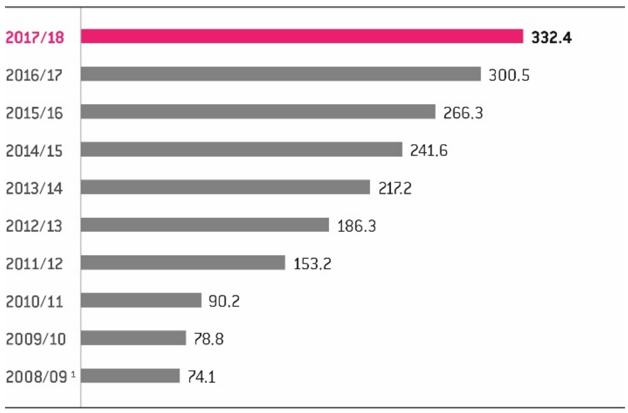
all for one steeb

Strategy Offensive 2022

Annual Report 2017/18

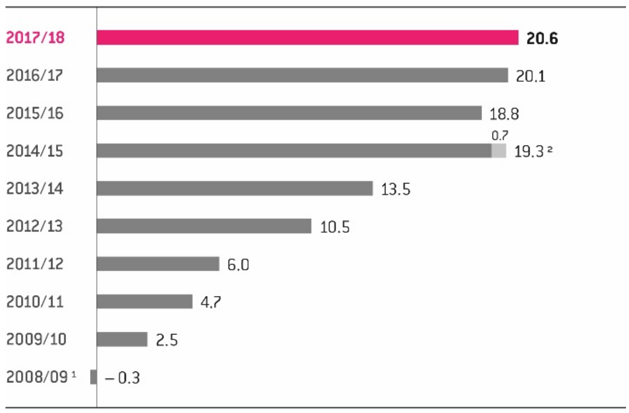
Key Figures

SALES IN EUR MILLIONS



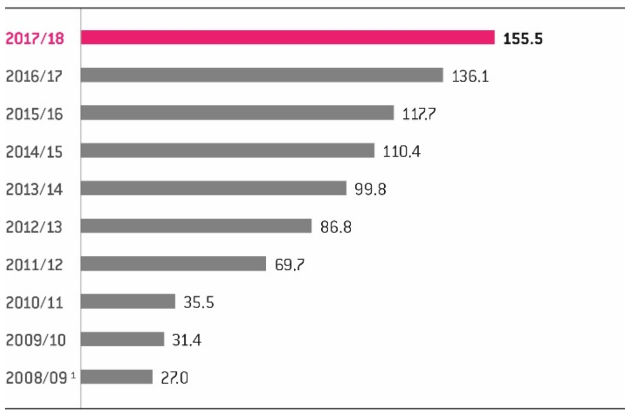
1) Continuing operations.

EBIT IN EUR MILLIONS



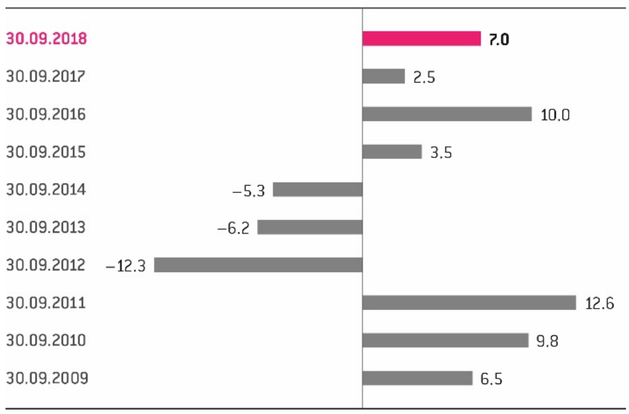
1) Continuing operations. 2) 0.7 MEUR one-time effect.

RECURRING REVENUES IN EUR MILLIONS

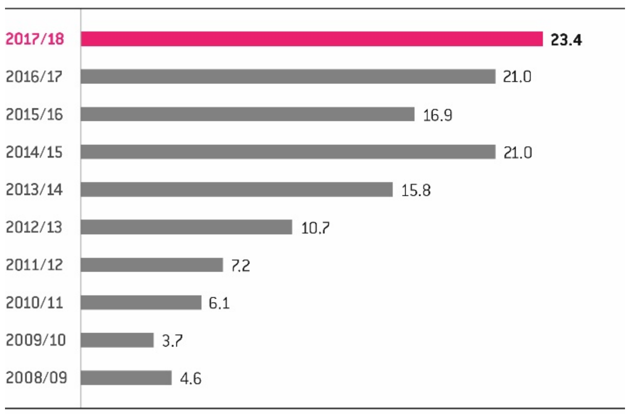


1) Continuing operations.

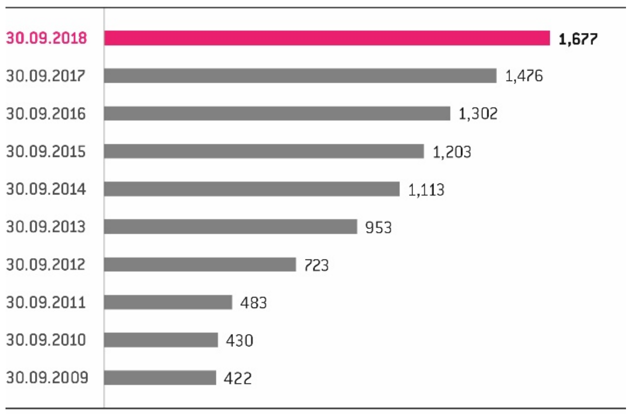
NET DEBT (–)/LIQUIDITY (+) IN EUR MILLIONS



OPERATIVE CASH FLOW IN EUR MILLIONS



HEADCOUNT AT YEAR END



IFRS in EUR millions unless otherwise stated	10/2017 – 09/2018	10/2016 – 09/2017	Absolute delta	Delta in %
Earnings Situation				
Sales revenues	332.4	300.5	31.8	11
EBITDA	31.2	29.4	1.8	6
EBITDA margin (in %)	9.4	9.8		
EBITA	25.4	24.8	0.6	2
EBIT	20.6	20.1	0.5	3
EBIT margin (in %)	6.2	6.7		
Earnings after tax	13.7	13.1	0.6	5
Balance Sheet				
Total assets	183.2	168.7	14.4	9
Equity	77.0	69.5	7.5	11
Equity ratio (in %)	42	41		
Net liquidity	7.0	2.5	4.5	176
Employees				
Number of employees (at end of financial year)	1,677	1,476	201	14
Full-time equivalents (ø)	1,436	1,262	174	14
Share				
Number of shares (ø)	4,982,000	4,982,000	0	0
Share price (at end of financial year, in EUR)	59.60	65.05	-5.45	-8
Market capitalisation (at end of financial year)	296.9	324.1	-27.2	-8
Earnings per share (in EUR)	2.82	2.63	0.19	7
Non-financial performance indicators				**Delta in percentage points**
Employee retention (in %)	91.6	94.3		-2.7
Health index (in %)	97.5	97.4		0.1

About Us

All for One Steeb AG (ISIN DE0005110001) is a leading IT services and consulting provider and sought-after partner for digitalisation in the midmarket. The full-service provider's portfolio comprises end-to-end services and solutions across the entire IT value chain, from management and technology consulting, SAP industry solutions and cloud applications up to highly scalable multi-cloud services out of German data centers, where All for One Steeb is orchestrating highly available IT operations for all business-related IT systems – including SAP as well as Microsoft. This is why market observers also rank All for One Steeb as the number 1 in the German-speaking SAP market amongst the leading IT service providers for Cloud Transformation, SAP HANA and SAP S/4HANA, Business Analytics and Performance Management, Human Capital Management, Customer Engagement & Commerce, Application Management Services or Communications and Collaboration.

As an SAP Platinum Partner, All for One Steeb is a reliable general contractor and serves with more than 1,600 employees over 2,000 clients in Germany, Austria and Switzerland, mainly among the manufacturing and consumer goods industry. As a founding member of United VARs, the largest global network of leading SAP partners, All for One Steeb guarantees a comprehensive consulting and service portfolio as well as the best local support in some 90 countries.

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Financial Year from 1 October 2017 to 30 September 2018.

»Venturing into a New Dimension«

Lars Landwehrkamp and Stefan Land have designed the Strategy Offensive 2022 to gain a firmer footing among larger midmarket companies. Between now and 2023, they plan to increase sales to 550 to 600 million euros and to raise the EBIT margin to more than 7%. Ambitious goals! Having said that, the forecasts have always been met or even exceeded for the last 10 years. In November 2018, both members of the management board extended their contracts until 2023.

» Our environment is changing dramatically. Five years from now, we still want to be one of the top teams.«
Lars Landwehrkamp (CEO)

» Ultimately, our strategy offensive is all about offering our customers much more comprehensive support with services provided by our entire Group.«

Stefan Land (CFO)

The mission: »We enhance our customers' ability to compete«. This requires a holistic mindset to address questions relating to strategy and culture and the best IT solution landscapes – for more efficient and smarter processes, for example –, closer ties to customers and suppliers, real-time information for all types of decisions or new work environments to improve collaboration. None of which sounds really new. Nevertheless, All for One Steeb AG will be investing a one-off amount in the mid-single-digit euro millions in 2018/19 in its Strategy Offensive 2022, which was presented mid-November 2018. Why? What's the point?

But the business is running fine. Why bother with a strategy offensive now?

Landwehrkamp: Our development in 2017/18 has indeed been very good again. Over the past 10 years, we have laid an enormously robust foundation. About half of our business generates sustainably recurring revenues. But our success so far is no reason to lie back and relax. Our environment is changing dramatically. Five years from now, we still want to be one of the top teams. Added to which, the widespread transformation among our customers opens up huge additional opportunities for us. Trends such as SAP S/4HANA, machine learning, Internet of things, the role played by cloud platforms as future operating systems, the leading positions occupied by SAP and Microsoft – all of these cornerstones are increasingly growing stronger. Our strategy offensive aims to make our organisation fit for the next big growth step. And now is the right time to do it. By the end of the financial year 2022/23 we want our sales to be between 550 million and 600 million euros and our EBIT margin to top 7%.

You have invested a lot over the past three years, as well...

Land: ...that is true. That had nothing to do with our strategy offensive, though. Now, we are targeting these three new themes: brand architecture, go to market, and building entirely new growth businesses.

What is behind it all?

Land: Ultimately, our strategy offensive is all about offering our customers much more comprehensive support with services provided by our entire Group. The emphasis is on the Group. We plan to rollout a new umbrella brand and a new brand architecture to create a consistent visual identity throughout the whole Group. It will then be clear at first glance that we and our subsidiaries together all form a strong group. The individual performance of each unit builds on that of the others. Their collaboration and interaction allows customers to reap maximum added value in excess of the mere sum of the individual performances. We will also be restructuring our sales and consulting teams – we talk of customer success management in this respect – and, by doing so, expand our market access to encompass larger midmarket companies. This is also where our new areas of growth business will increasingly come to bear. To achieve this, we are investing heavily in IT security, Internet of things, machine learning, new work and proprietary software solutions, above and beyond our main areas of focus, such as SAP S/4HANA and cloud services. Likewise, part of our strategy offensive will involve building broader cross-sectional areas – shared services – for Group management.

» Most companies have yet to start their journey into the HR cloud. Together with KWP and TalentChamp, we are in a very good position.«
Lars Landwehrkamp (CEO)

Where does the acquisition of TalentChamp fit into your strategy offensive?

Landwehrkamp: When it comes to shaping digital transformation, the human resource manager is of key importance. Just consider topics such as e-recruiting and talent management in an environment characterised by a severe shortage of specialists. With our subsidiary KWP INSIDE HR we believe we are a leading provider of all-inclusive HR services and HR IT. KWP already manages more than one quarter of the total market of an estimated 4,000 SAP HCM customers in Germany. Notwithstanding that, most companies have yet to start their journey into the HR cloud. Market observers expect HR cloud deployments to grow by 86% over the coming years. TalentChamp has cloud DNA and is recognised as a talent management specialist with years of SAP SuccessFactors expertise. Together with KWP and TalentChamp, we want to leverage in full the potential digital value to be found in HR departments. Our shared potential is huge. Both companies are the perfect complements in terms of customer and service portfolios. Together, they offer what is possibly the most comprehensive HR process and technology expertise for SAP solutions combined with HR best practices that have been specially developed for the midmarket. Added to which, TalentChamp has excellent references among larger midmarket companies and therefore fits perfectly into the roadmap of our strategy offensive.

More growth equates to more staff. How are you doing in this respect?

Landwehrkamp: It is becoming increasingly difficult. Excluding acquisitions, our team grew by 200 employees in the financial year 2017/18. Our employee retention level is about 92%, which is still unusually good for our sector and is partly due to the high degree of individual entrepreneurial responsibility and personal freedom we allow, which is key to our culture and values. Added to which, one thing that is always noticeable in rankings such as Germany's best employer or Kununu is how warmly our employees recommend their employer. A recruiter cannot ask for better support than that. We also work closely with universities, offer our own training schemes, run dedicated online recruiting campaigns and regularly organise

»As part of our strategy offensive, we have clearly defined IT security as a driver of growth and plan to continue growing this area enormously.«
Stefan Land (CFO)

programmes for trainees and working students. We even received a Human Resources Excellence Award 2018 for our new recruiting campaign »At home with All for One Steeb«. Nevertheless, in doing so, we can only cushion the shortage of specialists. Finding sufficient good staff remains a huge challenge.

The shortage of specialists seem to be commonplace in the midmarket. Does the same hold true for IT security?

Land: For some years now, cyber attacks on business-critical systems have been increasing strongly. IT landscapes are becoming increasingly hybrid and more complex. Each and every area of work is involved. Accordingly there are an increasing number of increasingly large gaps through which attackers can slip. They need to be monitored and closed to avert damage – an enormous workload. A second strong driver is the new EU General Data Protection Regulation. Violations can now incur painful fines. Not to mention the increased risk of damage to your reputation if violations become public knowledge. As such, IT security is high on the agenda, not just for me but also for my CFO colleague. As part of our strategy offensive we have therefore identified this topic clearly as a driver of growth and plan to continue growing this area enormously.

Where do you see yourselves at the end of the transition year 2018/19?

Land: In 2018/19, we will see a growing shift from one-off revenues from the sale of software licenses to recurring cloud revenues. Accordingly, we expect total sales of between 345 million and 355 million euros in 2018/19. Adjusted for the special effects of the strategy offensive costs, our EBIT is expected to total between 21 million and 22 million euros. The one-off special costs of the strategy offensive will be a mid-single-digit euro million amount at EBIT level. The end to our high capital expenditures is, however, foreseeable. We expect margins to gradually start growing again from 2020.

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Stefan Land (CFO)

The Share

»Promising investment for investors with a long-term horizon«

Despite increased investment in the future as part of its strategy offensive 2022, All for One Steeb AG plans to continue its sustainable dividend policy.

SHARE PERFORMANCE 2017/18, INDEXED

2017/18 was the tenth consecutive year in which All for One Steeb AG has met its forecast targets for sales and EBIT. The accuracy of this guidance is due in large part to the high recurring revenues, which meanwhile account for around half of total revenues. Boersengefluester.de – a widely-respected financial blog – called the company a »Promising investment for investors with a long-term horizon« on 10 September 2018.

More than 140 Meetings with Investors

And yet All for One Steeb AG enjoys a good reputation among investors for more than just the accuracy of its guidance. Investors also appreciate its reporting quality: continuous, transparent and open. Our efforts focus in equal measure on institutional investors, private investors, analysts and the financial and business press alike. More than 140 individual meetings (2016/17: more than 80) were held with institutional investors in the year under review. On top of these, we provided detailed reports on the company's business performance at events for investors, press dates, trade fairs and in telephone and analysts' conferences. Investors can find a wealth of information that is constantly updated in the Investor Relations section on our website (www.all-for-one.com/ir).

Share Price Decline over the Course of the Year

When the financial year started on 2 October 2017, the shares closed at EUR 64.61. Five months later, on 19 February 2018, the share price had risen and peaked at EUR 71.80. At year-end on 28 September 2018, the shares closed at EUR 59.60. Overall, therefore, market capitalisation over the course of the current year under review decreased by 8% from EUR 321.9 million to 296.9 million. Just a reminder: Back in March 2009, the share price was EUR 1.50. Since then, the shares have not only gained enormously in visibility; they have also become considerably more vulnerable to fluctuations in the market as a whole. Market observers expect 2019 to generally be another challenging year for investors. Opportunities are seen to exist, above all, for stable companies with strong business models.

Sustainable Dividend Policy

Our business model is robust and generates sustainable growth. This success is due in large part to our focus on the right areas of innovation and growth, which will continue to hold true into the future. Accordingly, we will be investing more in the future in the financial year 2018/19 as part of our strategy offensive 2022. Nevertheless, since we plan to continue our dividend policy, we will be proposing payment of an unchanged stable dividend of EUR 1.20 per eligible share to the annual general meeting on 13 March 2019.

Relative to Group earnings after tax of EUR 13.7 million in the financial year 2017/18 (2016/17: EUR 13.1 million), this equates to a distribution ratio of 44% (2016/17: 46%). We plan to continue our sustainable dividend policy in the future.

Key Figures

ISIN / WKN	DE0005110001 / 511 000
Market Segment	Prime Standard
Stock Exchange Centre	Frankfurt Stock Exchange
Date of Listing	30 Nov 1998 (then: AC-Service AG)
Indices	CDAX, Prime All Share, Technology All Share, DAXsector All Software, DAXsector Software, DAXsubsector All IT-Services, DAXsubsector IT-Services
Designated Sponsor	BankM, Baader Bank
Highest Price Financial Year 2017/18[1]	EUR 71.80 (19 Feb 2018)
Lowest Price Financial Year 2017/18[1]	EUR 56.40 (21 Aug 2018)
Price at Start of Financial Year 2017/18[1]	EUR 64.61 (2 Oct 2017)
Price at End of Financial Year 2017/18[1]	EUR 59.60 (28 Sep 2018)
Market Capitalisation[2]	EUR 296.9 million
Earnings per Share in Financial Year 2017/18	EUR 2.82
Share Capital	EUR 14.95 million
Number of Shares	4,982,000 registered shares

1) end-of-day share price (XETRA)
2) based on closing share price on 28 September 2018 (XETRA) and 4,982,000 shares

Shareholders' Structure

Unternehmens Invest AG	approx. 25%
UIAG Informatik-Holding GmbH	approx. 25%
BEKO HOLDING GmbH & Co KG	approx. 12%
Management and Supervisory Board	approx. 3%

Corporate Governance Report

Good corporate governance strengthens the faith of all stakeholders in our company. Responsible, sustainable and transparent corporate governance is therefore not only firmly anchored in our daily business; it is also valued very highly at our company.

Transparency, sustainability, responsible management and control: our shareholders, business partners, employees and the financial markets appreciate how we actively implement corporate governance at All for One Steeb AG. We regularly draw upon the recommendations made by the Government Commission on the German Corporate Governance Code (DCGK) as a source of ideas, suggestions and guidance for improving and enhancing the way we control and manage our company. The most recent recommendations of the DCGK dated 7 February 2017 that came into effect on 24 April 2017 are still applicable. No new recommendations were issued in the current year under review. We therefore focused on applying and implementing the current recommendations over the period.

The following Corporate Governance Report by the management board and supervisory board also includes the Corporate Governance Statement:

Declaration of Conformity and Corporate Governance Statement

The Declaration of Conformity by the supervisory board and management board prepared in accordance with §161 »Aktiengesetz« and the Corporate Governance Statement pursuant to §289f of the German Commercial Code (hereafter called »Handelsgesetzbuch« or »HGB«) can be found in the Investor Relations section of our website www.all-for-one.com. The Declaration of Conformity approved and published in September 2018 reflects our efforts to maintain high standards of corporate governance.

Shareholders and the Annual General Meeting

The shareholders of All for One Steeb AG exercise their rights before or during the annual general meeting. Each registered share carries one vote in accordance with §13 of the company articles of association. The chairman of the supervisory board chairs the annual general meeting. The annual general meeting makes decisions in all matters assigned to it by law and the company articles of association.

Supervisory Board

The primary task of the supervisory board is to advise and oversee the management board. In accordance with the company articles of association, the company's supervisory board consists of six members, two of whom are employee representatives. The responsibilities und obligations of the supervisory board and its committees are as regulated in the »Aktiengesetz«, the company articles of association and in the standing rules of the supervisory board and its committees. The supervisory board has set specific goals regarding its composition and has drawn up a related competency profile for the board as a whole. The goals and competency profile can be found in the Investor Relations section of the company's website www.all-for-one.com. The nominations forwarded for consideration to the annual general meeting are all based on these.

Management Board

As the managing body of a stock corporation, the management board »shall have direct responsibility« for the management of the company (§76, section 1 »Aktiengesetz«), exercises its own discretion, and is bound by the company's interests and operating policies within the framework of stock corporation law. In exercising its executive authority, the management board is committed to increasing the company's sustainable enterprise value. It reports to the supervisory board comprehensively and on a regular basis about all issues concerning business performance, corporate strategy and potential risks. The responsibilities and obligations of the management board are as regulated in the »Aktiengesetz«, the company articles of association, the standing rules and in the management board's schedule of responsibilities.

The Work of the Management Board and Supervisory Board

The management board and supervisory board maintain a close and trusted relationship as they work in the interest of the company. The chairman of the supervisory board co-ordinates the work of the supervisory board and chairs its meetings. The supervisory board also appointed committees. The management board usually participates in the meetings of the supervisory board, reports orally and in writing about the individual agenda items and proposed resolutions, and answers questions put forth by the members of the supervisory board.

In accordance with §6 of the company articles of association, the supervisory board appoints the members of the management board and establishes the standing rules and a schedule of responsibilities for the management board. The chairman of the supervisory board decides if the members of the management board should take part in the supervisory board meetings. And finally, the supervisory board establishes standing rules for itself and for its committees. The supervisory board provides details about its activities and the activities of its committees in its annual report to the shareholders at the annual general meeting.

Diversity

As regards the composition of the management board, the supervisory board evaluates the personal and professional sides of candidates using such criteria as industry knowledge, experience, technical expertise and international qualities. Nominations for the election of supervisory board members that are submitted for consideration to the annual general meeting are based on the supervisory board competency profile and on the goals that the supervisory board has established for constituting the board as a whole.

