audit items as follows:

1. Facts and issues
2. Audit approach and findings
3. Reference to further information

We now present the particularly significant audit items:

### Goodwill

1. In the consolidated financial statements of Serviceware SE the balance sheet item "intangible assets" shows goodwill in the amount of kEUR 7,736 (13% of the consolidated equity). The Company allocates the goodwill to the relevant groups of cash generating units. The goodwill is on an annual basis on the balance sheet date or on specific occasions subject to an impairment test by the company. In this connection the determined value in use is compared to the carrying amounts of the corresponding group of cash generating units. The basis for these measurements is regularly the cash value of future cash flows of the cash generating unit to which the respective goodwill is allocable. The measurements are based on the budgetary accounting of the individual cash generating units which are based on financial plans approved by the management. Discounting is based on the weighted average cost of capital of the respective cash generating unit. The result of this measurement is to a large extent dependent on the assessment of the future cash inflows by the statutory representatives of the company as well as the discount rate used and hence involves a considerable uncertainty so that these circumstances are particularly relevant within the framework of our audit. Furthermore, the assessment of the non-cash contributions of the shares in PM Computer Services Verwaltungs GmbH, Bad Camberg, PM Computer Services GmbH & Co. KG, Bad Camberg, as well as helpLine CLM AG, Basle / Switzerland, based on the contribution agreement entered into on 14 March 2018, is particularly relevant for the accounting of the goodwill.

2. In order to address this risk we have critically challenged the assumptions and estimates by the management and carried out, more particularly, the following audit activities:

   - We have reproduced the methodological approach concerning the conduct of the impairment test and assessed the determination of the weighted average cost of capital.

- We have convinced ourselves that the future cash inflows and the discount rates used underlying the measurements constitute altogether an appropriate basis for the impairment tests of the individual cash generating units.
- In our assessment we have based ourselves, amongst other things, on a comparison with general and industry specific market expectations as well as comprehensive explanatory notes by the management on the essential value drivers of the planning as well as a reconciliation of this information with the current budgets from the planning adopted by the Administrative Board.
- Being aware that already comparatively small changes of the discount rate can have a material impact on the value in use determined in this way, we have dealt with the parameters used for the determination of the discount rate used including the weighted average cost of capital and obtained an understanding of the calculation scheme of the company.
- Moreover, we have carried out in addition own sensitivity analyses in order to be able to assess a possible impairment risk for a change in respect of a material assumption of the measurement considered as possible. The selection based on qualitative aspects and the amount of surplus cover of the respective carrying amount by the value in use.

We have determined that the goodwill to be disclosed in each case and the carrying amounts of the relevant groups of cash generating units are covered by the discounted future cashflows on the balance sheet date. Furthermore, we have established that the non-cash contribution of 14 March 2018 has not resulted in any change of the ultimate economic control concerning the contributed companies, so that there was no situation which would have come under the scope of application of IFRS 3.

3. The information of the Company on the goodwill is included in the "Notes to the balance sheet" under 1. in the notes and the contribution to Serviceware SE is contained in the "Notes to the change in the scope of consolidation and other transactions".

### Acquisition of the shares in Sabio GmbH

1. On 30 July 2018 100% of the shares in Sabio GmbH, Hamburg, were acquired by helpline CLM AG, Baar/Switzerland, a direct subsidiary of Serviceware SE. Sabio GmbH is a leading provider of knowledge management solutions with a Software as a Service (SaaS) business model. The goal of the acquisition of Sabio GmbH was the perspective that Serviceware would be the first provider worldwide to integrate a knowledge management module into its Enterprise Service Management (ESM) platform.

   The purchase price was composed of a fixed and a variable component ("earn out"), whereby the fixed acquisition costs including ancillary acquisition costs amounted to around kEUR 7,860. The variable component of the purchase price (earn out) is determined by the achievement of certain recurring sales revenues and is due in this case as a subsequent purchase price payment. The estimated fair value of the earn out at the time of acquisition amounts to kEUR 1,200. The fair value has not changed by the balance sheet date. Taking into account net assets taken over on the first consolidation date, the goodwill amounts to kEUR 4,928. As a result of the altogether essential quantitative impact of the company acquisition on the assets, financial and earnings position of the Group and given the complexity of the measurement of the company acquisition, this was of particular relevance within the framework of our audit.