Likewise, both the supervisory board and the management board support a policy of equal opportunities for men and women to participate in holding management positions, and follow the recommendations of the DCGK by promoting diversity when filling such executive positions. The »diversity targets« we defined in the summer of 2015 serve to guide us over the long term and therefore continued to apply unchanged throughout the current reporting year. We had set ourselves the target of raising the share of women at second management level at All for One Steeb AG (parent company, excluding subsidiaries) to at least 10% (30 Sep 2018: 0%), and at the company's third management level to at least 20% (30 Sep 2018: 18%, 30 Sep 2017: 20%). As such, we continue to only partially achieve our long-term goals by multi-year comparison.

We also pay attention to diversity in the configuration of the management and supervisory boards. In May 2015, the supervisory board decided that we should achieve the target of having a 20% share of women serving on the management board and that the share of women on the supervisory board should increase to at least 16.66%. Here again, we only partially achieved our long-term goals. We were able to raise the share of women on the supervisory board to 16.66% (30 Sep 2017: 0%), while the share of women on the management board remained unchanged at 0% (30 Sep 2017: 0%).

Code of Conduct

Foremost among the corporate governance practices that All for One Steeb applies are the guidelines set forth in our compliance management system and which apply to all Group employees. Such guidance accentuates the high standards of conduct that we expect from our employees, managing directors and board members. It also codifies and announces to our customers, partners, suppliers, competitors and shareholders what the key principles are that govern our conduct. Implementing these guidelines in our day-to-day business demonstrates our commitment not only to acting and competing in a manner that is within the law, responsible and of unimpeachable integrity, but to safeguarding personal and other sensitive information as well. At the same time, we condemn corruption and any form of discrimination. Our Non-Financial Statement highlights the particular importance of our »Code of Conduct« in respect of employee, environmental and social matters as well as the protection of human rights and can be found in the Investor Relations section on our website www.all-for-one.com.

Transparency

We attach great importance to an information policy that stresses the disclosure of information that is uniform, comprehensive and timely. This is why the company informs all interest groups about the company's situation and all significant changes and developments within the business on a regular and timely basis. The most important communication tools used for this purpose are the Internet and the company's website. Reporting is also made in the annual report, in interim reports and quarterly statements, as well as through meetings and conferences with the press and analysts.

Furthermore, information is also published in the form of press releases and ad hoc announcements. The company also complies with the disclosure requirements regarding such matters as voting rights announcements and the conducting of business for one's own account by management executives. Disclosures, announcements, presentations and reports are also available in the Investor Relations and the Press sections of the company's website. The company has also prepared, and continually maintains and updates, the statutory insider list pursuant to article 18 of the European Market Abuse Directive. The individuals included in this list are informed of their statutory duties and the sanctions associated with access to insider information.

In line with the principle of fair disclosure, all shareholders and significant target groups are treated equally when it comes to the disclosure of information. For statutory reasons principal shareholders may receive some information in advance if such is required for preparing its group financial statements, group interim reporting, business plans and budgets. In such an event the recipients of this information are formally bound to treat this information as confidential and not disclose it to others.

Accounting and Auditing

The company's consolidated financial statements are prepared in accordance with IFRS, and the annual financial statements in accordance with the »Handelsgesetzbuch«. Once prepared by the management board, the consolidated financial statements and the annual financial statements are audited by the auditors, approved and finalised by the supervisory board, and then published within 90 days after the end of the financial year. Interim reports in the form of two quarterly statements and one half-year financial report are also published for the first three quarters of a financial year. The auditors do not review the interim reports.

Key Performance Indicators and Control Systems

Sales revenues and operating earnings (EBIT) are the key financial figures used in the financial management of the Group. These control parameters are aligned with one another with an eye toward pursuing as sustainable and profitable a path to growth as possible. The company also employs non-financial control parameters.

As part of its overall responsibility for the Group, the management board is required in accordance with §91, section 2 »Aktiengesetz« to establish a risk early warning system to identify existential risks as early as possible. This risk early warning system is an integral part of the planning, budgeting, control and reporting processes. The management board has also established a group-wide compliance management system. A detailed description of the risk management system, the internal control system and the compliance management system is included in the Opportunities and Risk Report section of the Group Management Report.

Compensation Report

The management board's compensation system is explained in the Group Management Report. The notes to the consolidated financial statements also provide detailed information about compensation for each member of the management board and supervisory board divided into fixed and variable components as well as benefits granted and type of inflow. This disclosure of the management board's compensation complies with the current recommendations of the German Corporate Governance Code. The structure of the compensation system is reviewed regularly.

Stock Option Programmes and Similar Incentive Systems

There are currently no stock option programmes or similar incentive systems in place for the members of the supervisory board or the management board.

Shares Held by Board Members

The members of the management board and the supervisory board hold shares in All for One Steeb AG as shown in the following table:

Shares	30.09.2018 Direct	30.09.2018 Indirect	30.09.2017 Direct	30.09.2017 Indirect
Supervisory Board				
Josef Blazicek	0	0	6,500	12,000
Peter Brogle (up to 15 Mar 2018)	–	–	42,513	0
Paul Neumann	0	0	0	0
Peter Fritsch	24,000	0	24,000	0
Dr. Rudolf Knünz (from 15 Mar 2018)	0	0	–	–
Maria Caldarelli (from 26 Feb 2018)	0	0	–	–
Jörgen Dalhoff	250	0	250	0
Detlef Mehlmann (retired)	–	–	0	0
Nicole Schultheiß (30 Nov 2017 to 26 Feb 2018)	–	–	–	–
Management Board				
Lars Landwehrkamp	50,000	22,500	50,000	22,500
Stefan Land	32,000	0	32,000	0
	106,250	**22,500**	**155,263**	**34,500**

Supervisory board members Paul Neumann and Dr. Rudolf Knünz are members of the management board of Unternehmens Invest AG and managing directors of UIAG Informatik-Holding GmbH, both in Vienna/Austria. These two companies each hold an unchanged number of 1,248,873 shares as at 30 September 2018. There is also a voting agreement in place between the two companies regarding their shareholdings in All for One Steeb AG. Supervisory board chairman Josef Blazicek is CEO of Qino PIPE ONE Ltd, Limassol/Cyprus. This company holds a minority share in the aforementioned UIAG Informatik-Holding GmbH, Vienna/Austria. Supervisory board member Peter Fritsch performs management duties at BEKO HOLDING GmbH & Co KG, Nöhagen/Austria, in his capacity as managing director and shareholder. This company's holdings total an unchanged 576,742 shares as at 30 September 2018.

All changes in the amount of stock held by the members of the management board and the supervisory board are disclosed in accordance with statutory regulations and also made available to the public on the company's website.

Report of the Supervisory Board

Josef Blazicek

Chairman of the Supervisory Board

Dear Shareholders,

For the tenth consecutive year, the performance of All for One Steeb AG has been a success. We are acquiring a lot of new customers. We are continuing our strong growth. We are expanding our business as planned. Our robust business model, a leading position in our target market and the renewed strong increase in recurring revenues provide a strong footing. Building on this footing, we are investing in our future in line with our Strategy Offensive 2022, strengthening both our and our customers' ability to compete and, in doing so, continuing to drive the success of the company.

The composition of the supervisory board changed over the course of the financial year 2017/18. At the annual general meeting on 15 March 2018, Dr. Rudolf Knünz was newly elected to the company's 6-person supervisory board. Dr. Knünz is the CEO of Unternehmens Invest AG, Vienna/Austria, which together with UIAG Informatik-Holding GmbH, Vienna/Austria, 50.14% of the shares of All for One Steeb AG. Re-elected by the shareholders to the company's supervisory board were Josef Blazicek (independent businessmann), Paul Neumann (a memeber of the management board of Unternehmens Invest AG and managing director of UIAG Informatik-Holding GmbH, both of Vienna/Austria) and Peter Fritsch (managing director of BEKO HOLDING GmbH & Co KG, Nöhagen/Austria). No longer standing for election was Peter Brogle (independent businessman), who had been a member of the All for One Steeb AG supervisory board since the year 2000. On 26 February 2018, Maria Caldarelli, head of legal & compliance, and for another term Jörgen Dalhoff, organisation development, were elected by the workforce of All for One Steeb AG in the newly formed supervisory board in accordance with provisions governing a one-third participation of employees.

The supervisory board diligently carried out the duties required of it as prescribed by law, the company articles of association, the standing rules and the German Corporate Governance Code – particularly that of advising and overseeing the management board – during the financial year 2017/18. The supervisory board was briefed thoroughly and regularly – usually through written, but also verbal reports by the management board – about the course of business, the direction the company is taking, the position of the company and Group, the earnings, assets and financial situation including the return on equity, the risk situation, risk management and compliance and also about all fundamental issues relating to corporate planning and budgeting (including financial, capital and human resource budgeting), as well as developments, decisions and plans of particular importance for the company. These also included extraordinary events to the extent such were required to be reported.

The supervisory board also requested additional and more in-depth reports in isolated cases and as deemed necessary. The management board ensured that the supervisory board was provided with all the required information at all times, and forwarded the essential decision-making documents and files to the members of the supervisory board on a timely basis prior to each of the supervisory board meetings. There was no cause to warrant special investigative or auditing actions.

The further development of the strategy (»strategy offensive 2022«), acquisition projects, integration projects and the implementation of the new EU General Data Protection Regulation (GDPR) were the primary orders of business in the financial year 2017/18. During the times between supervisory board meetings, the respective chairman of the supervisory board was in continuous contact – including personal discussions – with the management board, and gathered information about the latest business developments, the status of the projects and other important actions and decisions.

Focus of the Supervisory Board Meetings

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

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

The major subjects of the financial-statements meeting on **6 December 2017** were presented in the supervisory board's report to the annual general meeting on 15 March 2018 and in the Annual Report 2016/17. This meeting focused on consultations and in-depth discussions of the documentation relating to the annual accounts, as well as finalising the annual financial statements and approving the consolidated financial statements. In the telephone conference held **19 January 2018** the agenda of the annual general meeting was discussed and approved. The latest business developments, including the forecast for the financial year, the status of acquisition projects, the implementation of the EU General Data Protection Regulation and the upcoming annual general meeting were the main orders of business discussed during the supervisory board meeting on **8 February 2018**. The constituent meeting of the newly elected supervisory board took place on **15 March 2018**. The agenda focused on electing the chairman and deputy chairman, and appointing nominees to the human resources committee and the audit committee. During its meeting of **9 May 2018**, the supervisory board primarily addressed the business performance during the first half of the financial year and the draft of the half-year financial report. Other important items on the agenda at this meeting were a detailed discussion of the forecasts and outlook for the full year, the status of acquisition projects, the efficiency and the competency profile of the supervisory board and also the corporate strategy. In keeping with the continued development of the company's corporate governance, a resolution was passed by telephone circulation procedure on 20/23 August 2018 approving the updated statement of compliance with the Corporate Governance Code. In a further circulation procedure on 21/24 September 2018, a resolution on changes relating to a subsidiary was adopted.

On **1/2 October 2018**, during its first meeting of the new financial year 2018/19, the supervisory board dealt primarily with the budgeting for the financial year 2018/19 and subsequent financial years. Other items on the agenda were the business performance after nine months, the outlook for the full 2017/18 year, the status of acquisition projects, the non-financial statement and the further development of the corporate strategy (»strategy offensive 2022«). A data centre contract was also discussed. In the supervisory board meeting on **25 October 2018,** the corporate strategy was discussed and a training programme for supervisory board members agreed. At its meeting on **16 November 2018**, the supervisory board focused primarily on the final discussion and resolution of the strategy, the budget for 2018/19 and the mid-term plan (»strategy offensive 2022«). Likewise, the premature extension of both management board appointments and a new compensation structure were discussed and agreed. In its telephone conference on **26 November 2018**, the supervisory board discussed the status of an acquisition project and gave its authorisation for it.

Each member of the board took part in at least 50% of the meetings in the financial year 2017/18.

Committees

Specifically, the **audit committee** monitors the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, the audit of the annual accounts and in particular the auditor's independence, qualifications and performance, including the commissioning of additional, non-auditing services. The audit committee also reviews the effectiveness of the compliance management system. The audit committee consists of three members. The committee chairman is supervisory board member Peter Fritsch. The other committee members during the 2017/18 reporting year were the chairman of the board Josef Blazicek and the deputy chairman of the board Paul Neumann. The audit committee held four meetings during the reporting year. The major subjects of this meeting on **5 December 2017** were presented in the supervisory board's report to the annual general meeting on 15 March 2018 and in the Annual Report 2016/17. The meeting focused on consultations and in-depth discussions of the annual financial statements. A meeting was convened on **5 December 2017** to review and approve in advance the commissioning of services not related to audits. Further telephone consultations also took place, and resolutions were adopted by circulation procedure. Also in this way and supported by the audit committee's recommendation, the appointment of the auditor for the 2017/18 annual and consolidated financial statements was initiated by the supervisory board, who made this proposal to the annual general meeting on

15 March 2018. In its meeting on **8 February 2018**, the audit committee established the audit focal points for the internal audit for the financial year 2017/18 and approved a budget for commissioning services not related to audits. Following the election of new supervisory board members at the annual general meeting on 15 March 2018, the constituent meeting and election of the chairman and deputy chairman of the audit committee took place on **9 May 2018**. In its meeting on **16 November 2018**, the audit committee adopted a resolution specifying the areas of particular interest with regard to the audit of the annual financial statements.

The **human resources committee** consists of three members. The chairman of the supervisory board Josef Blazicek is committee chairman and co-ordinates the committee's work. The other committee members during the reporting year were the deputy chairman of the board Paul Neumann and supervisory board member Peter Brogle, until his withdrawal from the human resources committee on 15 March 2018, at which time (beginning on 15 March 2018) supervisory board member Dr. Rudolf Knünz was elected the new member of the human resources committee. This committee is primarily responsible for making recommendations to the supervisory board regarding the appointment and removal of members of the management board, for the agreements with company directors, for making preparations for setting the compensation of company directors, as well as for reviewing the management board's compensation system. The human resources committee held three meetings during the reporting year. In its meeting on **6 December 2017** the management board's variable compensation for the financial year 2016/17 was approved. The constituent meeting and election of the chairman and deputy chairman of the human resources committee took place on **15 March 2018**. In its meeting on **9 May 2018**, the committee decided to adjust the relevant management board contracts with regard to the variable compensation. In its meeting on **25 October 2018**, the human resources committee discussed the premature extension of the management board contracts – which were due to expire on 30 September 2019 – and the compensation system with a view to extending the same. Resolutions were adopted approving the new management board contracts and the new compensation structure for the management board in the meeting of the human resources committee on **16 November 2018.** Consultations also took place between these meetings.

Annual and Consolidated Financial Statements and Management Reports

The annual general meeting of 15 March 2018 elected the Stuttgart offices of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (»KPMG«) to be the auditors of the company and consolidated financial statements for the financial year 2017/18. The audit committee contracted with KPMG to carry out the audit. KPMG examined the annual financial statements and management report, as well as the consolidated financial statements and Group management report prepared by the management board pertaining to the financial year 2017/18, and issued them an unqualified audit opinion.

The documents relating to the annual accounts and the audit reports from the auditor for the financial year 2017/18 were duly submitted for review to the audit committee and the supervisory board. The audit committee discussed and examined the documents at length and in detail with the auditor and management board, which were present at its meeting on **11 December 2018** and prepared the supervisory board resolution approving the annual and consolidated financial statements in its meeting on **12 December 2018**. The auditor reported about the findings of its audit in the audit committee meeting on 11 December 2018. The auditor's explanations, especially those regarding the earnings, assets and financial situation of the company and the Group, were then discussed at length and in detail. All of the audit committee's questions were answered. The audit committee was satisfied that there was no evidence of bias or conflicts of interest on the part of the auditor. The audit committee was also briefed in depth about the services KPMG provided that were not part of the audit itself. In line with its supervisory function, the audit committee also reviewed the Group's internal control and risk management system as well as its compliance management system during its meeting of 11 December 2018 and expressed confidence in its effectiveness. The risk management documents for the financial year 2017/18 were presented for examination to the audit committee and supervisory board on a timely basis. Furthermore, the risk manager and the head of internal auditing reported directly to the audit committee about the findings in their reports. The compliance officer also outlined the group-wide compliance management system and was questioned by the audit committee about compliance violations. All of the audit committee's questions were answered. In its meeting on 11 December 2018, the audit committee also discussed at length and reviewed the combined non-financial statement (»Non-Financial Group Report«). The management board provided complete answers to all questions relating to the same. The Non-Financial Group Report has not been externally audited.

During the supervisory board meeting on **12 December 2018** to finalise the financial statements, the audit committee reported to the supervisory board about its deliberations with the auditor and the management board, its oversight and monitoring of the accounting process, and the findings of its own audit. Furthermore, the audit committee described to the supervisory board how, as part of its supervisory function, it concerns itself with the Group's internal control and risk management system, the internal audit and the compliance management system and how it was satisfied with the systems' effectiveness and appropriateness. The supervisory board also expressed its confidence in the effectiveness and appropriateness of the internal control and risk management system and the compliance management system following its own thorough review. The risk manager, the compliance officer, the head of internal auditing, and the management board answered all of the questions that the supervisory board had about this subject. The auditor also gave a detailed report to the supervisory board about the audit and the findings that were presented and discussed earlier in the audit committee meeting. The supervisory board carefully discussed the documents relating to the annual accounts in the presence of the auditor on 12 December 2018 and concluded that the audit by KPMG was conducted properly and that the audit reports and the audit itself comply with statutory requirements. The auditor and the management board answered all of the questions raised by the supervisory board. In its evaluation of the situation of the company and the Group, the supervisory board concurred with the assessment expressed by the management report in the respective Group and company management reports. Based on the final results of its own examination of the annual financial statements, the consolidated financial statements, and the management reports, the supervisory board raised no objections to the annual and consolidated financial statements prepared by the management board, followed the audit committee's recommendations, and concurred with the findings of the auditor. On 12 December 2018, the supervisory board approved the annual and consolidated financial statements prepared by the management board. The annual financial statements for All for One Steeb AG were thereby finalised pursuant to §172 of the German Stock Corporation Act (hereafter called »Aktiengesetz«). After a long and careful discussion, the supervisory board approved the management board's recommendation as presented for the appropriation of the net earnings. Also during its meeting on 12 December 2018, the supervisory board discussed the management and supervisory boards' diversity goals as well as the current business situation and the agenda for the annual general meeting scheduled for 13 March 2019. In its meeting on 12 December 2018, the supervisory board also learned more from the audit committee about the latter's review of the Non-Financial Group Report, and discussed and reviewed the same at length itself. The management board provided answers to all questions asked about the same by the supervisory board. Following the conclusion of its own review, the supervisory board raised no objections to the Non-Financial Group Report compiled by the management board and adopted the recommendations of the audit committee in approving the publication of the same.

Dependent Company Report

The management board prepared a report about relationships with affiliated companies pursuant to §312 »Aktiengesetz«. The auditor examined this report and issued the following audit opinion:

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

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

The management board informed the audit committee and the supervisory board promptly about the Dependent Company Report and the audit report that the auditor prepared concerning it. The audit committee and the supervisory board thoroughly examined and discussed these documents again in its meetings on 11 and 12 December 2018. These examinations did not give rise to any objections.

Corporate Governance

During the financial year 2017/18, the supervisory board and the management board were both extensively involved in improving and enhancing corporate governance within All for One Steeb AG and again reviewed the recommendations that the Government Commission on the German Corporate Governance Code made in the version of the code dated 7 February 2017 and which came into force on 24 April 2017. We continue to focus on anchoring the recommendations in our daily business. The management board and supervisory board fulfilled their obligation to prepare a joint Declaration of Conformity pursuant to §161 »Aktiengesetz« in September 2018. The exact wording of the declaration was published in the Investor Relations section of the company's website. Additional information about corporate governance can be found in the Corporate Governance Report in this annual report. No conflicts of interest arose between the members of the management board and supervisory board during the reporting period, such as would be required to be reported to the supervisory board or about which the annual general meeting would have to be informed.

The supervisory board would like to thank the management board, the management team and all employees. With their personal dedication and know how, they have taken our customers and All for One Steeb AG another major step forward. The supervisory board is convinced that implementing the Strategy Offensive 2022 will provide very good opportunities for successfully growing the business.

Filderstadt, 12 December 2018
For the Supervisory Board

Josef Blazicek
Chairman of the Supervisory Board

Group Management Report

of All for One Steeb AG.
Financial Year from 1 October 2017
to 30 September 2018.

1. Principles of the Group

1.1. General Information

All for One Steeb AG, Filderstadt/Germany is a leading IT services and consulting provider and sought-after digitalisation partner for the German-speaking midmarket. The company is listed on the Prime Standard of the Frankfurt Stock Exchange (ISIN DE0005110001, WKN 511 000).

The All for One Steeb Group

Unless otherwise indicated or apparent from context, the designations »All for One Steeb AG«, »All for One Steeb«, »All for One Steeb Group«, »company«, and »Group« as used in this Group Management Report indicate the All for One Steeb AG Group including its subsidiaries.

Financial Year

The financial year 2017/18 of All for One Steeb AG began on 1 October 2017 and ended on 30 September 2018. The corresponding prior year period covers the timeframe of 1 October 2016 to 30 September 2017.

Rounding Differences

Unless otherwise indicated, percentages in this Group Management Report are derived from figures in thousand euros. As a result, some minor rounding differences may occur – when adding figures in million euros, for example.

Forward-Looking Statements

This Group Management Report contains statements pertaining to the future performance of All for One Steeb AG and to future economic conditions and developments. These statements represent estimates and projections that we made based on the information that was available to us at the time this Group Management Report was prepared. Actual results may differ materially from the results forecast here in the event that the underlying assumptions do not materialise or additional opportunities and risks arise.

Non-Financial Statement and »Compensation Report«

We have published our non-financial statement as a separate report (»Combined Non-Financial Statement« as stipulated in §315b »HGB« (German Commercial Code) resp. DRS 20 (248)) in the Investor Relations section on our website. Information contained therein relating to All for One Steeb AG as an individual company rather than the Group as a whole is marked separately in our Combined Non-Financial Statement (§298, section 2, sentence 3 »HGB«). Our equal opportunities and equal pay report (»Compensation Report«) is also published as a separate report in the Investor Relations section on our website.

1.2. Strategy

All for One Steeb AG sees itself as a leading IT services and consulting provider and sought-after digitalisation partner for the midmarket and is the number 1 in the German-speaking SAP midmarket. As a strategic partner covering all aspects of digitalisation, we want to provide our customers with comprehensive and continuous support, strengthen their ability to compete and thus generate high recurring income. Our cloud services play a key role in this respect. Our industry and sales focus is directed primarily toward businesses within the machinery and equipment manufacturing, automotive and consumer goods sectors in countries where German is spoken. As a founding member of United VARs, the global alliance of leading SAP midmarket partners, we offer what are mostly export-oriented clients an extensive on-site consulting and services portfolio in some 90 countries around the world.

As digital transformation progresses, our entire environment is changing quickly and dramatically (»disruptive«). We are focusing intently on further developing our strategy to enable us to consistently take advantage of the opportunities offered by these trends. We are increasingly positioning the company as an integrated provider with a specifically expanded portfolio for the midmarket and departments in major corporations.

Market observers, such as ISG (Information Services Group GmbH, Frankfurt), PAC (Pierre Audoin Consultants GmbH, Munich), Lünendonk (Lünendonk & Hossenfelder GmbH, Mindelheim) or Crisp Research AG, Kassel, rank us among the leading IT providers in sub-markets as well, for example in cloud transformation, big data, business analytics and performance management, human capital and application management services or managed communications and collaboration *(see such reports as Provider Lens Managed Services and Transformation – Midmarket, ISG, 2018; Provider Lens SAP HANA Services, ISG, 2018; PAC Radar SAP Services, 2017)*. In the »Digital Champions in Germany Test / Companies with a Future« we rank first among companies in the information and telecommunications sector *(source: Focus Money, issue 10/2018)*. Apart from the IT market rankings, All for One Steeb AG was also recognised non-sector-specifically in the »Grand Prix of SMEs 2018« as one of the best companies.

1.3. Business Model and Portfolio

With our business model combining business process, technology and strategy expertise with smart IT solutions and services, we provide all our customers' corporate divisions with integrated and comprehensive digitalisation support from a single source. Our full-service portfolio therefore addresses all facets of digital corporate transformation. They include issues such as strategy, business model, product and service innovation, business workflows in all departments, corporate organisation and culture, new way of working, digital supply chains and customer experience. They improve our customers' ability to master digital transformation, implement innovations faster and more reliably, and enhance their competitive strength. We »orchestrate« the operation of the application landscapes from the cloud.

In order to bring our portfolio and business model in line with new growth fields, we actively and consistently use the many opportunities offered by new and promising technologies – especially from SAP, but also increasingly from Microsoft and IBM – which we enhance with proprietary solutions and services.

Industry-Focused Products and Services

Our proprietary SAP industry solutions (scope items) based on a newly developed business process library for SAP S/4HANA form one of the key pillars of our integrated business model. This library contains business processes and scenarios of our target industries, which our customers can quickly and easily test and activate. With this new portfolio we are mainly targeting the machinery and equipment manufacturing, the automotive and the consumer goods sectors. This is how we want to take a leading role in the generational change from the SAP Business Suite to SAP S/4HANA within the midmarket segment and further extend our penetration of key markets.

Sales Organisation and Customer Service and Support

We use our own sales, consulting and support resources to serve our customers in Germany, Austria and Switzerland. In addition to our key account management and direct sales teams organised by regions and themes, we also operate an indirect sales channel, »All for One Steeb Business Partners«. We collaborate with our partners »as if from a single source« to enable us to provide the most comprehensive and integrated support possible to our customers. Our consulting and advisory services in countries where German is spoken are provided in close touch with the customers and from a number of locations.

In order to support our customers globally, we established the United VARs partner alliance in 2006, which today applies uniform quality standards and recognised project methodologies to deliver professional on-site services and support in over 90 countries. For All for One Steeb AG, United VARs represents more than just an unmatched degree of efficiency and capabilities in providing global, on-site services and support to international clients. It is also the key to gaining customers in those heavily export-driven target markets in countries where German is spoken. United VARs is also one of only nine SAP global platinum resellers.

Partnership with SAP, the SAP Ecosystem, Partnership with Microsoft and Further Significant Partnerships

By its own estimates, All for One Steeb directly serves the largest installed base of SAP midmarket customers within the German-speaking region with regards to software maintenance and cloud contracts. This is why the partnership with SAP is the hub of our daily business. SAP itself underscores the important role that All for One Steeb AG plays within the SAP midmarket segment. SAP recognised All for One Steeb with several awards for its outstanding performance during the reporting year (SAP Pinnacle Award 2018 SAP Hybris Partner of the Year and many others). Moreover, SAP has awarded All for One Steeb AG multiple certifications in recognition of our comprehensive solutions and services portfolio (for example: »SAP-Certified Provider of Cloud Services«, »SAP-Certified Provider of HANA Operation Services«, and many more). Our working relationship with Microsoft was also significantly enhanced during the reporting year. We are also a Microsoft Hosting Partner Gold, an Access and Identity Partner Gold and a Microsoft Shared Computer Activation Partner. Our extended partnership with Microsoft has gained even more momentum following the further intensification of collaboration between SAP and Microsoft themselves over the course of the reporting year. In addition to SAP, Microsoft and IBM, All for One Steeb also works closely together with such technology partners as NetApp, Cisco and VmWare.

Competition

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

Two Segments – CORE and LOB

We manage, plan and control our business in two segments: CORE and LOB. The **CORE segment** comprises ERP and collaboration solutions for companies' core business processes. The **LOB segment** (»Lines of Business«) includes our business with IT solutions for departments such as sales and marketing, or human resources, which are increasingly being sourced in the cloud.

1.4. Customers

As a strategic partner we provide comprehensive support to help our customers with their digital transformation to improve the way they compete, make their business processes more efficient and consistent, enhance the security and availability of critically important software applications and systems, and keep them performing successfully on the market. We also support them with software, technology and process innovations not only developing new business models, but in the forward planning, control and analysis of business performance as well. We also give special attention to human capital, including the creation of new working environments as part of extensive digitalisation projects. We work closely with our clients on every level. Our extensive customer communications programme includes regular event formats tailored to the appropriate levels. We also make extensive and very targeted use of our own online and social media channels to communicate with customers. We actively encourage the exchange of views among our customers, and their departments and divisions. Added to which, in doing so, we gain an early insight and chances to get involved in new developments and fields of application.

1.5. Employees

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

Likewise, we want to further enhance our image as an attractive employer and be better equipped to deal with the severe shortage of specialists. During the current reporting year, for example, we restructured our recruiting strategy. Its core is made up of »At home at All for One Steeb«, a »home story« where employees and Board members show how they manage to balance their own private environment with working for All for One Steeb. Our large-scale »Corporate Influencer Campaign« includes videos and e-books combined with digital job vacancies and our employer profile on the social media channels that applicants use and in the Careers section on our website. Particular focus here centres around exciting assignments, flexible work hours in an actively-lived home office culture, working time accounts for sabbaticals, part-time employment and numerous other benefits. »UP Talent« is our talent fostering programme designed to make »high potentials« fit for future challenges. We not only systematically identify the starting points from which we can begin to improve our leadership culture, but also calculate a leadership culture index every year.

Overall, we have been able to further increase the number and quality of applications for our numerous vacancies. Contributing to this were special incentive programmes (such as an employee referral programme). We have received multiple awards in employer surveys based strongly on employee assessments in leading online job portals such as Kununu and XING. Some of the distinctions we have earned include having »Germany's Best Jobs with a Future« *(Focus, 2018)* and belonging to the »Best Employers in Germany« *(Focus, 2018)*.

All for One Steeb is also actively involved in training and education. We offer training schemes for disciplines that include IT specialists, system integration or application development, and administrative assistants for IT systems or office management. We work together with colleges and universities in the training of students pursuing degrees in accounting and controlling (bachelor of arts), business information systems or computer science (both bachelors of science). We also serve as advisors for term papers and bachelor's and master's theses. We gladly join in school and university sponsorships and offer both school-age and college students orientation visits and internship opportunities. We have put together exclusive training programmes for both apprentices and trainees (college graduates whom, for example, we are educating to become SAP S/4HANA consultants) in order to better meet our urgent need for skilled workers trained and qualified through practical experience.

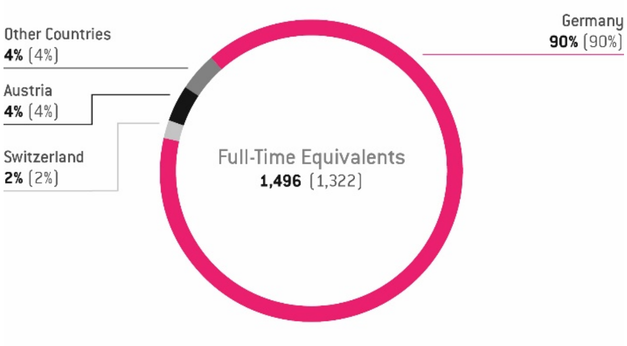
Besides a fixed rate of compensation, salaries include additional and variable performance-based components as well as a results-oriented component. The amounts of the variable and the results-oriented components depend on the scope and responsibilities of the job and the position held within the company.

The ability to continue with our expansion strategy clearly depends on further increasing our staffing levels. The shortage of specialists worsened again in the current reporting year. The markets for recruits are proving to be extremely tight. This is why we have reinforced our recruiting staff and efforts, and have significantly accelerated our training activities. We attribute the drop in the rate of employee retention from 94.3% (2016/17) to 91.6% to the increased competition we faced in recruiting highly trained and skilled workers to fill the many vacant positions in our industry and among our customers. The health index score improved over the prior year and is now 97.5% (2016/17: 97.4%). The calculation of these two non-financial performance indicators is explained in section 1.6 (Internal Management System).

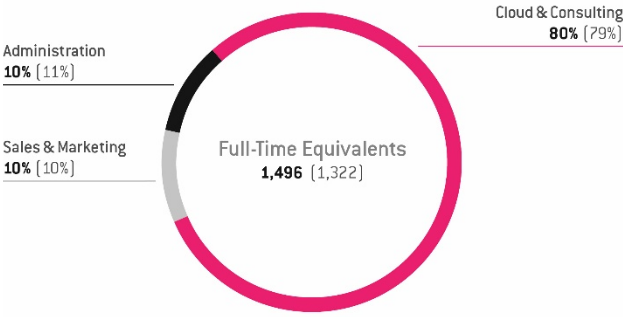
Thanks to new hires, staffing strength as at 30 September 2018 increased 14% to 1,677 employees (30 Sep 2017: 1,476 employees) of which 49 were apprentices and trainees (30 Sep 2017: 44 employees). The average personnel capacity increased from 1,262 (2016/17) to 1,436 (2017/18) full-time equivalents. Of the 1,496 full-time equivalents as at 30 September 2018 (30 Sep 2017: 1,322), a total of 1,341 were in Germany (30 Sep 2017: 1,186), 56 in Austria (30 Sep 2017: 50), 34 in Switzerland (30 Sep 2017: 27) and 65 full-time equivalents were in the other countries (30 Sep 2017: 59).

The following charts show the percentage distribution of full-time equivalents as at 30 September 2018:

Distribution by Country in %



Distribution by Field of Work in %



Of the 1,496 full-time equivalents (30 Sep 2017: 1,322), 1,194 were employed in the areas of cloud and consulting (30 Sep 2017: 1,040), 150 were in sales and marketing (30 Sep 2017: 141) and 152 were in administration (30 Sep 2017: 141) as at 30 September 2018.

Diversity in the Company

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

The »diversity targets« we defined in the summer of 2015 serve to guide us over the long term and therefore continued to apply unchanged throughout the current reporting year. We set ourselves the goal of increasing the share of women in All for One Steeb AG's (parent company, not including subsidiaries) second level of management to at least 10% (30 Sep 2018: 0%, 30 Sep 2017: 0%) and in the company's third level of management to at least 20% (30 Sep 2018: 18%, 30 Sep 2017: 20%). As such, we continue to only partially achieve our long-term goals by multi-year comparison. The talent development programme (»UP Talent«) that we designed and launched this reporting year could provide added momentum in this respect.

The supervisory board also decided in May 2015 that we should achieve the target of having a 20% share of women on the management board and that the share of women on the supervisory board should increase to at least 16.66%. Here again, we only partially achieved our long-term goals. We were able to raise the share of women on the supervisory board to 16.66% (30 Sep 2017: 0%), while the share of women on the management board remained unchanged at 0% (30 Sep 2017: 0%).

We are also taking small steps to strengthen our »diversity« over the long term, such as our regular »Girls Days« where we try to raise awareness among schoolgirls for technical professions. Overall, the share of women throughout our Group increased to 30.9% as of the reporting year-end (30 Sep 2017: 29.7%) relative to 1,677 employees (30 Sep 2017: 1,476 employees). Our efforts to promote equality between men and women, especially with regard to equal pay, are discussed in our separate Compensation Report in the Investor Relations section on our website.

1.6. Internal Management System: Financial and Non-Financial Performance Indicators

Because »human resources« is such a critical factor in so many ways within a services company such as All for One Steeb AG, our group-wide management and control parameters include the following **non-financial performance indicators**:

Employee Retention

The success of our business depends in no small part on the quality we offer our clients, business partners, suppliers and shareholders. Personnel continuity and the ability on this basis to establish and maintain business partner relationships that are stable, sustainable, and resilient play a tremendous role in how the quality of our service and support is perceived. The control indicator we use for this purpose is the employee retention rate (100% minus the ratio of undesired separations to the staffing strength at the beginning of the reporting period, plus additions to the workforce during the reporting year).

Health Index

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

A standardised system was used to calculate, analyse and plan these non-financial indicators on a group-wide basis and then monitor them in terms of achieving the benchmarks and their impact on attaining the financial objectives. For this reason, our Outlook (see section 4) also includes information pertaining to non-financial performance indicators. Other non-financial performance indicators at the subsidiary, department and team leadership levels are used for fine tuning purposes. These involve what are primarily qualitative goals. As an example, specific qualification programmes are an integral part of the performance objective agreements for many employees in the consulting field.

Besides non-financial performance indicators, All for One Steeb AG's internal management system also encompasses **financial performance indicators**. As was the case in the prior year, the same two control indicators of sales revenues (IFRS) and operating results (EBIT, IFRS) were again used in the current 2017/18 reporting year. Both control indicators are aligned with an eye towards pursuing – consistent with the business planning – as sustainable and profitable an approach to growth as possible and are re-adjusted annually in terms of their absolute figures.

2. Report on Economic Position

2.1. Economy and the Market

Overall Economic Development

In the year under review, the German economy proved to be surprisingly robust despite the dramatic increase in manifold sources of tension. For a long time, it looked as though the growth in economic output could be as strong as the previous year (2.2%) *(source: Ifo-Institut, Spiegel Online, 19 Jun 2018)*. Not until the reporting year was drawing to a close did the signs of weakening demand, especially from abroad, start growing. At the same time, the shortage of specialists has become even more acute. Leading economic research experts (RWI, DIW, ifo Institut, IfW, IWH) were prompted by these signs to reduce their forecasts for 2018 as a whole from 2.2 percent to currently 1.7 percent *(source: Joint economic forecast, Spiegel Online, 27 Sep 2018)*. Our target markets in the machinery and equipment manufacturing and automotive sectors, which are strongly dependent on exports, initially confirmed their optimistic expectations over the course of the year before they too started to increasingly feel the effects of an economic slowdown. In light of strong growth in incoming orders and the good prospects, the German Mechanical Engineering Industry Association (Verband Deutscher Maschinen und Anlagenbau, VDMA) initially increased its production forecast for 2018 from plus 3 to plus 5 percent in real terms as the year progressed *(source: VDMA, 23 Apr 2018)*. The German Electrical and Electronic Manufacturers' Association (Zentralverband Elektrotechnik und Elektroindustrie e.V., ZVEI), to which a lot of our customers in the supply sector belong, is also confident of meeting its expectations for 2018, based on production growth to date, with the production forecast to increase by 3 percent in real terms *(sources: ZVEI, 23 Apr and 9 Aug 2018)*. Unlike the aforementioned sectors, which are very dependent on exports, economic development in our consumer goods target market is driven strongly by private consumer spending. Consumer business remained intact in Germany in the year under review. To date there is no indication of a looming slowdown. The sector was boosted, in particular, by higher wages and an increase in the number of people in employment as of mid-year 2018 to 44.8 million, 0.6 million more by year on year comparison *(sources: GfK consumer climate, 26 Jul 2018; Handelsblatt, 14 Aug 2018)*.

IT Market Developments and their Impact on All for One Steeb

The IT markets in Germany are enjoying additional stimulation from the, so far, robust economic trend overall. Market observers expect an expansion of 1.9 percent to EUR 154.7 billion. Growth in the German markets for software and for IT services is expected to be much stronger than the IT market as a whole, at plus 6.3% to EUR 24.4 billion and plus 2.6% to EUR 40.0 billion, respectively. The ongoing digitalisation of the economy as a whole is seen as the main driver of growth. Ever more companies are looking into the use of IT security technology (67 percent), cloud computing (61 percent), internet of things (48 percent), Industry 4.0 (47 percent), big data (43 percent) and digital platforms (33 percent). Every fourth company (26 percent) is, moreover, already examining next-generation technologies such as blockchains or artificial intelligence. It is the prospects for increased use of such technologies, in particular, that are steadily boosting growth in the market for business software solutions towards new fields of application (»intelligent enterprise«). The sentiment is optimistic as a result. The Bitkom Index – an economic barometer measuring sales expectations of all IT companies – reached a new all-time high of 78 points in the first six months of 2018 (prior year: 71 points). The growing shortage of specialists is seen as the greatest obstacle to growth. The number of vacancies for IT specialists in Germany has meanwhile exceeded 55,000 (March 2017: around 50,000) *(sources: German Association for IT, Telecommunications and New Media (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien, Bitkom) Feb/Mar/May 2018)*.

SAP, the world's largest maker of business software, intensified the marketing of its SAP HANA real-time application platform, advanced the commercial launch of its entirely new generation of SAP S/4HANA enterprise software and again significantly expanded its portfolio of cloud applications. SAP's leading partners, including All for One Steeb, are most notably the ones playing an ever-bigger role in marketing this extended range of products. Microsoft, the world's largest maker of software overall, also drove its focus on the cloud (»Infrastructure as a Service«) strongly and successfully in the year under review and created a platform – Microsoft Azure – for using SAP solutions from the public cloud. We think this is a great opportunity.

Altogether, the aforementioned developments resulted in robust demand overall for IT investments in the year under review. Going beyond the IT department, we also managed to expose and position our portfolio of services and solutions within the many specialised departments and lines of business, as part of extensive digitalisation projects and increasingly among top (C-level) management and considerably expand our cloud business.

2.2. Acquisitions

We view acquisitions as investments in customers, employees, know-how and growth. For this reason we use strategic acquisitions to enlarge the Group beyond our normal organic growth. In November 2017, we increased our shareholdings in Grandconsult GmbH, Filderstadt, from 74.9% to 100%. Details are discussed in the Notes to the Consolidated Financial Statements. In the current financial year we increased our focus on integrating transactions from years in the more distant past, as well as identifying potential future acquisitions.

2.3. Business Performance

Key Figures: Business Performance

	10/2017 – 09/2018	10/2016 – 09/2017	Change
Sales in EUR millions	332.4	300.5	+11%
EBIT in EUR millions	20.6	20.1	+3%
Cloud and Software Revenues in EUR millions	198.9	174.7	+14%
Recurring Revenues in EUR millions	155.5	136.1	+14%

All for One Steeb AG continued to execute its growth strategy in the financial year 2017/18. Our strong market position, unwavering focus on the customer, integrated business model and major investments in future growth fields contributed greatly to these developments.

Forecast 2017/18 and Actual Performance

In terms of **financial performance indicators**, our forecast from 6 November 2017 called for revenues of between EUR 315 million and 325 million with an EBIT of EUR 20.5 million to 22.0 million. On 7 May 2018, as a result of the continued powerful dynamics that are driving our cloud and software revenues, we made a slight upward adjustment to the revenue side of this forecast and expected revenues within a range of EUR 325 million to 335 million. On 8 August 2018, we defined our EBIT guidance in more detail based on the continued high levels of investment in building our business with solutions for specific departments (LOB segment, »Lines of Business«) and predicted that we would be within our EBIT target corridor of between EUR 20.5 million and 22.0 million, at the lower end.

We closed the financial year 2017/18 with an increase in revenues of 11% to EUR 332.4 million (2016/17: EUR 300.5 million) and an EBIT increase of 3% to EUR 20.6 million (2016/17: EUR 20.1 million). As such, actual sales were at the upper end and EBIT at the lower end of our predicted target corridor. The reason EBIT did not increase at the same pace as sales is primarily the strong initial investment (building the teams in sales, marketing and consulting, recruiting) in the only recently formed LOB segment (»Lines of Business«, cloud-based solutions for specific departments). A more detailed analysis of revenues and earnings performance can be found in section 2.3.1 (Earnings Situation).

Furthermore, we had set goals for the development of our **non-financial performance indicators** aimed at keeping employee retention and the health index more or less on a par with the prior-year level (+/- 0.5 percentage points). The health index reached a rate of 97.5% (2016/17: 97.4%). The employee retention rate in the current reporting year was 91.6% (2016/17: 94.3%). More details can be found in section 1.5 (Employees).

2.3.1. Earnings Situation

Sales Reporting, Reclassification of Types of Revenue

We have started classifying sales by **cloud and software revenues and recurring revenues** to emphasise the dynamic further expansion of our business. Cloud and software revenues include sales from cloud services and support and from software licenses and software support. Recurring revenues collate the aforementioned revenues from cloud services and support and from software support (SAP maintenance).

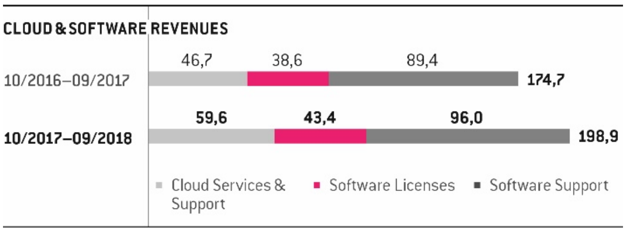
Sales Performance: Strong Growth in All Types of Revenue

In the year under review, the companies in our installed customer base increased their capital expenditure on turnkey projects in preparation for migrating to SAP S/4HANA, the new generation of business software. In addition, we again acquired numerous new accounts whose rollout projects were launched with the new generation of software. It is turnkey such as these, in particular, that result in the individual types of revenue relating to our integrated business model pushing each other up.