2. In order to address this risk, we have questioned the assumptions and estimates of the management critically and have carried out, more particularly, the following audit activities:

   - Inspection of the contractual agreements and obtaining an understanding for the company acquisition, assessment of the estimate on the anticipated earn out payment when achieving certain parameters as well as reconciliation of the purchase price paid by way of consideration for the shares received with the evidence about payments made submitted to us.
   - Assessment of the revaluation carried out by an external expert of the assets of Sabio GmbH within the framework of a purchase price allocation with a view to their recoverability.
   - Analysis of the valuation carried out by the Company in respect of certain intangible assets.
   - Obtaining an understanding for the starting data underlying the measurements and the assumptions made and / or used.
   - Assessment of the opening balance sheet values and audit of the first consolidation of Sabio GmbH on the first consolidation date on the basis of the purchase price allocation.

   Our analysis did not result in any restrictions concerning the use of the expert opinions. Altogether we were able to convince ourselves on the basis of the audit activities presented and additional ones, that the acquisition of the operations of Sabio GmbH is sufficiently documented and appropriately disclosed.

3. The information of the company about the business combination is included in the section "Change in the scope of consolidation" in the notes.

### Revenue recognition from licence and maintenance sales

1. A material object of the companies of the Serviceware Group is the production, trade in and sale of software as well as the maintenance of these services. The accounting of licence sales in combination with maintenance services is in our view an area with a significant risk of essentially wrong presentations (including the possible risk that managers bypass controls) and therefore a particularly significant audit item, because in particular the maintenance services which are period-limited services must be delimited across the maintenance period. The presentation of the maintenance services and licence revenues is subject to discretion in mixed contracts which can result in a deferred revenue recognition and hence to a misstatement of the sales revenues.

2. In order to address this risk, we have critically challenged the assumptions and estimates of the management, and carried out, amongst others, the following audit activities:

   - Within the framework of our audit we have dealt with the internally defined methods, processes and control mechanisms of project management in the billing and settlement phase of sales structures as projects. Furthermore we have assessed the structuring and effectiveness of accounting-based internal controls by reproducing order-specific transactions from their initiation to their presentation in the consolidated financial statements as well as by testing controls.
   - On the basis of spot checks selected in a risk-oriented manner we have assessed the delimitations and assumptions made by the statutory representatives within the framework of single-case audits. Our audit activities included the review of the contractual basis as well as contractual terms and conditions including contractually agreed provisions concerning partial deliveries or services, termination rights, default and contractual penalties as well as damage claims. For the selected projects we dealt for the assessment of the determination of revenues on an accrual basis also with the sales revenues chargeable on the cut-off date and analysed the presentation of the relevant balance sheet positions in the balance sheet.

- Furthermore, we have interviewed the project management on the representation of the projects and the assessments of the statutory representatives concerning possible order risks.

Our audit activities have not resulted in any objections concerning the sales revenue recognition from licence and maintenance sales.

3. The information provided by the Company concerning the accounting and valuation basis within the framework of the accounting of licence and maintenance income is included under the explanatory notes on the sales revenues in the presentation of the accounting and measurement methods in the notes.

### Other information

The statutory representatives are responsible for the other information. The other information includes:

- The Group declaration on corporate management,
- The other parts of the annual report except for the audited consolidated financial statements and the consolidated management report as well as our audit certificate,
- the Corporate Governance report according to No. 3.10 of the German Corporate Governance Code and
- the assurance in accordance with § 297 Para 2 Sentence 4 HGB on the consolidated financial statements and the assurance in accordance with § 315 Para 1 Sentence 5 HGB on the consolidated management report.

Our audit opinions on the consolidated financial statements and the consolidated management report do not cover the other information and consequently we do not make any audit assessment nor do we draw any form of audit conclusion.