During the reporting period All for One Steeb generated sales of EUR 332.4 million, which is an increase of 11% over 2016/17 (EUR 300.5 million). We posted substantial gains in all types of revenue through our integrated business model of being a full-service provider for all things relating to the digitalisation in the midmarket.

Recurring Revenues and Cloud and Software Revenues

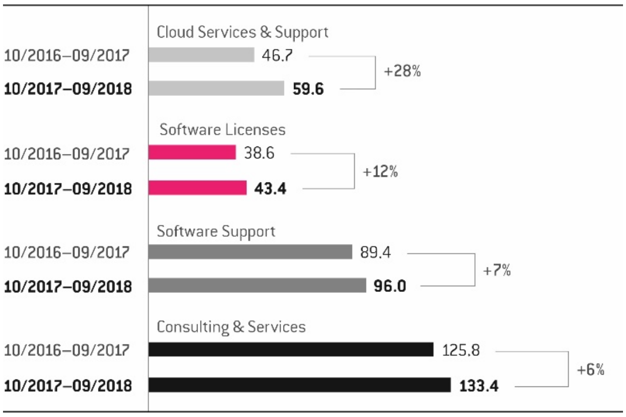
Our particular focus is on recurring revenues and cloud and software revenues. Recurring revenues increased by 14% to EUR 155.5 million (2016/17: EUR 136.1 million) and now account for 47% (2016/17: 45%) of total sales. Cloud and software revenues also increased by 14% and amounted to EUR 198.9 million (2016/17: EUR 174.7 million). Individual performance was as follows:



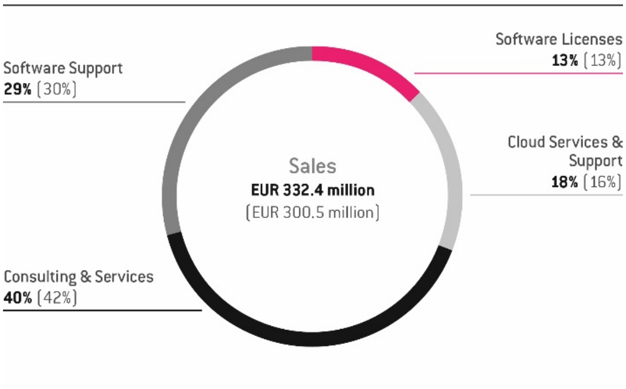
Detailed Discussion of Performance by Type of Revenue

The following two charts show the sales performance in detail:

Sales by Type of Revenue in EUR millions / Change in %



Sales by Type of Revenue / Shares in %

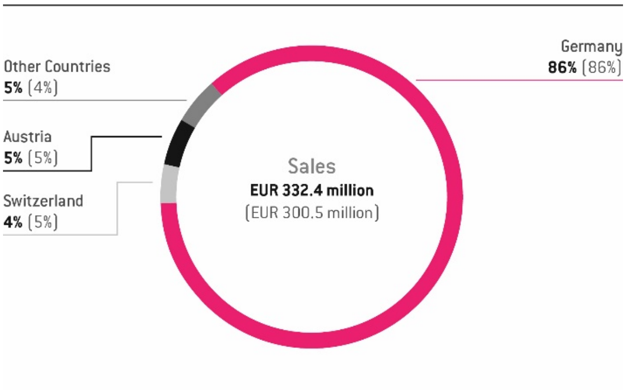


Alongside a larger number of complete projects in preparation for migration to a new »Digital Core«, SAP S/4HANA, we were also able to raise the use of our largely cloud-based solutions and services in the lines of business among our installed customer base. In addition, we were able to convince lines of business – such as human resources, sales and marketing – at numerous new accounts of our performance capabilities. As such, we are marching ahead with the transformation of our customers and were able to significantly increase sales from cloud services and support (plus 28% to EUR 59.6 million), software licenses (plus 12% to EUR 43.4 million) and software support (plus 7% to EUR 96.0 million). Transformation projects must, moreover, be actively supported. As a result, we were able to increase sales from consulting and services by 6% to EUR 133.4 million.

Sales by Country

The percentage distribution of sales revenues by country (based on the domicile of the customer) changed slightly from that of the financial year 2016/17. The following chart shows the rounded figures for the current reporting period:

Sales by Country / Shares in %



EUR 284.5 million (share of sales: 86%) of the sales revenues in the reporting period were attributable to Germany – a gain of 11% over the EUR 257.2 million in the prior year (share of sales 2016/17: 86%). Sales revenues in Austria increased significantly by 19% to EUR 18.0 million (2016/17: EUR 15.1 million). Sales revenues in Switzerland decreased by 6% to EUR 14.6 million (2016/17: EUR 15.5 million). The revenues of EUR 15.2 million generated in the other countries also clearly surpassed those of the prior year (2016/17: EUR 12.8 million). As such, Germany remains our largest market, followed by Austria and Switzerland.

Key Figures: Earnings Performance

in EUR millions	10/2017 – 09/2018	10/2016 – 09/2017	Delta in %
Sales revenues	**332.4**	**300.5**	**11**
Cost of materials and purchased services	-119.9	-109.2	10
Personnel expenses	-139.8	-124.2	13
Depreciation and amortisation	-10.6	-9.3	14
Other operating expenses/income	-41.4	-37.7	10
EBIT	**20.6**	**20.1**	**3**
Financial result	-1.0	-0.7	53
EBT	**19.6**	**19.4**	**1**
Income tax	-5.8	-6.3	-7
Earnings after tax	**13.7**	**13.1**	**5**

EBIT up 3% / EBIT Margin of 6.2% / Earnings after Tax up 5% to EUR 13.7 million

Continuous major investments in the future of our business actively complement our growth strategy. We are developing a proprietary business process library for SAP S/4HANA, further expanding our cloud portfolio, and investing in connecting our cloud infrastructure with the resources of major public cloud service providers to improve the scalability of our own services. We are also investing heavily in increasing our personnel resources, conducting training, managing knowledge and in expanding our line of business strategies (LOB segment).

The increase of EUR 2.0 million in other operating income to EUR 5.0 million is largely due to increased marketing support in connection with the strong license sales. Cost of materials – including purchased services – increased at a slightly lesser rate than sales, by 10% to EUR 119.9 million (2016/17: EUR 109.2 million). This performance was dictated by the sales mix and reflects, above all, license purchases and software maintenance. During the year under review we also continued to involve consulting resources from our partner network in our project delivery. The cost of materials ratio (cost of materials relative to sales) remained virtually unchanged at 36%. Market availability of consulting experts who have finished training and can start to generate sales immediately is limited due to the small markets and enormous speed of innovation at SAP and Microsoft. Accordingly, training and upskilling programmes are increasingly preceding the generation of revenue in customer projects. In line with the strong increase in the headcount, personnel expenses increased at a greater rate than sales, by 13% to EUR 139.8 million (2016/17: EUR 124.2 million). The ratio of personnel expenses to sales also increased slightly as a result, to 42% (2016/17: 41%). Other operating expenses increased at a slightly higher rate than sales, by 14% to EUR 46.4 million (2016/17: EUR 40.7 million). The ratio to total sales increased only marginally and remained unchanged at around 14%. The increase in other operating expenses was primarily due to the strong expansion of business and ongoing establishment of future growth business (including stronger focus on training, higher recruiting costs, expansion of digital marketing) and was caused by virtually all summarised expense items (see note 7, Other Operating Expenses in the Notes to the Consolidated Financial Statements). EBITDA increased by 6% to EUR 31.2 million year on year (2016/17: EUR 29.4 million) and equates to an EBITDA margin of 9.4% (2016/17: 9.8%).

Depreciation and amortisation increased to EUR 10.6 million, which is a gain of 14% over the prior year (2016/17: EUR 9.3 million), and was mostly a result of increased investment in technology to enhance our data centers. This figure includes EUR 4.8 million (2016/17: EUR 4.8 million) for the regular amortisation of other intangible assets.

The EBIT of EUR 20.6 million was 3% higher than that of the prior year (2016/17: EUR 20.1 million). The EBIT margin decreased from 6.7% (2016/17) to 6.2% (2017/18). This modest decline in margin resulted primarily from the further increase in expenses, as discussed above, relating to the establishment of future growth business in the LOB segment, which was only recently created. By contrast, the higher expenditure on growth in the CORE segment is increasingly beginning to bear fruit, as demonstrated by the disproportionately high increase in EBIT (see section »Revenues and Earnings Performance by Segment«).

The EBT increased slightly by 1% to EUR 19.6 million (2016/17: EUR 19.4 million). Income taxes declined to EUR 5.8 million (2016/17: EUR 6.3 million). The decrease in the financial result to minus EUR 1.0 million (2016/17: minus EUR 0.7 million) and the reduction of the Group's arithmetical tax rate (income tax/EBT) to 30% (2016/17: 33%) led to an increase in the earnings after tax of 5% to EUR 13.7 million (2016/17: EUR 13.1 million). The average number of shares outstanding in the reporting year was an unchanged 4,982,000. Earnings per share increased by 7% to EUR 2.82 (2016/17: EUR 2.63).

Other comprehensive income was negative this year, at minus EUR 0.2 million (2016/17: plus EUR 1.5 million). The prior year figure was dominated by revaluations of employee retirement benefit plans amounting to EUR 1.8 million (2016/17).

Revenues and Earnings Performance by Segment

In the **CORE** segment (ERP and collaboration solutions for companies' core business processes), we were able to increase EBIT by 13% to EUR 21.4 million, despite high investments in SAP S/4HANA (expertise, building experience, business process library), »internet of things« (IOT) solutions, machine learning and platform business (SAP Leonardo, Microsoft Azure, AWS). As a result, the increase in the ratio of segment EBIT to segment sales was disproportionately high, rising by 10% to EUR 281.8 million.

In our young **LOB** (»Lines of Business«) segment, which we are still in the process of building, capital expenditure is focusing on expanding the teams (sales, marketing, consulting) and, accordingly, investing in recruiting, training and in strengthening the organisation. As a result, although LOB sales increased significantly by 12% to EUR 64.3 million, EBIT decreased considerably by EUR 2.1 million to minus 0.8 million (including expenses of EUR 1.0 million relating to changes in management).

2.3.2. Assets and Financial Situation

Financial Management Principles and Objectives

Financial management at All for One Steeb is primarily understood as liquidity management, capital structure management and the management of interest rates and currencies. Another key focus of financial management is the monitoring of and compliance with the terms and conditions of loan agreements used to fund the company. The Opportunities and Risk Report (section 3) provides more details about financial and liquidity risks.

Key Asset and Financial Indicators

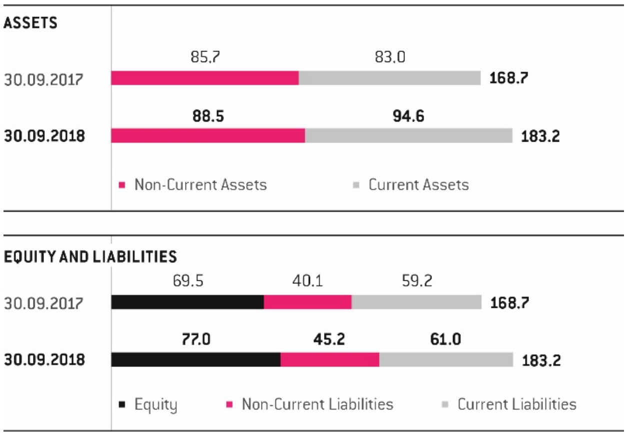
	30.09. 2018	30.09. 2017	Δ in %
Equity to assets (%)	97	89	9
Days of sales outstanding (days)	51	51	0
Cash (EUR million)	36.3	29.8	22
Net liquidity (EUR million)	7.0	2.5	176
Equity ratio (%)	42	41	2
Return on equity (%)	18.7	20.1	-7
Return on total capital (%)	7.8	8.1	-3

In the table above, the equity to assets position is expressed as the total of goodwill, other immaterial assets and tangible fixed assets as a percentage of equity. We measure the days of sales outstanding (the number of days between invoicing and receipt of payment) on the basis of dividing trade accounts receivable by sales and then multiplying the result by the number of days in a year.

Group Balance Sheet

The balance sheet total increased by 9% to EUR 183.2 million (30 Sep 2017: EUR 168.7 million) as at 30 September 2018. The following developments were the primary contributors to this increase in total assets:

Balance Sheet Structure in EUR millions



Non-current assets increased from EUR 85.7 million (30 Sep 2017) to EUR 88.5 million (30 Sep 2018). This change is mainly due to the increase in tangible fixed assets of EUR 5.5 million to 17.3 million – technology investments in the data centers. The slight decrease in goodwill to EUR 23.6 million (30 Sep 2017: EUR 24.5 million) was due to the now finalised allocation of the purchase price for the former inside Unternehmensberatung GmbH, Oldenburg, which is discussed in the Notes to the Consolidated Financial Statements.

Current assets increased considerably from EUR 83.0 million (30 Sep 2017) to EUR 94.6 million (30 Sep 2018). In the wake of the strong closing quarter (Jul – Sep 2018), trade receivables increased by EUR 4.4 million to 47.3 million (30 Sep 2018). Despite a further increase in business volume, we were able to keep the days of sales outstanding (the number of days between invoicing and receipt of payment) at the same good level of the previous year, at 51 days. Cash and cash equivalents increased by EUR 6.6 million to 36.3 million (30 Sep 2017: EUR 29.8 million).

Promissory Notes

In order to align our corporate financing structure to match our planned business development, to secure favourable financing terms and conditions over the long term and to create an expanded framework for additional growth, we had already continued improving our financing structure back in the financial year 2016/17 and had fundamentally restructured our portfolio of promissory notes. A residual financial liability consisting of a promissory note tranche of EUR 5 million (fixed rate of around 3.4%) was repaid as scheduled as of 30 April 2018 and replaced with a new tranche of EUR 5 million (fixed rate of around 1.4%, due on 30 April 2022). As a result, the entire portfolio of promissory notes for a total of EUR 23.5 million (30 Sep 2017: EUR 23.5 million) now has a long-term structure.

Non-current liabilities increased by EUR 5.1 million to 45.2 million (30 Sep 2018), primarily as a result of the marked increase of EUR 6.7 million in financial liabilities to EUR 27.3 million (30 Sep 2018), which also includes the promissory note tranche of nominal EUR 5.0 million discussed above.

Current liabilities increased by EUR 1.8 million to 61.0 million (30 Sep 2018). Tax liabilities rose by EUR 2.9 million to 4.3 million (30 Sep 2018), whereas current financial liabilities decreased by EUR 4.6 million to 2.0 million (30 Sep 2018), following the restructuring of the promissory notes, as discussed above. The amount of other liabilities rose by EUR 2.2 million to 37.8 million (30 Sep 2018). Net liquidity increased significantly from EUR 2.5 million (30 Sep 2017) to EUR 7.0 million (30 Sep 2018).

Equity rose by EUR 7.5 million to 77.0 million (30 Sep 2018) thanks to earnings performance. The equity ratio also improved from 41% (30 Sep 2017) to 42% (30 Sep 2018). The return on equity (earnings after income tax divided by the average equity) declined from 20.1% (2016/17) to 18.7% (2017/18). The return on total capital (earnings after income tax divided by the average total assets) declined slightly from 8.1% (2016/17) to 7.8% (2017/18).

Cash Flow and Investments

Cash flow from operating activities was EUR 2.1 million above the prior year value of EUR 21.3 million and therefore amounted to EUR 23.4 million. This development is due, to a large extent, to lower income tax payments which had resulted in cash outflows of EUR 7.5 million in the previous year but only EUR 2.7 million in the year under review. Other liabilities increased by EUR 0.7 million compared to an increase of EUR 4.5 million the previous year, mainly as a result of higher personnel provisions. In addition, trade receivables increased by EUR 3.7 million (2016/17: increase of EUR 5.4 million), while trade payables rose by EUR 0.6 million (2016/17: increase of EUR 2.4 million).

Cash flows from investing activities totalled minus EUR 7.7 million in the current reporting year. The prior-year value of minus EUR 11.7 million was influenced by company acquisitions (minus EUR 7.8 million). Net cash of EUR 7.7 million (2016/17: EUR 4.7 million) was used to purchase intangible assets, tangible fixed assets and other assets, which pertain primarily to technology investments for the further expansion of our data centers to provide managed cloud services.

Total **cash flows from financing activities** were minus EUR 8.9 million (2016/17: minus EUR 12.7 million) and mainly comprised higher dividend payments of EUR 6.0 million (2016/17: EUR 5.5 million). The promissory note tranche of nominal EUR 5.0 million that was due on 30 April 2018 was replaced with a new tranche for the same amount. The assumption and repayment of long-term financial liabilities led to a cash inflow of EUR 3.0 million in the prior year. A one-off cash outflow of EUR 7.9 million was also made in the prior year to raise the equity interest in OSC AG to 100%.

Cash funds as at 30 September 2018 therefore totalled EUR 36.3 million (30 Sep 2017: EUR 29.8 million).

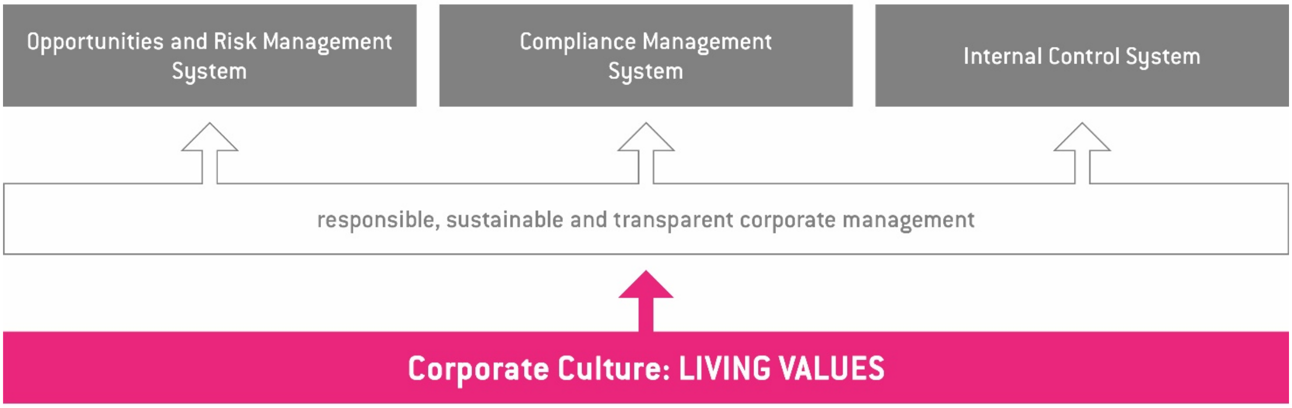
2.3.3. Overall Financial Position

In the financial year 2017/18, we continued to successfully push ahead with our evolution from all-inclusive SAP service provider to leading IT services and consulting provider and sought-after digitalisation partner for the German-speaking midmarket, and also defined our strategy with more clarity. Our high investments in the future in both the year under review and the previous year to fund the generational change from SAP ERP to SAP S/4HANA (segment: CORE) and in the expansion of our mainly cloud-sourced portfolio of lines of business solutions (segment: LOB) are already starting to have an effect on sales but are burdening the margin for the time being. To speed up implementation of our LOB strategies, we also strengthened our focus in the year under review on integrating the companies purchased in previous years and posted significant increases in cloud services and support revenues. Despite considerable »top line« growth, we were able to generate a disproportionately high increase in recurring revenues. Their already large share of total sales thus increased further and enhance the stability of our earnings situation. The balance sheet total increased moderately and DSO (»Days of Sales Outstanding«) remained unchanged year on year, while equity and the equity ratio improved. Furthermore, All for One Steeb maintained a sustained operating cash flow, reported cash and cash equivalents totalling EUR 36.3 million (30 Sep 2018) and enjoys a sound financial position. Operational funding lines of credit in the amount of EUR 8.4 million are also available, which offer additional short-term financial flexibility. Looking beyond the current reporting period that ended on 30 September 2018, and after these first few weeks of the financial year 2018/19, we continue to regard the business situation of All for One Steeb AG as robust.

3. Opportunities and Risk Report

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

- Opportunities and Risk Management System
- Compliance Management System
- Internal Control System



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

3.1. Opportunities Management

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

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

Our revenues and earnings forecasts (see section 4, Outlook) take into consideration that portion of the following described opportunities, which we consider as being likely to arise. Not taken into consideration, however, were the opportunities from the trend towards further consolidation on the market, such as through acquisitions.

The Opportunities of Digital Transformation: SAP S/4HANA and the Cloud

Digital transformation has reached the DNA of German business and thus our customers. Our widely praised market survey entitled »Digitalisierung im Mittelstand 2018« (Digitalisation among SMEs, 2018), which was compiled in collaboration with IUBH Internationale Hochschule, Bad Honnef, European Institute for Leadership and Transformation, Cologne, and our management consultants Allfoye, clearly revealed that the path to specific implementation is still a long one and our potential therefore enormous. Without a digital core in the form of an entirely new generation of enterprise software – SAP S/4HANA on the basis of the SAP HANA in-memory database management system – it is unlikely that any pervasive transformation to a real-time enterprise can be accomplished successfully. Cloud computing is another key element of digital transformation. »SAP operation in the public cloud« is growing in popularity as predicted by our survey of the same name compiled in collaboration with Crisp Research AG, Hanover. We want to make use of this strong momentum and focus our capital expenditure on Microsoft Azure, for example – in addition to the transformation of our customers to SAP S/4HANA as the new »digital core« and new solutions for lines of business. We plan to give public cloud platforms such as these a fixed place in our portfolio and to further strengthen our »cloud readiness«. All for One Steeb sees huge digitalisation potential in this field, which should ensure sustainable growth opportunities over several years. In the process, recurring revenues could also increase further and the planability and scalability of the business could be further improved. A higher-than-expected penetration of our target markets could have a positive impact on our earnings, assets and financial position and lead to more favourable changes in our revenues and earnings forecasts (see section 4, Outlook).

The Opportunities of Digital Transformation: »Orchestrating« Comprehensive Business Solutions

Jobs increasingly require customised production (»on demand«, »batch size 1«). Damage events, such as potential shutdowns of »devices« (machinery, equipment, etc.), need to be averted with pinpoint accuracy wherever possible: repairs only when imminent shutdowns are sufficiently predictable rather than replacement on suspicion over rough service intervals. Whoever wants to successfully drive their business model in the world of digital business must be able to analyse and compress »big data« in real time (»smart data«). This is the only way to ensure the faster and better safeguarded implementation of decisions (»business transactions«). The associated data stems from all conceivable sources, is structured or totally unstructured. As a result the company software landscapes themselves are becoming ever more extensive. Upgrades, release changes or the inclusion of entirely new functions (artificial intelligence, »machine learning«) are just some of the factors adding to their already considerable complexity and dynamic growth. The operation of such landscapes is virtually entirely »hybrid«-based, spread among local customer mainframes (»on premise«) and the All for One Steeb enterprise cloud, which is increasingly incorporating the (public) cloud infrastructures of »hyperscalers« with their virtually unlimited scalability. At the same time, business software is becoming increasingly critical to the business. Applications must continue to run even in the event of a shutdown (»business continuity«, »service continuity«). Added to which, operation must »conform with compliance requirements«. At the same time, the requirements for data and information security are growing – to defend against cyber attacks, for example. Rollout and utilisation of the numerous innovative solution modules also mean a growing need for consulting services focusing on business processes and integration. Even larger midmarket companies are therefore increasingly engaging external providers such as All for One Steeb. As such, we have the opportunity to take on much more responsibility for the corporate IT of our customers than has so far been the case. This enables companies to better limit their own risk exposure and specifically assign human capital resources to creating business processes with a greater degree of digitalisation, for example.

As digital transformation progresses, our former role as an all-inclusive service provider and »one stop shop« for SAP should evolve into an »orchestrator« of comprehensive business solutions that increasingly incorporate manufacturers such as Microsoft and IBM, together with SAP. As a result, we will increasingly have the opportunity to craft new or extended complete solutions, to add to solutions, and to offer our customers ongoing and comprehensive digitalisation support. Accordingly, we are increasingly positioning ourselves as an integrated provider, and are strengthening our organisation for Group-wide and »key account management«, and for expanding our innovation culture. By thus expanding our portfolio, the opportunities for providing comprehensive support to customers even in phases of declining economic development and for gradually embedding our entire range of services and solutions above and beyond the initial sale of services will also increase. In response to the pioneering role adopted, not just by the IT department (CORE segment) but also by the specialist departments (LOB segment), in particular, when it comes to numerous new topics, we have specifically adapted our portfolio and market approach, opening up opportunities to specifically drive the use of such services and, at the same time, further raise the value added for our customers. If these trends can be implemented ever more quickly and comprehensively than planned, the benefits will not only be reaped by our earnings, assets and financial position. On the contrary, such a strong development could also result in positive deviations from our revenues and earnings forecasts (see section 4, Outlook).

The Opportunities of Digital Transformation: Including our 360° Approach, Strategy and Corporate Culture

Digital transformation will probably bring radical change of hitherto unprecedented dimensions. Whole sectors of industry and large parts of the business and employment worlds are facing fundamental adjustments. Many of our customers are going to have to change immensely and fundamentally to remain fit for the future and to expand their good competitive ability. Smarter business processes and better technologies are important but not sufficient on their own. Company transformations without the right strategies and matching culture are usually not successful in the long run. As a sought-after partner for digitalisation among midmarket companies, our portfolio of products and services therefore extends far beyond business process and technology solutions. Together with our management consultants Allfoye, we host »Design Thinking Workshops« with the executive boards and management of our customers (»C Level«) to review their strategies, develop new business models and smarter workflows, realign the corporate culture, and encourage the exchange of views, new business relationships and innovation partnerships through our start-up network (»Start-up meets Mittelstand« programme)

In doing so, we also expand the access to customers for our software and technology services. Because digital transformation affects every single area and department of an enterprise, our extended business approach providing all-inclusive services is particularly emphasised. We are a provider who additionally and increasingly assumes »orchestration responsibility« to guarantee the smooth interaction among the numerous components that make up complex enterprise software landscapes. This offers the opportunity of further enhancing customer loyalty and increasing the share of our recurring revenues relative to total sales, and of further improving the planability and scalability of our business. Executing more turnkey projects than budgeted could impact our earnings, assets and financial position and result in positive deviations from our revenues and earnings forecasts (see section 4, Outlook).

Opportunities Arising from Greater Visibility on the Target Markets

Despite another significant increase in business volume, our clear focus remains on key industries within selected midmarket segments, specialised departments, and countries where German is spoken. At the same time we have again enlarged our core customer base. This ongoing development provides us with greater opportunities of being the first choice for customers seeking a consulting, solutions, and services partner for their IT projects for the digitalisation of business processes and business models. All for One Steeb is also listed as one of the leading providers in many market profiles and is often named in the media. Strong and effective direct selling, along with sales through partners, contribute to further expanding the portfolio of reference customers. The character of being a quality-conscious and economically sound service partner that invests heavily in innovations and offers its customers long-term investment prospects, has not only afforded the company a very good reputation on the market, but offers good opportunities for a greater and more successful sales performance. Our positioning in the SAP midmarket segment, our leadership role in the generational change to SAP S/4HANA, and our high visibility within the SAP organisation provide us with good opportunities for selling cloud subscriptions and SAP licenses. Doing so could lead to an expansion of the portfolio of software maintenance agreements and cloud services, which in turn can lead to a rise in recurring revenues. Our closer collaboration with Microsoft is also contributing to this development. Our earnings, assets and financial situation could benefit from any major improvement in our visibility on the market, which in turn could lead to favourable deviations in our revenues and earnings forecasts (see section 4, Outlook).

Opportunities Arising from Expanded Partner Relationships

Alongside SAP solutions, nearly every company uses Microsoft software. We are therefore strongly expanding our partnership with Microsoft above and beyond our expertise derived from our partnership with SAP, which is probably unparalleled in the marketplace. At the same time, SAP and Microsoft are themselves working together more closely. This gives us the opportunity to »design« solutions and services incorporating the world's two largest software companies and thus create a hitherto unparalleled »user experience« for our customers.

As the leading SAP full-service provider on our markets, we remain highly focused and work closely and carefully with selected partners in areas that include sales and consulting. Doing so allows us to comprehensively and efficiently serve our customers as if from one source without having to diminish our otherwise clear operational focus. Our »All for One Steeb Business Partner Programme« has given us a real competitive edge. This indirect sales channel in German-speaking countries works in close co-ordination with our own direct salesforce. The support provided by these partners enables us to better penetrate our current target markets and sell additional SAP licenses and cloud subscriptions. As another example, these All for One Steeb Business Partners also help place SAP licenses and cloud subscriptions with companies outside our target segments. On a worldwide scale, our co-operation with United VARs – now an SAP Global Platinum VAR – ensures low-risk and well-established worldwide customer service and support of a very high quality in around 90 countries. Our direct sales performance and the expansion of our partner relationships influence our earnings, assets and financial situation. Better-than-expected performance could therefore also lead to favourable adjustments in our revenues and earnings forecasts (see section 4, Outlook).

Opportunities Arising from the Trend Towards Consolidation in the Market

This same high pace of innovation at SAP should continue to accelerate the trend towards specialisation and consolidation among its system resellers and consultancies. Being one of the biggest and strongest full-service providers within our target markets creates opportunities for us to apply our buy & build strategy and use acquisitions to pursue external growth and gain additional market shares beyond our organic growth targets (see section 4, Outlook). Further successful acquisitions could significantly influence our earnings, assets and financial situation. Because they are so difficult to predict, these opportunities are not reflected in our revenues and earnings forecasts (see section 4, Outlook).

Although the number of aggregated opportunities has only increased slightly overall year on year, the continued advancement of digital transformation and the emerging enhanced clarity of definition of the same are enabling a more robust approach towards further adapting our strategies. At the same time, the risks always associated with the same can be better controlled.

3.2. Risk Management System

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

Consequently, our risk management system represents an important cornerstone for making our business decisions. The entities included in the risk consolidation are the same as those within the scope of the consolidation of the All for One Steeb Group. All identified risks (gross risks, i.e. before exposure-mitigating countermeasures) are recognised for the purpose of risk reporting and hence also include those risks that have largely been avoided thanks to appropriate countermeasures. The actual reporting is divided into various risk groups (see section 3.5, List of Individual Risks). The basic structure of the risk management organisation has not changed from the prior year. The organisation is headed by the risk manager under whose leadership the risk management team performs its operational risk management functions. Risk officers from the various areas and departments of the lead operating company form the core of this team. The subsidiaries also appoint risk officers. They continuously monitor the development of risks and the effectiveness of measures to limit risks within their respective areas or subsidiaries, and on the basis of this prepare a risk analysis and assessment and report regularly to the risk manager. The risk handbook prescribes a standardised method, documents the risk management processes, and provides tools for continuously recording and tracking the results. The risk management team periodically attends workshops under the direction of the risk manager. The findings and results of these workshops are incorporated into the risk report that the risk manager prepares and submits to management. Alongside this, individual risks are monitored on a decentralised basis within each of the departments and subsidiaries by means of special analyses and additional assigned duties and responsibilities.The management board and the risk manager discuss the identified risks in detail, examine and update countermeasures and assess any residual exposure.

This risk management system is fully integrated within the organisational and operational structure and provides the foundation for risk early warning and control.

3.3. Internal Control System

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

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

Our established Group-wide **compliance management system** is designed to ensure adherence to all laws, ordinances, regulations, guidelines, contractual obligations and voluntary commitments, as well as conformity with standards. The core is formed by a code of conduct that is derived from our corporate values and sets forth a binding set of rules about behaviour that applies to each and every employee and executive. Our compliance management organisation oversees adherence to our code of conduct. This organisation is led by a compliance manager and staffed by compliance officers from the companies of the Group. Employees can report any information, concerns or suspected violations of the code in person, by telephone or anonymously to a designated e-mail address. Every employee will be given access to and may review the individual elements of our compliance management system on our intranet. Our compliance management efforts were expanded during the reporting year. Here the focus was on training about compliance issues, the expansion of the data management system with an eye toward the implementation of the EU-wide General Data Protection Regulation (GDPR), and further improving information security to provide effective safeguards against cyber criminality.

As part of **internal audits**, selected companies and Group processes and procedures undergo a separate audit each year which, among other things, examines their compliance with internal regulations and the quality of the internal control system. During the current reporting year, two subsidiaries, the Group-wide business processes, and the business processes within the Group parent All for One Steeb AG all underwent an internal audit.

The risk manager, compliance officer and head of internal audits report their findings to the management board and directly to the supervisory board.

3.4. Risk Management Method and Reporting

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

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

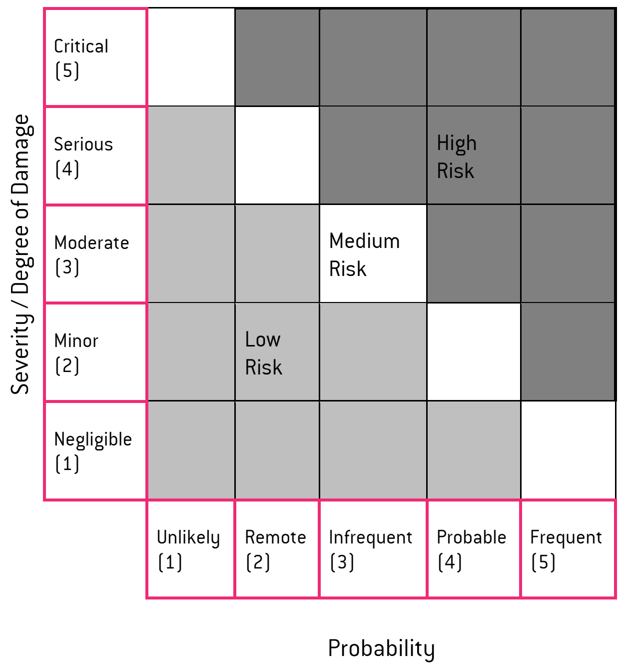
Our risk catalogue does not include those risks with a probability of occurrence greater than 50%, as we have not identified any such risks. In addition to our own experience and outside appraisals, we also include comparative values from other market participants in our assessment.

The severity or degree of damage that these identified risks can present range from »negligible« to »critical« according to the following scale. This rating depends on the expected impact the damage will have on our earnings, assets and financial situation as well as on our revenues and earnings forecasts (see section 4, Outlook). The timeframe for the assessment of these impacts corresponds at least to the forecast period specified in the Outlook section.

Severity / Degree of Damage	Description
1	Negligible
2	Minor
3	Moderate
4	Serious
5	Critical

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

Risk Matrix of All for One Steeb AG



3.5. List of Individual Risks

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

Individual Risks

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

Environmental Risks

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

Risks Associated with Social, Political, Overall Economic and Regulatory Developments

The global economy is being threatened by a number of geopolitical tensions. National protectionism and government intervention in competition are increasingly resulting in trade restrictions, such as customs tariffs, and could significantly cloud the prospects for our core geographical markets Germany, Austria and Switzerland. Both the mechanical and plant engineering and automotive supply sectors are strongly dependent on exports. For this reason their ability to grow and expand beyond domestic demand is determined to a great extent by the health and condition of global sales and procurement markets as well as their access to markets. Societal developments and the enactment of stricter regulatory requirements can also adversely impact our business performance Among these, we include both transformation processes and the knock-on effects, such as the progress of e-mobility, and regulatory measures and their targets – for climate protection, energy management and pollutant emissions, for example. Conforming with aspects of sustainability, such as compliance with environmental, social and ethical standards, changes to laws and regulations and their interpretations in the fields of taxation and accounting, or generally the growing density of regulations for capital market-oriented companies are all exposed to risks.

Individual aspects, such as overall economic prospects, are characterised by counter-trends that have the opposite effect in some cases. Accordingly, a fundamentally robust and strong economy in our target markets could be considerably adversely affected by an increased willingness to erect politically motivated trade barriers and by the manifold knock-on effects.

The ramifications of the risks discussed above are mostly beyond our direct control. Although difficult to estimate, we categorise it as »probable« that such risks will materialise. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »serious«. For this reason we have categorised these risks in our overall assessment as »high«.

Market and Industry Risks

When examining the market and industry risk situation during the current reporting year, we again gave special attention to the increasingly clear consequences of the digital transformation and the risks involved. We are increasingly encountering transformation risks in both our customer markets and the IT market itself.

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

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

Even the IT market itself is undergoing far-reaching changes from such innovations as big data, cloud computing, Industry 4.0, the Internet of things, artificial intelligence or even the blockchain technology. And naturally there are risks involved with the generational change from a sophisticated and well-established SAP business suite that has been on the market for more than two decades to a new type of SAP S/4HANA application. Such factors as delays in the delivery of features, functions and releases could further exacerbate what are already highly volatile licensing sales. A lack of customer confidence stemming from concerns about security, integration capacity, scalability, configurability and reliability could also impair our marketing and distribution of cloud solutions. A sustained and successful marketing of cloud solutions could, on the other hand, lead to temporarily weaker-than-planned one-time revenues from the sale of conventional software licenses before these, after a few years, can be over-compensated for by what would be lower, yet recurring, revenues from using cloud-based software. On top of this there is the risk that future enterprise software landscapes will increasingly detour around our private cloud data centers on their way to public cloud environments from large platform providers. As market consolidation progresses and in light of the rapid speed of innovations, such as the increasing incorporation of artificial intelligence in enterprise software landscapes, capital expenditures to further expand our solutions and service portfolio could be higher than planned, the shortage of specialists could worsen, and competitive pressure could become fiercer than expected. Such trends could, moreover, increase price and margin pressure more than anticipated.

In order to mitigate these market-driven and sector-related transformation risks, we have continued to drive our development in the current year under review. We revisited the fine tuning of our business model, continued to significantly expand our portfolio of products and services and our customer base, strengthened our organisation and further improved our means of controlling our business units through two areas of business and improved reporting systems. We pay great attention to providing »key account management« that is as integrated and comprehensive as possible. To do this, we nowadays approach all lines of our customers' businesses, not just the IT department, to offer solutions, and have focused our efforts on advancing our acquisitions of previous years. In addition, we are increasingly adopting the role of »conductor« who has mastered all the platforms and »orchestrates« the entire corporate software landscape of our customers and the operation of the same. Back in the previous year, we had already strengthened our consulting capacity through our management consultants Allfoye, and support our customers in designing and successfully implementing digitalisation strategies. With our private cloud services managed from data centers in Germany, we are also getting increasingly closer to major public cloud operators (»hyperscalers«), more and more of whom are also working from Germany. In doing so, we are striving to keep on increasing the scalability of our services. Unlike many of our competitors, and since 2007, we have been consistently utilising the co-location services of leading providers and their facilities for the data centres that we use ourselves. Doing so gives us greater flexibility and scalability, reduces total assets, and helps mitigate risks. Overall, we want to raise the perceived value, advantages and benefits of our services for our customers, enhance their speed and flexibility, and thus help to secure their ability to compete.

Despite these measures, there remain market and industry risks whose probability of occurrence we estimate as being »infrequent«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«. For this reason we have categorised these risks in our overall assessment as »medium«.

Strategy Risks

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

Risks Associated with »Co-Competition« with Strategic Partners

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

Furthermore, our strategy of an all-inclusive service provider focusing on the portfolio of the world's two leading business software providers – SAP and Microsoft – is exposed to considerable risks. The continued success of our services and products in the marketplace, and the sustainability of midmarket strategies and associated rules and conditions governing partner sales cannot be definitively predicted. In order to integrate our industry expertise into SAP S/4HANA, we continue to invest heavily in proprietary scope items, which are ready to use, preconfigured business process solutions that can be rapidly and easily activated to help our customers make the transition to the new generation of enterprise software. These are run either in our data centers (private cloud) or on computers at the client's location (on premise). The commercial success of our new business process solutions for S/4HANA could be limited by the strategy SAP is pursuing to step up the marketing of its own cloud services for S/4HANA (SAP S/4HANA Public Cloud Edition). In connection with the generational change from the SAP Business Suite to SAP S/4HANA, we are also investing a great deal in transforming our consulting teams, which by its very nature is vulnerable to significant risks.

Bearing in mind the increasingly digitalised worlds of work (»new work«), we further expanded our »communications & collaboration activities« in the current year under review, together with Microsoft. We have also developed new, Microsoft-based service portfolios – to better protect data and identities (»security & privacy«), for example, or to simplify the use of operating platforms (Microsoft Azure) or to map business workflows as continuously as possible. Alongside SAP, Microsoft – as the world's largest provider of e-mail communication software – and, accordingly, its cloud, technology, product and partner strategies are therefore becoming the focus of our strategy risks. In addition to SAP and Microsoft, the successful expansion of our cloud services and support business also leads to further strategic partnerships – with NetApp and Cisco, for example. Further risks are inherent in their technology, product and partner strategies and the resulting competitive situations (»co-competition«).

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

Here we are working closely and intensively with our strategic partners to mitigate the risks and identify as accurately as possible what additional products and services we can provide to expand upon the standard scope of solutions and best fit the needs of our target customers. Our mutual dependencies also have a risk-mitigating effect. Our strong performance as the Number 1 in the SAP midmarket segment and as a member of United VARs, one of the leading SAP global platinum resellers, are important for the progress of SAP's own business in the German-speaking midmarket segment. This gives us a high degree of visibility and relevance in the eyes its customers and SAP alike.

Likewise, all our strategic partners want to boost the growth momentum offered by their indirect business and are therefore reliant, above all, on major partners with strong innovative capabilities who also have a wealth of experience in managing comprehensive change processes. As a result, we can also more specifically identify co-innovation projects with customers and suppliers other than our strategic partners and thus better manage the risks of new competitive situations. Our manifold contacts to young, recently established technology companies and their founders are beneficial to us in innovation partnerships such as these (»Start Up meets Mittelstand« programme).

We assess as »infrequent« the probability that those risks associated with new competitive situations and strategic partnerships, will materialise. We do, however, consider their potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »serious«. For this reason we continue to categorise these risks in our overall assessment as »high«.

Financial Risks

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

Financial and Liquidity Risks

In the current year under review, we completed the restructuring of our promissory note portfolio, a process we had already begun. Accordingly, all current financial liabilities arising from promissory note tranches have been replaced (see section 2.3.2, Assets and Financial Situation). The remaining promissory notes are not subordinated and are unsecured. Should certain events occur, the holders of the promissory notes are authorised to raise the interest margin or, as applicable, to call the promissory notes due immediately. These events primarily involve adhering to the agreed targets for the amount of equity and the equity ratio and the relationship between total net debt and EBITDA. Should there be certain changes in the shareholder structure of All for One Steeb (change of control), the creditors will also be authorised to completely cancel their loan commitments and call the loans due immediately. The management board carefully monitors compliance with the terms and conditions of the promissory notes. Furthermore, earnings, as well as the assets and financial situation, are monitored monthly using a Group-wide reporting system and variances to budget are analysed to counteract any unplanned outflows or too few inflows of cash as quickly as possible. The management board still expects to fulfil the covenants associated with the promissory notes during the reporting year just ended and in the future as well.

We estimate the probability of these financial and liquidity risks occurring as being »unlikely«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »serious«. Our overall assessment categorises these risks as »medium«.

Operational Risks

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

Risks Associated with the Operation of Data Centers

All for One Steeb AG is exposed to the specific risks inherent with the operation of data centers. Unscheduled service interruptions can not only seriously impair our customers' and our own business operations, but can also negatively impact our business performance, reputation and outlook (see section 4, Outlook).

All for One Steeb employs extensive measures to reduce these risks. Systems and applications are operated redundantly in modern buildings and infrastructures that are located entirely separatly. In the event of an interruption in systems operations, which in the case of disaster could extend as far as to the failure of an entire data center, operations can be continued essentially without interruption from other data centers. We also invest in sophisticated and cutting-edge technologies from pre-eminent manufacturers, such as for data mirroring and back-up purposes.

We estimate the probability of these risks materialising as »remote«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »serious«. Therefore we have categorised the risks associated with the operation of data centers in our overall assessment as »medium«.