In connection with our audit we have to read the other information and have to appreciate whether the other information

- presents material inconsistencies compared to the consolidated financial statements, the consolidated management report or our knowledge obtained during the audit or
- appears to be otherwise materially misstated.

### Responsibility of the statutory representatives and the Administrative Board for the consolidated financial statements and the consolidated management report

The statutory representatives are responsible for the preparation of the consolidated financial statements, which must correspond in all material respects to the IFRS as they have to be applied in the EU and, in addition, § 315e Para 1 HGB concerning the German statutory provisions and for the consolidated financial statements giving a true and correct view of the assets, financial and earnings position of the Group taking into account these provisions. Moreover, the statutory representatives are responsible for the internal controls which they have defined as necessary in order to permit the preparation of consolidated financial statements free from intended or unintended material misstatements.

At the preparation of the consolidated financial statements the statutory representatives are responsible for assessing the ability of the Group to continue its corporate activities. Furthermore, they have the responsibility to disclose facts in connection with the continuation of the corporate activities, if relevant. In addition, they are responsible to account for the continuation of the corporate activities on the basis of the accounting principles unless there is an intention to wind up the Group or discontinue its business operations or if there is no realistic alternative to the latter.

Moreover, the statutory representatives are responsible for the preparation of the consolidated management report which altogether gives a true and correct view of the situation of the Group and is in conformity in all essential respects with the consolidated financial statements, corresponds to the German statutory provisions and presents the opportunities and risks of the future development appropriately. Furthermore, the statutory representatives are responsible for the precautions and measures (systems) which they have considered to be necessary in order to permit the preparation of a consolidated management report in conformity with the applicable German statutory provisions and in order to be able to provide sufficiently suited evidence for the statements in the consolidated management report.

The Administrative Board is responsible for the supervision of the accounting process of the Group in view of the preparation of the consolidated financial statements and the consolidated management report.

### Responsibility of the auditor for the auditing of the consolidated financial statements and the consolidated management report

Our goal is to obtain sufficient certainty whether the consolidated financial statements as a whole are free from intended or unintended material misstatements, and whether the consolidated management report gives altogether a fair and true view of the situation of the Group and is in conformity in all material respects with the consolidated financial statements as well as with the findings obtained during the audit, corresponds to the German statutory provisions and is an appropriate presentation of the opportunities and risks of the future development as well as to issue an audit certificate which includes our audit opinions on the consolidated financial statements and the consolidated management report.

Sufficient certainty is a high degree of certainty but no guarantee that an audit carried out in accordance with § 317 HGB and the EU-AR taking into account the German Generally Accepted Auditing Principles as established by the Institute of Chartered Accountants (IDW) is always revealing a material misstatement. Misstatements may result from infringements or inaccuracies and are considered as material if it could be reasonably expected that they influence individually or altogether the economic decisions taken on the basis of these consolidated financial statements and the consolidated management report.

During the audit we exercise discretion in accordance with our duties and maintain a critical basic attitude. Moreover,

- we identify and assess the risks of intended or unintended material misstatements in the consolidated financial statements and in the consolidated management report plan and conduct audit activities in response to these risks and obtain audit evidence which is sufficient and appropriate to serve as a basis for our audit opinions. The risk that material misstatements are not revealed is higher in the event of infringements than in the event of inaccuracies, since infringements may involve fraudulent co-operation, adulteration, intended incompleteness, misleading presentations and / or the discontinuation of internal controls.
- We obtain an understanding of the relevant internal controlling system for the audit of the consolidated financial statements and the precautions and measures which are relevant for the audit of the consolidated management report, to plan audit activities which are appropriate under the given circumstances but not with the goal of issuing an audit opinion on the efficacy of these systems.
- We assess the appropriateness of the accounting methods applied by the statutory representatives and the acceptability of the estimated values presented by the statutory representatives and information in connection therewith.