Cyber Risks

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

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

We estimate the probability of cyber risks materialising as »remote«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »serious«. Therefore we have categorised the risks associated with the operation of data centers in our overall assessment as »medium«.

Data Protection Risks

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

Even in the run-up to these new regulatory developments, we had already begun adapting our data protection organisation to comply with the EU General Data Protection Regulation. We have also undertaken a number of individual steps to expand and enhance our data protection landscape. We are one of the first companies on the market that successfully underwent certification of its data protection processes to ISO 27008 (data protection for cloud services) in addition to the earlier audit completed in accordance with ISO 27001 (information security).

We estimate the probability of data protection risks materialising as »remote«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »serious«. Therefore we have categorised the data protection risks in our overall assessment as »medium«.

Risks Associated with Human Resources

Risks associated with human resources are dominated by the further exacerbation of the shortage of specialists. This trend applies to both the IT market and our customer markets in virtually equal measure. In the case of service companies such as All for One Steeb, sustained business success is inextricably linked to having highly qualified and motivated people working for you. Should we fail to adequately develop and retain our current employees, promote and reward talent, recruit enough new personnel resources, and effectively manage, lead and develop our entire workforce, we may no longer be able to successfully grow and expand our business. It is when more employees than planned, especially managers, leave the company without being able to smoothly transition their duties and responsibilities to qualified replacements that we face the risk of deterioration in service quality and customer satisfaction, and consequently the impairment of the business.
To counter these risks, we have continued to further expand our personnel development programmes in the current year under review. What's more, our internal management system includes selected human resources non-financial performance indicators so that we will be able to more rapidly and accurately counteract any indication that human resources related risks may be materialising. For example, we have increased our recruiting resources in light of the very tight labour markets and our additional need for manpower to handle the upcoming generational change from the SAP Business Suite to SAP S/4HANA, have expanded our training programmes and have further strengthened the All for One Steeb brand as an attractive employer (»employer branding«) (see section 1.5, Employees). In spite of these measures, the risks associated with tight labour markets – which could hinder the planned expansion of our team and its progression over time – can only be mitigated to a limited extent.

We estimate the probability of these risks occurring as being »infrequent«. There remain risks associated with human resources despite intensified human-resource related activities and constant monitoring. The fact that we consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«, is why we have categorised these risks in our overall assessment as »medium«.

Risks Associated with Acquisitions

In the current year under review, we have intensified our efforts to develop and integrate our company acquisitions of previous years. Such transactions are, by their very nature, exposed to integration risks, particularly with regard to the acquired customers and employees. Equally, incorrect financial and economic estimations or disputes with former shareholders or remaining minority interests can seriously harm business development and, accordingly, the balance sheet value of the acquired investment interests. Despite our wealth of experience with company acquisitions and the care we take with preparation, due diligence and integration of the new customers and employees, risks always remain.

We estimate the probability of these risks occurring as being »infrequent«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«. For this reason we have categorised these risks in our overall assessment as »medium«.

Project Risks

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

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

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

We estimate the probability of project risks occurring as being »infrequent«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«. For this reason we have categorised these risks in our overall assessment as »low«.

Risks Associated with Bad Debts and Customer Insolvencies

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

Overall, we estimate the probability of these risks occurring as being »infrequent«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«. For this reason we have categorised these risks in our overall assessment as »medium«.

Risks Associated with Legal Disputes

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

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

We estimate the probability of risks associated with legal disputes occurring as being »infrequent«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«. For this reason we have categorised the risks associated with legal disputes in our overall assessment as »medium«.

3.6. Overall Risk Profile

In the interest of giving balanced consideration to opportunities and risks, our revenues and earnings forecasts (see section 4, Outlook) not only appropriately take into account the preceding opportunities, but also the overall qualitative assessment of the risks discussed above.

In our overall assessment, and in spite of the apparent domination of reported risks as compared to the aforementioned opportunities (see section 3.1, Opportunities Management), we believe that opportunities outweigh the risks. Given our market position and the large and ever-growing number of regular customers, and in light of our highly trained and dedicated employees, and our further expanded foundation of solutions and services, we are confident that we can successfully meet the new challenges posed by this latest overall risk profile and further expand our position as a leading IT service provider and – in our own estimate – the recognised Number 1 on the SAP market in German-speaking countries and a sought-after digitalisation partner for the midmarket. The digitalisation of business processes within our customer markets, the generational change to the new SAP S/4HANA enterprise software with close connections to innovative cloud solutions for lines of business will probably gain momentum and are expected to continue over the medium and long terms. We continue to specifically gear both our organisation and range of products and services to the powerful momentum of these trends with the determination of underscoring our claim to a permanent place in the relevant set of IT contract awards and projects within our target industries.

4. Outlook

Outlook for the Economy as a Whole

Protectionist tendencies, trade conflicts, the uncertain outcome of the Brexit negotiations and increasing geopolitical tensions could weigh on what has so far been robust economic growth. Greater disruptive influences on the economy could hit Germany as an exporting nation – and therefore our customers as well – particularly hard. In the autumn joint economic forecast, the predicted growth of gross domestic product in Germany was reduced from 2.0 to 1.9 percent for 2019. The joint economic forecast is compiled jointly by RWI in Essen, DIW in Berlin, ifo Institut in Munich, IfW in Kiel and IWH in Halle *(source: Spiegel Online, 27 Sep 2018).* In early November 2018, the panel of »economic experts« for the (German) federal government reduced its economic growth forecast for 2018/19 from 1.8 to 1.5 percent. As such, overall economic development is plagued by considerable uncertainty, whose specific consequences for our target markets are difficult to estimate.

Projected Developments in our Target Markets

Looking ahead to 2019 in our target markets, the positive stimulus from 2018 and the signs of growing slowdown and uncertainty are more or less balanced. The good order situation and ample orders in hand in the machinery and equipment manufacturing sector could result in significant production growth in 2019 again. So far, market observers are expecting production to increase by 2% compared to 2018 *(source: VDMA, 13 Sep 2018).* The development of the global electric car market is expected to stimulate the automotive sector, which is strongly dependent on exports. For 2019, ZVEI expects growth in this sector of 4% compared to the previous year. An increase of 3% is forecast for Germany *(source: ZVEI, 31 Jul 2018).* Whether or not this forecast proves to be sufficiently robust is uncertain in light of stricter climate regulations or the increased risk facing the sector as it evolves towards increased e-mobility. The immense innovative strength of numerous companies remains a source of hope. These companies are increasingly grasping the opportunities offered by digital change, are investing more in new technologies and business models to defend or even expand their good standing in the global market. Given their ability to change combined with their equally strong industrial and technological substance, many market observers believe that German companies will continue to occupy good positions in the global market in future although there is no guarantee that the aforementioned forecasts will not be seriously hindered by a further escalation of trade conflicts and political tensions, in particular.

Outlook for the IT Markets

The digitalisation of companies' workflows and business models will continue to grow. In the process, the role played by corporate IT will shift increasingly towards becoming a business partner in the digital transformation. The severe shortage or specialists, a lack of strategy, application and technology expertise and growing requirements in respect of security and availability when operating the applications and systems will result in the increased involvement of external service providers. IT providers, particularly, who work in close proximity to their customers' business workflows, are recognised process experts, and operate in the still small, but strongly growing IT sub-markets for »new themes« should again witness positive momentum in 2019. The worsening shortage of specialists could hinder growth (*source: »Der Markt für IT-Beratung und IT-Service, Deutschland« (The market for IT consulting and IT service in Germany), Lünendonk, Sep 2018).*

In terms of our outlook for the financial year 2018/19, we consider overall economic developments to be an important, yet difficult to gauge, element of uncertainty and one that could significantly influence probable developments in our target markets and in turn the IT business as a whole.

Projected Business Performance of the Group

As a »front runner«, »trusted advisor«, trendsetter and driving force behind the change processes of our customers, we believe we have climbed to the top position in the German-speaking SAP market over the past years. Keeping pace with the high speed of innovations at SAP and Microsoft, we have expanded our strategy and made targeted investments in further building our portfolio for our traditional target markets. On our journey to becoming a leading IT and consulting company and sought-after digitalisation partner for SMEs, we have also maintained our clear focus in terms of geography and target sectors.

Provided demand in our markets remains stable and robust in the financial year 2018/19, our business strategy and overall risk profile should enable us to achieve further growth. Focus will be on driving the expansion of our cloud business to generate sustainable recurring revenues. Our large base of regular customers will continue to provide a solid foundation for further growth in the financial year 2018/19. The sale of conventional software licenses will continue to fluctuate strongly and therefore remains difficult to plan. Our guidance for 2018/19 considers potential counter-movements, such as the continuing shift from one-off license sales towards cloud software leasing models and, at the same time, the special boost to license sales from the forthcoming generational change from SAP Business Suite to SAP S/4HANA. Accordingly, we expect one-off license sales to decline and our recurring cloud services and support revenues to increase further.

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

We believe that the momentum driving the expansion of our good position in the strongly growing and gradually emerging cloud transformation sub-markets is generally consistently favourable albeit the knock-on effects of a possibly greater slowdown in economic growth on our development in the financial year 2018/19 are still difficult to assess. With an eye on additional growth opportunities, we want to expand our portfolio, extend the scalability of our cloud services and, to achieve this, invest more in technologies and processes for the dynamic incorporation of »public cloud data center resources«.

As part of our strategy offensive 2022 that we launched mid-November 2018, we will be investing extensively in new growth areas – such as IT security, new work and proprietary solutions on cloud platforms – in the financial year 2018/19, above and beyond our main areas of focus, such as SAP S/4HANA and cloud services. We will also expand our »go to market« as part of our strategy offensive to ensure deeper penetration of our regular customer base and to expand our market access to include larger midmarket companies, as well as strengthening our organisation and rolling out a new brand architecture to create a uniform visual identity throughout the Group. This strategy offensive will incur a non-recurring charge in the mid-single-digit millions in the financial year 2018/19.

We therefore expect one-off license revenues to decline slightly in the financial year 2018/19, while recurring revenues are expected to increase significantly, with sales in the range of EUR 345 million to 355 million. EBIT 2018/19 will probably be in the range of EUR 13 million to 18 million – after consideration of the non-recurring charge for the strategy offensive. EBIT 2018/19 adjusted for these one-off costs is expected to be between EUR 12 million and 22 million.

The non-financial performance indicators of employee retention and health index were again used as supplemental management and control parameters. We have set ourselves the goal in the financial year 2018/19 of stabilising »employee retention« at the same level of 91.6% as the current year under review. In 2018/19, we also want to keep the »health index« more or less on a par (+/- 0.5 percentage points) with the prior-year level (2017/18: 97.5%). Despite the tight labour markets, the headcount is expected to grow at a disproportionately high rate in the financial year 2018/19 relative to sales growth.

Based on current assessments, there are no further foreseeable extraordinary factors that would influence the preceding projections for our financial year 2018/19 or the financial years beyond. Economic setbacks of the kind that are difficult to assess and cannot be ruled out could endanger our ability to achieve our forecasts, especially since these may result in reduced demand along with bad debts and insolvencies among our existing customers. This is why potential economic setbacks continue to pose the main risk to our projected business performance.

5. Other Information

5.1. Dependent Company Report

Unternehmens Invest AG, Vienna/Austria, and UIAG Informatik-Holding GmbH, Vienna/Austria, each directly holds 25.07% of the share capital of All for One Steeb AG. A voting agreement exists between both shareholders. In addition to Unternehmens Invest AG and UIAG Informatik-Holding GmbH as directly controlling entities, these companies' shareholders and other parent companies, along with Dr Rudolf Knünz, can also indirectly exercise a controlling influence over All for One Steeb AG. For this reason, all relationships with controlling entities and their affiliated companies are documented in the dependent company report.

In accordance with §312, section 3 »Aktiengesetz«, the management board declares in the dependent company report that – based on the circumstances known to it at the time the respective legal transaction was undertaken – the company and its subsidiaries have received appropriate consideration for each transaction made.

5.2. Corporate Governance Statement

The Corporate Governance Statement pursuant to §§289f, 315d »Handelsgesetzbuch« is published in the Investor Relations section of the company's website www.all-for-one.com.

5.3. Compensation Report

The management board of All for One Steeb AG consisted of Lars Landwehrkamp and Stefan Land during the reporting year. The benefits granted to the members of the management board for the current financial year totalled KEUR 1,957 (2016/17: KEUR 1,848) and the allocations amounted to KEUR 1,801 (2016/17: KEUR 1,682). Fixed compensation for the members of the management board consisted of a basic salary, benefits in kind for the use of a company car and the payment of direct insurance. The additional performance-related compensation component is based on the annual target achievement of the EBT as reflected in the audited consolidated financial statements of All for One Steeb AG. A long-term variable compensation component will also be paid and which is calculated based on the cumulative earnings per share over a period of years. Pension-related expenses consisted of contributions to a support fund. The agreements with the company directors stipulate that if a member of the management board is removed early, that member will continue to receive his or her base compensation until the end of the agreement. Furthermore, and likewise until the end of the agreement, the affected member of the management board will receive the annual variable compensation at the mid-target achievement level of the previous two years and the long-term compensation component at a target achievement rate of 100%.

The members of the supervisory board receive an annual fixed amount of compensation that is determined by the annual general meeting. The chairman receives four times (prior year: three times) and the deputy chairman two times (prior year: one-and-a-half times) this amount of compensation. Furthermore, members also receive compensation for their work in committees. The chairman of a committee receives four times (prior year: four times) the amount of this committee membership remuneration. Members of the supervisory board who were not in office for the entire financial year receive compensation on a pro rata basis. No performance-based compensation is provided. Total compensation during the reporting year for the supervisory board was KEUR 157 (2016/17: KEUR 114).

No loans were extended nor stock options granted to the members of the management board or the supervisory board during the reporting year. Individual compensation for members of each of the boards is reported in the Notes to the Consolidated Financial Statements.

5.4. Information Concerning Takeovers

Information Pursuant to §315a, Section 1 »Handelsgesetzbuch« (HGB)

Composition of Issued Share Capital (No. 1)

The issued share capital in the amount of EUR 14,946,000 (30 Sep 2017: EUR 14,946,000) consists of 4,982,000 (30 Sep 2017: 4,982,000) registered no-par-value shares with a nominal value of EUR 3 per share.

Restrictions on Voting Rights or the Transfer of Shares (No. 2)

The management board is not aware of any restrictions affecting voting rights or the transfer of shares, or in particular of any restrictions that could result from agreements among the shareholders.

Direct or Indirect Shares in the Capital that Exceed 10% of the Voting Rights (No. 3)

Unternehmens Invest AG, Vienna/Austria, holds 25.07%, UIAG Informatik-Holding GmbH, Vienna/Austria, holds 25.07% and BEKO HOLDING GmbH & Co KG, Nöhagen/Austria, holds 11.58% of the share capital and voting rights in the company.

Holders of Shares with Special Rights (No. 4)

No All for One Steeb AG shares confer special rights of control.

Type of Voting Rights Control for Employee Shares (No. 5)

There are no employees holding an interest in the share capital of All for One Steeb AG, who cannot directly exercise their rights of control.

Legal Provisions and Stipulations in the Company Articles of Association Governing the Appointment and Removal of Members of the Management Board and on Amending the Company Articles of Association (No. 6)

a) Appointment of Members of the Management Board

In accordance with §84, section 1 »Aktiengesetz« and §6, section 2 of the company articles of association, the members of the management board are appointed by the supervisory board for a maximum term of five years. The management board will consist of at least two persons in accordance with §6, section 2 of the company articles of association. Furthermore, the supervisory board will determine the number of members in the management board in accordance with the provisions set forth by law. The supervisory board can appoint a member of the management board to be chairman of the management board and may also appoint deputy members of the management board. Pursuant to §85, section 1 »Aktiengesetz« the court can, in urgent cases and on petition of an involved party, appoint the member in the event that a required member of the management board is lacking (for example when there is only one member of the management board in office). In any case, and pursuant to §85, section 2 »Aktiengesetz«, the term of the court-appointed member of the management board expires as soon as the original deficiency is corrected.

b) Removal of Members of the Management Board

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

c) Amendments to the Company Articles of Association

Pursuant to §179, section 1, sentence 1 »Aktiengesetz«, a resolution of the annual general meeting is required for any amendment to the company articles of association. The supervisory board is, however, authorised according to §17 of the company articles of association in connection with §179, section 1, sentence 2 »Aktiengesetz« to approve amendments to the company articles of association that only affect its wording.

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

Authority of the Management Board, Particularly Regarding its Ability to Issue or Repurchase Shares (No. 7)

In accordance with §5, section 4 of the company articles of association, and with the consent of the supervisory board, the management board is authorised until 10 March 2020 to increase the share capital up to a total of EUR 7,473,000 through one or more issues of new registered shares for cash and/or contributions in kind (2015 Authorised Capital). Shareholders will always be granted a subscription right. The new shares may also be taken over by one or more financial institution with the obligation to offer them for subscription to the shareholders. The management board, with the consent of the supervisory board, will specify the conditions of the share issue. The supervisory board is authorised to revise the wording of the company articles of association to reflect the scope of the capital increase from authorised capital or after the expiration of the authorisation period. The management board is, however, authorised with the consent of the supervisory board to exclude the statutory subscription rights for shareholders:

a) to the extent such is necessary to even out fractional amounts;

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

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

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

Material Agreements under the Condition of a Change of Control as a Result of a Takeover Bid (No. 8)

Certain changes in the shareholder structure of All for One Steeb (change of control) may result in the holders of the promissory notes being able to call their share of the notes due payable immediately.

Indemnity Agreements in the Event of a Takeover Bid (No. 9)

No company indemnity agreements with members of the management board or other employees have been made for the event of a takeover bid.

Filderstadt, 11 December 2018
All for One Steeb AG

Lars Landwehrkamp	Stefan Land
CEO	CFO

Consolidated Financial Statements

of All for One Steeb AG.
Financial Year from 1 October 2017
to 30 September 2018.

Group Income Statement and Other Comprehensive Income of All for One Steeb AG

Financial Year from 1 October 2017 to 30 September 2018

in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
Income statement		
Sales revenues (1)	**332,357**	**300,521**
Other operating income (2)	4,988	2,972
Cost of materials and purchased services (3)	-119,921	-109,242
Personnel expenses (4)	-139,848	-124,168
Depreciation and amortisation (6)	-10,629	-9,312
Other operating expenses (7)	-46,370	-40,709
EBIT	**20,577**	**20,062**
Financial income	269	376
Financial expense	-1,290	-1,045
Financial result (8)	**-1,021**	**-669**
EBT	**19,556**	**19,393**
Income tax (9)	-5,849	-6,308
Earnings after tax	**13,707**	**13,085**
attributable to equity holders of the parent	*14,031*	*13,103*
attributable to non-controlling interests	*-324*	*-18*
Other comprehensive income		
Remeasurements of defined benefit liability	151	1,793
Related tax	-74	-276
Items that will never be reclassified to profit or loss	**77**	**1,517**
Unrealised losses from currency translation	-285	-54
Items that are or may be reclassified to profit or loss	**-285**	**-54**
Other comprehensive income	**-208**	**1,463**
Total comprehensive income	**13,499**	**14,548**
attributable to equity holders of the parent	*13,823*	*14,566*
attributable to non-controlling interests	*-324*	*-18*
Undiluted and diluted earnings per share		
Earnings per share in EUR (10)	2.82	2.63

The accompanying notes are an integral part of these consolidated financial statements.

Group Balance Sheet of All for One Steeb AG

Financial Year as at 30 September 2018

Assets

in KEUR	30.09.2018	30.09.2017
Non-current assets		
Goodwill (11)	23,642	24,531
Other intangible assets (11)	38,605	41,618
Tangible fixed assets (12)	17,279	11,749
Financial assets (13)	6,569	6,034
Other assets (18)	1,036	1,115
Deferred tax assets (14)	1,413	681
	88,544	**85,728**
Current assets		
Inventories (16)	690	1,160
Trade accounts receivable (17)	47,257	42,876
Current tax assets (15)	2,678	2,304
Financial assets (13)	3,766	3,418
Other assets (18)	3,909	3,485
Cash and cash equivalents (19)	36,331	29,755
	94,631	**82,998**
Total assets	**183,175**	**168,726**

The accompanying notes are an integral part of these consolidated financial statements.

Equity and Liabilities

in KEUR	30.09.2018	30.09.2017
Equity		
Issued capital (20)	14,946	14,946
Capital reserve (20)	11,228	11,228
Other reserves (20)	265	550
Retained earnings	50,769	42,639
Share of equity attributable to equity holders of the parent	**77,208**	**69,363**
Non-controlling interests (22)	**-189**	**147**
Total equity	**77,019**	**69,510**
Non-current liabilities		
Provisions (23)	357	361
Employee benefit obligations (5)	2,446	2,468
Financial liabilities (24)	27,343	20,681
Deferred tax liabilities (25)	14,516	14,516
Other liabilities (26)	513	2,026
	45,175	**40,052**
Current liabilities		
Provisions (23)	1,331	649
Current tax liabilities (15)	4,326	1,441
Financial liabilities (24)	1,967	6,528
Trade accounts payable (27)	15,532	14,907
Other liabilities (26)	37,825	35,639
	60,981	**59,164**
Total liabilities	**106,156**	**99,216**
Total equity and liabilities	**183,175**	**168,726**

The accompanying notes are an integral part of these consolidated financial statements.