- We draw conclusions about the appropriateness of the accounting principles applied by the statutory representatives concerning the continuation of the corporate activities as well as on the basis of the audit evidence obtained whether there is a material uncertainty in connection with the events or circumstances which could raise significant doubts concerning the ability of the Group to continue its corporate activities. If we reach the conclusion that there is a material uncertainty, we are obliged to draw attention in the audit report to the corresponding information in the consolidated financial statements and in the consolidated management report, or if these data are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained until the date of our audit report. Future events or circumstances may, however, result in the Group not being able to continue its corporate activities.
- We assess the overall presentation, the structure and the content of the consolidated financial statements including the information as well as whether the consolidated financial statements represent the underlying transactions and events in such a way that the consolidated financial statements, taking into account the IFRS as they have to be applied in the EU and the German statutory provisions to be applied on top in accordance with § 315e Para 1 HGB, give a true and fair view of the assets, financial and earnings position of the Group.
- We obtain sufficiently appropriate audit evidence for the accounting information of the companies or business activities within the Group in order to issue an audit opinion on the consolidated financial statements and the consolidated management report. We are responsible for the instructions, supervision and conduct of the audit of the consolidated financial statements. We alone are responsible for our audit opinions.
- We assess the conformity of the consolidated management report with the consolidated financial statements, the conformity with the laws as well as the view of the situation of the Group given.
- We conduct audit activities concerning the future-oriented information in the consolidated management report presented by the statutory representatives. Based on sufficiently appropriate audit evidence, we seek to understand, more particularly, the material assumptions of the statutory representatives underlying the future-oriented information and assess the appropriate deduction of the future-oriented information from these assumptions. We do not issue a separate audit opinion on the future-oriented information as well as the underlying assumptions. There is a considerable unavoidable risk that future events will deviate materially from the future-oriented information.

We discuss with those responsible for supervision, amongst others, the planned scope and time of the audit as well as material audit findings, including any defects concerning the internal control system which we detect during our audit.

We make a declaration vis a vis those responsible for supervision that we have complied with the relevant requirements as to independence and discuss with them all relationships and other facts of which it can be reasonably assumed that they have an impact on our independence and the corresponding protective measures taken.

We determine amongst the facts which we have discussed with those responsible for supervision the facts which were most relevant in the audit of the consolidated financial statements for the current reporting period and which are, therefore, particularly important audit findings. We describe these findings in the audit report, unless laws or other legal provisions exclude the public disclosure of the findings.

## Other statutory and legal requirements

### Other information in accordance with Article 10 EU-AR

We were appointed by the local court Limburg an der Lahn as statutory Group auditor on 20 December 2018. We were instructed by the Administrative Board on 27 December 2018. We have audited the consolidated financial statements as at 30 November 2018 and the consolidated management report for the fiscal year 2018 as statutory Group auditors as a result of the IPO which required for the first time in a legally mandatory manner the statements and the report to be prepared and audited.

We hereby declare that the audit opinions in our audit report are in conformity with the additional report to the Audit Committee in accordance with Article 11 EU-AR (Audit Report).

## Responsible auditor

The auditor responsible for the audit is Rainer Grote.

Düsseldorf, 19 March 2019

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Weyers Grote

# Company description

Serviceware is one of the leading suppliers of software solutions for the digitalisation and automation of service processes with which companies can increase their service quality and manage their service costs efficiently. Customers are provided with a complete package for the daily challenges in service provision: from strategy development via the implementation of the software solution to the to the making available of the infrastructure and Managed Services. The unique integrated and modular ESM platform consists of the software solutions Service Management (helpLine), Financial Management (anafee) and Field and Customer Service Management (Careware) as well as Knowledge Management (Sabio). Serviceware has five locations in Germany and European subsidiaries in Austria, Bulgaria, the Netherlands, Spain, Sweden, Switzerland and the United Kingdom. The company is listed at Deutsche Börse (Prime Standard) and currently has a headcount of more than 400 employees. More than 700 customers from many different industries, including nine DAX companies as well as four of the seven largest German companies, rely already on the solution competencies of Serviceware. The headquarters of the Company are located in Bad Camberg, Germany.

Further information is available on www.serviceware.se.

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