Group Cash Flow Statement of All for One Steeb AG

Financial Year from 1 October 2017 to 30 September 2018

in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
EBT	**19,556**	**19,393**
Amortisation of intangible assets (6)	4,790	4,755
Depreciation of tangible fixed assets (6)	5,839	4,557
Financial result (8)	1,021	669
EBITDA	**31,206**	**29,374**
Increase (+) / decrease (-) in value adjustments and provisions	10	167
Other non-cash expense (+) and income (-)	-288	-129
Changes in assets and liabilities:		
Increase (-) / decrease (+) in trade receivables	-3,655	-5,361
Increase (-) / decrease (+) in financial assets	-910	-808
Increase (-) / decrease (+) in other assets	-1,517	-1,307
Increase (+) / decrease (-) in trade payables	610	2,353
Increase (+) / decrease (-) in other liabilities	692	4,477
Income tax paid	-2,741	-7,492
Cash flow from operating activities	**23,407**	**21,274**
Purchase of intangible, tangible fixed and other assets	-7,668	-4,666
Sale of intangible, tangible fixed and other assets	334	379
Purchase of consolidated equity interests	-825	-7,752
Interest received	416	312
Cash flow from investing activities	**-7,743**	**-11,727**
Cash flow from from loans and financial liabilities	5,000	10,005
Repayment of loans and financial liabilities	-5,020	-7,016
Interest paid	-999	-966
Repayment of finance leases	-1,938	-1,327
Increase in shareholding in consolidated equity interests	0	-7,880
Dividend payments to shareholders and non-controlling interests	-5,990	-5,490
Cash flow from financing activities	**-8,947**	**-12,674**
Increase / decrease in cash and cash equivalents	**6,717**	**-3,127**
Effect of exchange rate fluctuations on cash funds	-141	-167
Change in cash from initial consolidation of fully consolidated companies	0	619
Cash funds at start of financial year	29,755	32,430
Cash funds at end of financial year (19)	**36,331**	**29,755**

The accompanying notes are an integral part of these consolidated financial statements.

Group Statement of Changes in Equity of All for One Steeb AG

Financial Year from 1 October 2017 to 30 September 2018

	Share of equity attributable to equity holders of the parent					Non-controlling interests (22)	Total shareholders' equity
in KEUR	Issued share capital (20)	Capital reserve (20)	Reserve from currency translation	Retained earnings[1]	Total		
01.10.2017	**14,946**	**11,228**	**550**	**42,639**	**69,363**	**147**	**69,510**
Earnings after tax	0	0	0	14,031	14,031	-324	13,707
Other comprehensive income	0	0	-285	77	-208	0	-208
Total comprehensive income	**0**	**0**	**-285**	**14,108**	**13,823**	**-324**	**13,499**
Dividend distribution	0	0	0	-5,978	-5,978	0	-5,978
Distribution to non-controlling interests	0	0	0	0	0	-12	-12
Acquisition of a sudsidiary with non-controlling interests	0	0	0	0	0	0	0
Transactions with owners of the company	**0**	**0**	**0**	**-5,978**	**-5,978**	**-12**	**-5,990**
30.09.2018	**14,946**	**11,228**	**265**	**50,769**	**77,208**	**-189**	**77,019**
01.10.2016	**14,946**	**11,228**	**604**	**33,499**	**60,277**	**115**	**60,392**
Earnings after tax	0	0	0	13,103	13,103	-18	13,085
Other comprehensive income	0	0	-54	1,517	1,463	0	1,463
Total comprehensive income	**0**	**0**	**-54**	**14,620**	**14,566**	**-18**	**14,548**
Dividend distribution	0	0	0	-5,480	-5,480	0	-5,480
Distribution to non-controlling interests	0	0	0	0	0	-11	-11
Acquisition of a sudsidiary with non-controlling interests	0	0	0	0	0	61	61
Transactions with owners of the company	**0**	**0**	**0**	**-5,480**	**-5,480**	**50**	**-5,430**
30.09.2017	**14,946**	**11,228**	**550**	**42,639**	**69,363**	**147**	**69,510**

1) As at 30 September 2018, items that will never be reclassified to profit or loss are included in the amount of minus KEUR -1,068 (30 Sep 2017: KEUR -1,145).

The accompanying notes are an integral part of these consolidated financial statements.

Notes

to the Consolidated Financial Statements of All for One Steeb AG.
Financial Year from 1 October 2017 to 30 September 2018.

A. General

All for One Steeb AG is a public corporation with its headquarters at Gottlieb-Manz-Strasse 1, Filderstadt, Germany, and is a leading IT services and consulting provider and sought-after digitalisation partner in the German-speaking midmarket.

The financial year of All for One Steeb AG begins on 1 October and ends on 30 September of the following year.

B. Accounting

The consolidated financial statements of All for One Steeb AG (hereafter called All for One Steeb, the company or the Group) as at 30 September 2018 are based on the company's uniform accounting principles. The valuation, consolidation and classification principles were applied consistently by all the Group companies. The consolidated financial statements are presented in thousand euros (KEUR) rounded to the next thousand.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), which are required to be applied in the European Union. All of the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) of the International Financial Reporting Interpretations Committee/Standing Interpretations Committee (IFRIC/SIC) required for the preparation of the IFRS consolidated financial statements in this financial year were applied.

The consolidated financial statements of All for One Steeb AG apply the cost method except for securities and first-time reported assets and liabilities from business combinations at the time control was assumed. These assets and liabilities are reported at their respective fair values. Expenses and income are allocated on an accrual basis.

C. New Accounting Standards

Changes in Accounting Principles

The following announcements issued by the International Accounting Standards Board (IASB) and the. IFRS Interpretations Committee (IFRS IC) were adopted by the European Union (EU) and were applied for the first time in preparing the consolidated financial statements as at 30 September 2018:

- IAS 7 »Disclosure Initiative« (Amendments)
- IAS 12 »Recognition of Deferred Tax Assets for Unrealised Losses« (Amendments)

The application of these new announcements has not resulted in any impact on the earnings, assets and financial position of the consolidated financial statements of All for One Steeb AG. The first-time application of the amendments to IAS 7 did, however, lead to additional disclosures in the Notes to the Consolidated Financial Statements.

Additional New or Revised Standards and Interpretations

The following announcements came into effect and were adopted by the European Union (EU) but were not yet mandatory for the consolidated financial statements of All for One Steeb AG for the year ended 30 September 2018. All for One Steeb AG will not voluntarily apply any of the following new or amended standards and interpretations prematurely:

- IFRS 9 »Financial Instruments«
- IFRS 15 »Revenue from Contracts with Customers«
- IFRS 15 »Revenue from Contracts with Customers« (Clarifications)
- IFRS 16 »Leases«
- IFRIC 22 »Foreign Currency Transactions and Advance Consideration«
- IFRIC 23 »Uncertainty over Income Tax Treatments«

- IFRS 2 »Classification and Measurement of Share-Based Payment Transactions« (Amendments)
- IFRS 4 »Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts« (Amendments)
- IFRS 9 »Prepayment Features with Negative Compensation« (Amendments)
- IAS 40 »Transfers of Investment Property« (Amendments)
- Annual Improvements to IFRSs – 2014-2016 Cycle

The following new announcements were not adopted by the EU:

- IFRS 17 »Insurance Contracts«
- IFRS 3 »Business Combinations« (Amendments)
- IAS 1/IAS 8 »Definition of Materiality« (Amendments)
- IAS 19 »Plan Amendment, Curtailment or Settlement (Amendments)
- IAS 28 »Long-Term Interests in Associated and Joint Ventures« (Amendments)
- Annual Improvements to IFRSs – 2015-2017 Cycle
- Amendments to References to the Conceptual Framework in IFRS Standards

Apart from the following announcements, All for One Steeb AG does not expect the first-time application of these amendments and/or new regulations to have any material effect on the earnings, assets and financial position of its consolidated financial statements.

IFRS 9 »Financial Instruments« is mandatory for reporting periods beginning on or after 1 January 2018. Accordingly, All for One Steeb AG will be applying the new regulations for the first time in its financial year 2018/19. IFRS 9 is introducing new recognition and measurement regulations for financial instruments and replaces the former regulations in IAS 39. The effects were examined in a Group-wide project focusing on the implementation of the new standard.

All for One Steeb AG expects the first-time application of IFRS 9 from financial year 2018/19 onwards to have the following specific effects:

- The new regulations governing the classification of financial assets will not result in any changes to measurement and disclosure.
- By applying the new impairment model, the impairment of financial assets will increase marginally from 1 October 2019, while the carrying amount of trade receivables will decrease marginally. In future, expected losses must be recognised as soon as the financial asset is recognised for the first time (»expected credit loss model«). Until now, IAS 39 specified that impairment was to be recognised when it was objectively indicated, e.g. an amount receivable that was already overdue (»incurred loss model«). Accordingly, under IAS 39, impairment was recognised at a later point in time compared to the new standard. As far as trade receivables are concerned, All for One Steeb AG uses the simplified approach and measures applicable impairment on an ongoing basis relative to total maturity.
- Since All for One Steeb AG currently does not apply the hedge accounting rules of IAS 39, the fundamental changes to hedge accounting will not produce any changes when moving from IAS 39 to IFRS 9. The new accounting standard does, however, offer new options for designating future hedges as hedging relationships.

Based on the current assessment of the management of All for One Steeb AG, neither the first-time nor the ongoing application of IFRS 9 will therefore have any material effect overall on the earnings, assets and financial position of the consolidated financial statements. Nevertheless, IFRS 9 could have material effects on the presentation of the net assets, financial position and results of operations, depending on future agreements or transactions. It must be noted, in addition, that the first-time application of IFRS 9 will result in supplementary disclosure obligations in the Notes to the Consolidated Financial Statements.

The cumulative (not material) effect of the first-time application will be recognised in equity as of 1 October 2018. In doing so, All for One Steeb AG will avail itself of the option not to adjust the comparison figures relating to prior reporting periods with regard to any changes in classification and measurement (including impairment).

IFRS 15 »Revenue from Contracts with Customers« is mandatory for reporting periods beginning on or after 1 January 2018. Accordingly, All for One Steeb AG will be applying the new regulations for the first time in its financial year 2018/19. IFRS 15 replaces the former regulations governing revenue recognition (including IAS 18 and IAS 11) and defines a comprehensive framework specifying the amount and timing of revenue recognition. The core of IFRS 15 is a standardised five-stage revenue recognition model that must be applied to all contracts with customers. After identifying the separate performance obligations in individual customer contracts, the next steps involve determining the transaction price for each customer contract and allocating the same to the previously separated performance obligations. Following completion of the individual performance obligations, revenue is recognised in the amount equivalent to the allocated transaction price in each case at the relevant time or over the relevant period. The effects were examined in a Group-wide project focusing on the implementation of the new standard.

The Group provides cloud services and support as well as consulting and services. It also sells software licenses. Several services are provided to one customer under a standard contract or on the basis of separate, individual contracts.

All for One Steeb AG expects the first-time application of IFRS 15 from the financial year 2018/19 onwards to have the following specific effects:

- Where services are agreed with a customer in separate, individual contracts in close temporal relation, these must be collated into a standard multi-component contract under IFRS 15 in future and not recognised individually, as has been the case so far. Irrespective of whether collation has been performed or not, the entire transaction price of a multi-component contract must in future be split among the individual performance obligations, based on relative individual sale prices. Previously, allocation was performed mainly on the basis of the contractually agreed market rates for the individual performance obligations. The management of All for One Steeb AG believes that the overall resulting effects on revenue recognition in respect of the customer contracts that are relevant at the time of the change are of only minor significance for the earnings, assets and financial position of the consolidated financial statements.
- Revenue relating to the sale of software licenses will continue to be recognised at the time of software delivery (start of transfer of use). Revenue from cloud services and support, and consulting and services will continue to be recognised largely over a certain period in line with provision of the service.
- At present, the cost of contract acquisition is not capitalised in the consolidated financial statements of All for One Steeb AG. In future, these costs must be capitalised under IFRS 15 and written off parallel to the transfer of right of disposal of the underlying goods and services to the customer. All for One Steeb AG is choosing to avail itself of the option of immediately recognising an expense in cases where the period of amortisation would be less than one year. Overall therefore, the sales commission owing on software licenses, for example, will generally not be capitalised. In the case of sales commission subject to mandatory capitalisation that was paid prior to 1 October 2018 for customer contracts that had not been fulfilled at the time, All for One Steeb AG will recognise assets in the opening balance sheet as of 1 October 2018. As things stand at present, the value of these assets is less than EUR 1 million.
- In its retail business with software licenses, All for One Steeb AG will continue to mostly act as principal in future and to recognise the gross amounts as revenues. In its cloud services business, the Group also acts as agent and recognises the net amount of the relevant brokerage commission. New business models could result in higher brokerage commission volumes for All for One Steeb AG in future.
- Customers have the option of acquiring additional products and services in both software licenses and consulting and services businesses. As the vast majority of them do not grant any material rights to customers, there is no need to account for such options as separate performance obligations.
- IFRS 15 also results in changes to the recognition of items on the balance sheet. Under IFRS 15, receivables are recognised when goods or services have been provided or advance payments are due from customers. Legal entitlements to consideration payable by customers may only be recognised as trade receivables if the legal entitlement is unconditional. Accordingly, the balances of trade receivables and trade payables recognised as assets and liabilities with regard to POC contracts will be recognised as contract assets and contract liabilities, respectively, in future.

Based on the current assessment of the management of All for One Steeb AG, neither the first-time nor the ongoing application of IFRS 15 will therefore have any material effect overall on the earnings, assets and financial position of the consolidated financial statements. Nevertheless, there can be no guarantee that IFRS 15 will not have material effects on the presentation of the earnings, assets and financial position, depending on future agreements or transactions. It must be noted, in addition, that the first-time application of IFRS 15 will result in supplementary disclosure obligations in the Notes to the Consolidated Financial Statements.

All for One Steeb AG will use the modified retrospective transfer method when applying IFRS 15 for the first time. The cumulative (not material) effect of the first-time application will be recognised in equity as of 1 October 2018. All for One Steeb AG will avail itself of the option of only applying the new standard to contracts whose performance was still outstanding as of 1 October 2018. Comparison figures for prior-year periods will not be adjusted.

IFRS 16 »Leases« is mandatory for reporting periods beginning on or after 1 January 2019. The option of earlier application is not being exercised. Accordingly, All for One Steeb AG will be applying the new regulations for the first time in its financial year 2019/20. IFRS 16 replaces the former regulations governing lease accounting (including IAS 17 and IFRIC 4) and introduces a standardised accounting model for recognising all leases in the lessee's balance sheet ('right-of-use model'). Accordingly, the previous distinction between finance and operating leases has been eliminated for lessees. In future, lessees must recognise assets in their balance sheets for the acquired rights of use and corresponding liabilities for the underlying payment obligations. Exceptions only exist in respect of short-term and low-value leases. By contrast, the distinction between finance and operating leases as defined in IAS 17 remains applicable in the future under IFRS 16. As such, the balance sheet accounting of the lessor is not affected. In its business transactions, All for One Steeb AG acts as both lessee and lessor.

The effects were examined in a Group-wide project focusing on the implementation of the new standard. Given the large number and complexity of the relevant transactions, it is not currently possible to reliably determine the full quantitative effects on the net assets, financial position and results of operations.

All for One Steeb AG expects the first-time application of IFRS 16 from the financial year 2019/20 onwards to have the following specific effects where the Group acts as lessee:

- The application of the right-of-use model will result in a not inconsiderable increase in the balance sheet total from the time of first application due to the capitalisation of the rights of use and recognition of the lease liabilities. Accordingly, the associated decrease in the equity ratio is expected to be not inconsiderable.
- In future, amortisation and interest expenses will be recognised in the income statement instead of lease expenses. This will result in a not inconsiderable increase in EBITDA.
- In the cash flow statement, the portion of lease instalments representing the repayment on former operating leases will, in future, reduce the cash flow from financing activities and no longer the cash flow from operations. By the same token, the interest portion of the lease instalments will be recognised in cash flow from financing activities in future.

Based on the current assessment of the management, the consolidated financial statements of All for One Steeb AG will therefore change considerably from the time of first application, especially the results of operations, cash flow from operations, balance sheet total, and presentation of the net assets and financial position. Added to which, the first-time application of IFRS 16 will lead to additional disclosures in the Notes to the Consolidated Financial Statements. The aim is to allow balance sheet readers to assess the effects of existing lease agreements on the Group.

All for One Steeb AG will use the modified retrospective transfer method when applying IFRS 16 for the first time, i.e. will recognise the rights of use and lease liabilities for the first time on 1 October 2018. Cumulative effects from the change will be recognised in equity without affecting profit or loss.

D. Definition of the Operating Segments

The individual Group companies and entities that form the Group's operating segments are what determine the organisation and the management of the Group. Two segments existed in the financial year: CORE and LOB. The CORE segment comprises ERP and collaboration solutions for companies' core business processes. The LOB segment ('Lines of Business') includes our business with IT solutions for departments such as sales and marketing, or human resources, which are increasingly being sourced in the cloud.

E. Consolidation Principles

All for One Steeb AG and all subsidiaries over which the company exercises legal or actual control are included in the company's consolidated financial statements.

Control is assumed to be exercised when the respective parent has the power to govern the potential subsidiary on the basis of voting or other rights, participates in positive or negative variable returns of the subsidiary, and can influence these returns through its power to govern.

The financial statements of the companies to be included in the consolidated financial statements are included in the consolidated financial statements from the beginning of the time exercise of control was possible until the end of the time of exercise of control was possible.

The purchase method and the full goodwill method are used in the capital consolidation of the subsidiaries. At the time of the acquisition the cost of the acquisition is offset against its revalued equity. The subsidiary's assets and liabilities are measured at fair value as part of the revaluation. Deferred taxes are recognised on hidden reserves and liabilities disclosed as part of the initial consolidation to the extent that this realisation is not also applicable for tax purposes. Whereas any remaining positive difference between the cost of an acquisition and the net assets measured at fair value is recognised as goodwill, a negative difference is reported as income from the acquisition after again identifying all of the assets acquired and liabilities assumed.

Whereas the measurement of the non-controlling interests' goodwill using the purchase method is based on the proportionate share of the revalued net assets, the full goodwill method uses fair value. In subsequent periods, any discovered hidden reserves and liabilities will be adjusted, amortised or eliminated in accordance with how the corresponding asset or liability is to be treated.

Intergroup revenues, expenses and income, as well as all receivables and liabilities among the consolidated companies, were eliminated. The effects on income tax were taken into account for those consolidation transactions treated as income and deferred taxes were recognised. Forward contracts for the purchase of additional shareholdings in existing subsidiaries are accounted for using the anticipated acquisition method, which means that no non-controlling interests are recognised.

The effects that the acquisition of former non-controlling interests has on already fully consolidated companies are reported under equity.

In accordance with IFRS 11, All for One Steeb AG accounts for its own assets, liabilities, revenues and expenses as a joint operator.

F. Scope of the Consolidation and Changes in Group Structure

In addition to All for One Steeb AG, the consolidated financial statements include all domestic and foreign companies in which the company as at 30 September 2018 directly or indirectly held a majority of the voting rights or exercised control on the basis of other rights in terms of IFRS 10.

In addition to All for One Steeb AG, the following companies are included in the company's consolidated financial statements as at 30 September 2018:

Company	Direct share in %	Indirect share in %
Process Partner AG, St. Gallen/Switzerland	100.0	
All for One Steeb GmbH, Vienna/Austria	100.0	
AC Automation Center Sàrl, Luxemburg/Luxemburg (10% of which is indirect)	100.0	
AC Automation Center SA/NV, Zaventem/Belgium	100.0	
All for One Steeb Yazılım Servisleri LTD, Istanbul/Turkey	100.0	
KWP INSIDE HR GmbH, Heilbronn/Germany	100.0	
KWP Austria GmbH, Vienna/Austria		100.0
KWP France S.à.r.l., Entzheim/France		100.0
KWP Czech s.r.o., Prague/Czech Republic		100.0
KWP Professional Services GmbH, Hamburg/Germany		100.0
avantum consult AG, Düsseldorf/Germany	100.0	
ALLFOYE Managementberatung GmbH, Düsseldorf/Germany	100.0	
OSC AG, Lübeck/Germany	100.0	
OSC Smart Integration GmbH, Hamburg/Germany		100.0
OSC Business Xpert GmbH, Burgdorf/Germany		51.0
Grandconsult GmbH, Filderstadt/Germany	100.0	
WEBMAXX GmbH, Munich/Germany	73.7	
B4B Solutions GmbH, Graz/Austria	70.0	
B4B Solutions GmbH, Ratingen/Germany		70.0

The scope of the consolidation remained unchanged and comprised ten domestic and nine foreign companies in the reporting year.

Transactions and Changes in the Scope of the Consolidation

B4B Group

The acquisition of the B4B Group in the previous year did not materially influence the earnings, assets and financial position of the Group.

inside Unternehmensberatung GmbH

We already reported in detail within the Annual Report 2016/17 about All for One Steeb AG having acquired all the shareholdings of inside Unternehmensberatung GmbH, Oldenburg, with an effective date of 1 April 2017 (see Annual Report 2016/17, Notes to the Consolidated Financial Statements, section F, Scope of the Consolidation and Changes in Group Structure, page 55 ff.). inside Unternehmensberatung GmbH has been included by way of full consolidation within the Group financial accounting and reporting of All for One Steeb AG since that date. A preliminary allocation of the fair value acquisition costs of the acquired assets and liabilities and their carrying amounts immediately prior to the business combination was undertaken at the acquisition date. After the final verification was made in the reporting period, this purchase price allocation is as follows:

inside Unternehmensberatung GmbH in KEUR	Carrying amount	Adjustments to fair value	Opening carrying value
Goodwill	0	3,505	3,505
Other intangible assets	7	5,231	5,238
Tangible fixed assets	258		258
Financial assets	144		144
Trade accounts receivable	878		878
Current income tax assets	6		6
Other assets	118		118
Cash and cash equivalents	599		599
Total assets	**2,010**	**8,736**	**10,746**
Provisions	18		18
Provisions for income tax	491		491
Financial liabilities	118		118
Deferred tax liabilities	11	1,632	1,643
Trade accounts payable	149		149
Other liabilities	896		896
Total liabilities	**1,683**	**1,632**	**3,315**
Net assets	**327**	**7,104**	**7,431**
Purchase price			7,431
Assumed cash and cash equivalents			599
Net purchase price			**6,832**

The opening carrying value of the trade accounts receivable comprises the following:

inside Unternehmensberatung GmbH in KEUR	
Gross receivables	878
Value adjustments	0
Fair value	**878**

After final verification of what to date had been preliminary carrying amounts, the identifiable intangible assets assumed through the acquisition are shown as follows:

Other intangible assets in KEUR	**Purchase price**	**Estimated useful life Months**
Customer base	4,000	36 – 144
Orders on hand	200	6
Brand name	1,031	unlimited
	5,231	

The goodwill of EUR 3.5 million consists in particular of intangible assets that can neither be identified nor recognised separately as an asset other than as goodwill, and include »human capital«, such as the consultants' qualifications and expertise.

Following on from the purchase price allocation classified as provisional in the Annual Report 2016/17 (see Annual Report 2016/17, Notes to the Consolidated Financial Statements, section F, Scope of the Consolidation and Changes in Group Structure, page 55 ff.), goodwill has now been reduced by EUR 0.9 million after the final review of the recognised value.

Following the final review of the value recognised for the customer base, the figure has been raised by EUR 1.2 million and the economic life extended. The values recognised for orders in hand and the brand name have only been increased slightly. The increases in value and adjustment to economic life resulted in the period under review in retrospective amortisation of EUR 0.1 million in total on intangible assets.

This transaction is a business combination in accordance with IFRS 3. In September 2017, the acquired company was merged into KWP INSIDE HR GmbH, Heilbronn, retroactively to 1 April 2017. The purchase price, less acquired cash, for the acquisition was EUR 6.8 million. Fixed purchase price components of EUR 5.2 million have already been paid in cash from on-hand liquidity in the financial year 2016/17. Furthermore, the total purchase price includes additional fixed purchase price installments of EUR 1.5 million, which are due payable in three tranches during the period of April 2017 to September 2019, as well as earnout components measured at EUR 0.7 million and whose amounts depend on the KWP INSIDE Group's business performance during the period of April 2017 to March 2020. There is no provision for an upper limit. The earnout components are calculated and due for payment each year. A discount of EUR 0.3 million for the future purchase price installments and the earnout components was recognised at the acquisition date.

For all additional information regarding this transaction, please see the Annual Report 2016/17, Notes to the Consolidated Financial Statements, section F, Scope of the Consolidation and Changes in Group Structure, page 55 ff.

Grandconsult GmbH

In November 2017, All for One Steeb AG took over an additional 25.1% of the shareholdings in Grandconsult GmbH, Filderstadt, as part of a call option from the 2015 share purchase agreement, and consequently now holds 100% of the shares in the company.

Companies Using the Exemption pursuant to §264, Section 3 »Handelsgesetzbuch«

Pursuant to §264, section 3 »Handelsgesetzbuch«, the companies KWP INSIDE HR GmbH, Heilbronn, avantum consult AG, Düsseldorf, OSC AG, Lübeck, are exempt from the obligation to prepare, have audited, and disclose annual financial statements and a management report under commercial law according to regulations applicable to corporations.

G. Foreign Currency Translation

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

Transactions made in foreign currencies are translated into the functional currency at the prevailing rate of exchange on the date of the transaction. Foreign-currency monetary assets and liabilities are translated at the exchange rate on the balance sheet date. Exchange differences are recognised in the income statement under other operating expenses. Non-monetary assets and liabilities, which were valued at historical cost in a foreign currency, are translated at the exchange rate on the day of the business transaction.

The translation of the financial statements of the included companies, whose functional currency differs from the Group's reporting currency, is made as follows: The assets and liabilities are translated at the period-end exchange rate, equity at historical rates and the expenses and income at the average annual exchange rate. The resulting exchange differences are recognised as equity not affecting net income.

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

	Year-end rate		Average exchange rate	
	30.09. 2018	30.09. 2017	**10/2017 – 09/2018**	10/2016 – 09/2017
CHF	1.1316	1.1457	1.1615	1.0909
CZK	25.7310	25.9810	25.5899	26.6722
TRY	6.9650	4.2013	5.2487	3.8868

Source: reference euro exchange rates from the European Central Bank published monthly by the Deutsche Bundesbank

H. Accounting and Valuation Principles

The financial statements of All for One Steeb AG and its domestic and foreign subsidiaries are prepared in accordance with IFRS 10.19 using uniform accounting and valuation principles.

Assumptions and Estimates

Assumptions and estimates were made when preparing the consolidated financial statements, which affected the disclosure and amounts of the reported assets, debts, income, expenses and contingent liabilities. In some cases, the actual amounts may vary from the assumptions and estimates that were made. Changes will be recognised in the income statement at the time more accurate information becomes available.

In this regard, particular note should be made of the reporting and valuation of goodwill and other intangible assets (note 11), trade accounts receivable (note 17), provisions (note 23), current and deferred (income) tax assets and liabilities (notes 14, 15 and 25).

Recognition of Revenues and Expenses

Sales revenues and other operating income are credited to the income statement at the time the product is delivered to, or the service is rendered for, the customer. Sales revenues are reported without value-added tax and take into consideration sales adjustments such as credit notes, commercial discounts and similar deductions.

Revenues from software maintenance, service and cloud agreements, as well as from managed services, are recognised on an accrual basis when the relevant service is provided. Revenues from the sale of licenses are considered realised when the customer acquires actual power of disposition over the software.

Consulting and training revenues are generated on the basis of individual service agreements and realised as the services are performed.

In accordance with IAS 18 and in conjunction with IAS 11, revenues from the rendering of long-term construction contracts (contracts for work) are recognised with reference to their stage of completion using the percentage of completion method of accounting. The stage of completion is determined on the basis of the hours of work already performed in relation to the estimated total number of hours for the respective project. The amount of revenue to be recognised on the reporting date is determined by applying this result (as a percentage) to the total revenues. Determining the stage of completion is a matter of judgement and subject to estimation uncertainty.

Operating costs are recognised in the income statement at the time use is made of the rendered service, or at the time of its causation, while interest income and expenses are recognised on an accrual basis. Dividends are recognised at the time they are distributed.

Financial Result

Valuation differences from adjustments of foreign currency exchange rates, which arise on financial assets and liabilities including internal Group financial relationships, are reported in the financial result.

In addition to interest income from loans granted and entitlements from finance leases, other income directly related to the financing or the investment in financial assets is also reported under financial income.

In addition to interest expenses from loans and finance lease obligations, other expenses directly related to the financing or the investment in financial assets are also reported under financial expenses, provided these are not required to be reported within equity. Interest expenses are recognised in the income statement using the effective-interest method. Borrowing costs are not capitalised.

Government Grants

These government grants relate to assets. In accordance with IAS 20, they are only recognised when there is reasonable assurance that any conditions attached to the grants will be complied with and that the grants will be awarded.

Earnings per Share

Earnings per share are determined on the basis of dividing the annual net earnings by the average number of shares outstanding (issued shares less treasury stock). There are no effects from dilution.

Goodwill

Goodwill arises from the application of the purchase method and the full goodwill method to business combinations, provided the cost exceeds the fair value of the net assets of the purchased subsidiary on the acquisition date.

Other Intangible Assets

In accordance with IAS 38, purchased and self-created intangible assets are capitalised at cost or fair value, provided that it is probable that future economic benefits attributable to the assets will flow to the company and that the cost of the assets can be measured reliably. Regular straight-line amortisation is made over the projected useful lives of the assets, provided that their useful lives can be determined with sufficient accuracy. Please see note 11, Goodwill and Other Intangible Assets for information about the useful life of assets.

Impairment of Goodwill and Other Intangible Assets

Goodwill and other intangible assets with an indefinite useful life are tested for impairment at least once a year in accordance with IAS 36. Each impairment loss is recognised immediately in the income statement. All other intangible assets are tested for impairment as circumstances dictate. For impairment testing, assets are allocated where necessary to the smallest identifiable group of assets, or cash-generating unit, which generates cash flows that can be measured. An impairment loss is recognised when the cash-generating unit's carrying amount is greater than the recoverable amount. This is determined by the higher of the fair value less costs to sell and the value in use as measured using the discounted cash flow method. Impairment testing is based on assumptions that are a matter of judgement. The material assumptions relate to sales planning and discount rates.

Tangible Fixed Assets

Tangible fixed assets are reported at cost less regular straight-line depreciation in accordance with IAS 16.

Regular depreciation is made across the projected economic life of the assets within the Group, which are as follows:

	Years
Leasehold improvements	2 – 15
IT systems	3 – 6
Operating and office equipment	4 – 13

An impairment loss is charged against earnings in accordance with IAS 36 in the event that the carrying amount is greater than the estimated recoverable amount. Any income or loss generated from the disposal of tangible fixed assets is reported in the income statement.

Leasing Arrangements

Leased assets under IAS 17, which are leased under terms by which the Group assumes all substantial risks and benefits incident to ownership from an economic perspective, are classified as finance leases and capitalised as non-current assets at the time of acquisition. At the same time, financial liabilities of the corresponding amount are recognised. Recognition is made at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The depreciation methods and useful lives should be consistent with those for other comparable purchased assets. The interest component of lease payments is recognised in the interest result.

Lease payments are recognised in full as an expense in the case of operating leases in which beneficial ownership remains with the lessee.

Financial Assets

Financial assets in terms of IAS 39, which are of relevance for All for One Steeb, are classified as follows:

- Held-to-maturity financial investments
- Receivables and loans
- Available-for-sale financial assets

With the exception of receivables and loans, financial assets with determinable payments and fixed terms, which the company can and wishes to hold to maturity, are classified as held-to-maturity financial investments. These financial investments with a maturity of more than twelve months after the balance sheet date are reported as **non-current assets**, while all others are reported as **current assets**. In particular, the former includes entitlements from finance leases as well as other assets. Their value is stated at nominal value or at the original cost including transaction costs less cumulative value adjustments.

Cash and cash equivalents include cash on hand and deposits in banks. Changes in fair values are recognised in the financial result. **Trade accounts receivable** and other receivables are reported at amortised cost. Trade accounts receivable are reported less value adjustments. Accounts receivable exposed to an increased risk of default are evaluated individually and written down as needed. No value adjustments were made to any of the other financial assets. Non-current construction contracts are valued using the percentage of completion method and reported under trade accounts receivable, provided it is probable that payment will be made to the Group. Included under **available-for-sale financial assets** are those assets that cannot be allocated to the categories above. Gains and losses from the evaluation of the fair value are recognised directly in equity. Cumulative profit or losses that were previously recognised in equity are reported in the income statement at the time the financial investments are cancelled.

Non-Controlling Interests

As at the acquisition date, the non-controlling interests measured using the purchase method are recognised with the proportionate share of revalued net assets of the subsidiary, while the non-controlling interests measured using the full goodwill method are recognised at the proportionate share of fair value of the subsidiary. An adjustment of non-controlling interests will be made in subsequent periods taking into consideration current profits and losses, distributions to non-controlling interests and currency differences. Non-controlling interests are reported as equity in the Group balance sheet.

Inventories

Inventories of merchandise (hardware and software held for sale) are valued at average cost or their potentially lower net realisable sale value. An appropriate value adjustment will be made for any other impairment.

Provisions

Provisions are recognised with respect to the cause or amount of uncertain obligations, provided there exists a legal or constructive obligation stemming from an underlying causal event occurring prior to the balance sheet date, and it is probable that an outflow of resources embodying economic benefits will be necessary in order to fulfill the obligation. Long-term provisions with a remaining term of more than one year are reported at their discounted settlement amount on the balance sheet date.

Employee Benefit Obligations

All for One Steeb's active and former employees receive benefits and pensions based on the various local statutory employee benefit plans. In addition to defined contribution plans, there are also defined benefit plans whose value is determined using the projected unit credit method stipulated in IAS 19. The employer contributions for the respective period are recognised in the income statement for all defined contribution plans. The full amount of the post-employment benefit liabilities is presented in the balance sheet as at the respective reporting date. Actuarial gains and losses are recognised directly in other comprehensive income in the periods in which they occur, with deferred taxes being taken into account.

Liabilities

Trade accounts payable and other liabilities are reported at their nominal value, amortised cost or at fair value.

Financial Liabilities

The financial liabilities include interest-bearing liabilities from loans and from finance lease transactions as well as short-term liabilities to banks. These are reported at their nominal value or amortised cost.

Taxes

Current income taxes are calculated on the basis of earnings before taxes taking into account the respective country-specific regulations governing the computation of taxable income.

Deferred tax assets and liabilities result from the differences between the amounts stated for assets and liabilities in the tax balance sheet and the IFRS consolidated financial statements, provided such differences are not permanent. The Group uses the liability method, according to which deferred tax assets or liabilities can be determined based on the legal principles that are either valid or actually in force on the balance sheet date. In this case the tax rates at the time of the projected tax realisation are applied. Deferred tax assets also result from accumulated tax losses that can be carried forward (tax loss carry forwards), which can be offset against subsequent taxable earnings.

Deferred tax assets on temporary differences and on tax losses brought forward are only recognised in an amount corresponding to the probability that in the foreseeable future there will be sufficient taxable income available and that the Group will derive a benefit from applying them to it. The foreseeable future is principally considered to be the next three financial years.

Deferred tax assets and liabilities are not discounted and are reported in the balance sheet as non-current assets and liabilities.

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

Personnel Figures

Unless otherwise indicated, the personnel figures refer to the number of individuals employed. Part-time positions are not included on a pro rata basis.

Segment Reporting

All for One Steeb AG prepares its segment reporting according to IFRS 8 »Operating Segments«. Segment reporting reflects the Group's internal management and reporting approach on the basis of the individual companies and entities within the Group that form the Group segments. The segment reporting is based on the same disclosure and measurement policies as for the consolidated financial statements. Transfer pricing between the segments (intersegment sales) is made at terms equivalent to those that prevail in arm's length transactions.

Cash Flow Statement

The cash flow statement depicts an analysis of the changes in cash and cash equivalents. In accordance with IAS 7, the cash flow statement differentiates between cash flows from operating activities, investing activities and financing activities. The operating cash flow is derived from the Group balance sheet and income statement using the indirect method. Influences from changes in the scope of the consolidation, effects from the application of IFRS 5, as well as any currency-related valuation differences on the cash and cash equivalents, are reported separately.

Contingent Liabilities

Potential obligations for which the outflow of resources is considered improbable are not reported in the balance sheet and their potential projected financial effects (exposure) are reported as contingent liabilities.

I. Financial Risk Factors

Financial Risks

Financial risk management is handled according to the principles established by the company. These govern the company's protection against currency, interest and credit risks, cash management and short-term and long-term financing. The goal is to reduce financial risks while weighing the hedging costs against the risks being taken. Derivative financial instruments to hedge the mainstream business may be used when deemed appropriate. In order to minimise the counterparty credit risk, transactions will only be made with first-class counterparts.

Currency Risks

Fluctuations in currency rates have an impact on the presentation of assets and liabilities in the consolidated financial statements that are prepared in euros, insofar as assets and liabilities are denominated in currencies other than the euro. This is why All for One Steeb strives to finance its assets in the same currency. Revenue recognition within the individual companies is made predominantly in the same currency as that used for expenses. To the extent deemed necessary, remaining risks involved in foreign-currency accounting are covered using currency transactions (futures, options). Foreign currency hedges are not being used at the present time.

Changes in Interest Rate Risks

There will be exposure to changes in interest rates as long as there are long-term, interest-bearing liabilities with variable interest rates. These risks are minimised by interest hedges and the continuous monitoring of global interest-rate policies. Interest hedges are not being used at this time.

Because currently only fixed-rate long-term liabilities from the issuance of promissory notes exist, any potential change in interest rates of +/- 100 basis points would have no impact on the net Group earnings before taxes.

Liquidity Risks

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

In the case of the remaining All for One Steeb AG promissory notes in an amount of EUR 23.5 million, the holders of these promissory notes are authorised to raise the interest margin or, as applicable, to call the promissory notes due immediately should certain events occur on the basis of the covenants. These events primarily involve adhering to the agreed targets for the equity ratio and the relationship between total net debt and EBITDA. The creditors will also be authorised to cancel their loan commitments and call a total amount of EUR 23.5 million due immediately should certain changes be made in the All for One Steeb shareholder structure (change of control). These covenants had been complied with in full as at the balance sheet date. Because the management board continuously monitors compliance with the terms and conditions of the promissory notes, the risks resulting from such covenants are considered to be minor.

Default Risks

Default risks arise primarily from affording clients time to make payments and from the counterparty risk involved in financial transactions. The default risks from providing services and products are addressed in part through commercial credit insurance, credit checks on customers, monitoring of accounts receivable and the implementation of regular reminder procedures.

Explanatory Notes to the Consolidated Financial Statements

J. Income Statement

The income statement was prepared according to the aggregate cost method.

1. Sales Revenues

A new classification of sales revenues was introduced during the current reporting period:

- Cloud services and support
- Software licenses
- Software support
- Consulting and services

This new classification has replaced the former distinction between consulting, outsourcing and cloud services (incl. software maintenance), software licenses, and hardware and other revenues. Prior-year figures have been adjusted to reflect the new classification.

Sales revenues are classified as follows:

Sales by type in KEUR	**10/2017 – 09/2018**	**10/2016 – 09/2017**
Cloud services and support	59,579	46,678
Software licenses	43,384	38,640
Software support	95,965	89,392
Consulting and services	133,429	125,811
Total	**332,357**	**300,521**

Sales by country[1] in KEUR	**10/2017 – 09/2018**	**10/2016 – 09/2017**
Germany	284,506	257,174
Austria	18,009	15,085
Switzerland	14,604	15,504
Luxemburg	8,652	8,069
Italy	2,691	566
Other countries[2]	3,895	4,123
Total	**332,357**	**300,521**

1) based on domicile of the customer
2) each with sales of less than EUR 1 million

Sales revenues include revenues of KEUR 26,814 (prior year: KEUR 26,652) determined by using the percentage of completion method. The cumulative expenses for ongoing projects valued using the percentage of completion method totalled KEUR 51,791 (prior year: KEUR 49,856) and the cumulative gains were KEUR 8,878 (prior year: KEUR 6,218).

2. Other Operating Income

in KEUR	**10/2017 – 09/2018**	**10/2016 – 09/2017**
Marketing support	1,766	973
Adjustments to variable purchase price obligations	686	0
Investment tax credits (public authorities)	405	0
Income from co-payments from employees	369	319
Income from disposal of assets	286	132
Income from currency differences	269	110
Reversal of provisions and employee benefit obligations	204	260
Income from cost allocation to partner networks	93	98
Other income	910	1,080
Total	**4,988**	**2,972**

3. Cost of Materials and Purchased Services

in KEUR	**10/2017 – 09/2018**	**10/2016 – 09/2017**
Purchased services	86,248	79,010
Cost of materials	33,673	30,232
Total	**119,921**	**109,242**

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

4. Personnel Expenses

in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
Salaries and wages	119,235	106,708
Social security contributions	18,306	15,864
Defined contribution plan expenses	870	882
Defined benefit plan expenses	372	552
Other personnel expenses	1,065	162
Total	**139,848**	**124,168**

The average number of people (by headcount) employed in the financial year 2017/18 was 1,602 (prior year: 1,407), of whom 1.164 were in cloud and consulting (prior year: 1,023 employees), 167 in sales and marketing (prior year: 140 employees), 162 in administration and management (prior year: 145 employees), 70 in marginal employment/on parental leave/on extended sick leave (prior year: 59 employees) and 39 apprentices and trainees (prior year: 40 employees).

The following figures include apprentices and trainees:

Average personnel capacity by function	10/2017 – 09/2018	10/2016 – 09/2017
Cloud and consulting	1,140	1,001
Sales and marketing	153	129
Administration and management	143	132
Total	**1,436**	**1,262**

Personnel capacity by country at financial year-end	30.09. 2018	30.09. 2017
Germany	1,341	1,186
Austria	56	50
Switzerland	34	27
Other countries	65	59
Total	**1,496**	**1,322**

5. Employee Benefit Obligations

There are both defined benefit and defined contribution plans for retirement, disability and survivor benefits. The amount of the benefit obligations for the defined benefit plans is calculated primarily on the basis of the individual employee's length of employment and compensation. There also exists a domestic employee-funded retirement benefits plan in the form of a direct benefit commitment that is secured by a congruent and pledged reinsurance programme. Although the risk that All for One Steeb may be liable for a return that cannot be met by the insurance company is considered very small, this employee-funded retirement benefits plan is not required to be classified as a defined benefit plan under IFRS. All plans are exposed to those risks that are customary for defined benefits, particularly the risks associated with changes in discount rates.

The following information provides an overview of the financial situation of the defined benefit plans as at 30 September 2018 and 2017:

in KEUR	Defined benefit obligation		Fair value of plan assets		Net liabilities/assets from defined benefit plans	
	10/2017 – 09/2018	10/2016 – 09/2017	10/2017 – 09/2018	10/2016 – 09/2017	10/2017 – 09/2018	10/2016 – 09/2017
Balance as at 1 October	**13,990**	**17,130**	**-11,522**	**-12,763**	**2,468**	**4,367**
Recognised in profit and loss						
Current service cost	372	552	0	0	372	552
Past service cost	0	-75	0	0	0	-75
Interest expense/income	152	92	-132	-78	20	14
	524	**569**	**-132**	**-78**	**392**	**491**
Recognised in other comprehensive income						
Loss/profit from revaluations						
Actuarial loss/gains from:						
demographic assumptions	0	-409	0	0	0	-409
financial assumptions	-400	-1,148	191	219	-209	-929
experience-based adjustments	16	-421	0	0	16	-421
Return on plan assets	0	0	42	-34	42	-34
Foreign currency differences	41	-489	-64	295	-23	-194
	-343	**-2,467**	**169**	**480**	**-174**	**-1,987**
Other items						
Company contributions	-262	-227	27	-23	-235	-250
Payments made	-324	-1,015	319	862	-5	-153
	-586	**-1,242**	**346**	**839**	**-240**	**-403**
Balance as at 30 September	**13,585**	**13,990**	**-11,139**	**-11,522**	**2,446**	**2,468**
Of which are attributable to:						
Germany	6,265	6,512	-5,740	-5,983	525	529
Switzerland	7,320	7,478	-5,399	-5,539	1,921	1,939
	13,585	**13,990**	**-11,139**	**-11,522**	**2,446**	**2,468**

The assumptions for the actuarial valuations differ for each individual plan, since they were made by taking into consideration the specific circumstances of the asset investment strategy and the personnel structure of the affiliated companies. The table below lists the key plan figures that are relevant for the calculation, the weighted average assumptions on which the calculation is based, and the weighted average assumptions on which the actuarial calculations relating to the defined benefit pension plans are based. Calculation of the obligations in Germany was derived from the 2005G mortality tables issued by Prof. Dr. Klaus Heubeck, which served as the biometric basis for computation. The new 2018G mortality tables issued by Prof. Dr. Klaus Heubeck were published on 20 July 2018. For reasons of immateriality, they were not yet applied to the consolidated financial statements as at 30 September 2018. In Switzerland, the BVG 2015 generation tables are used as the biometric basis for calculating the obligations.

	30.09.2018	30.09.2017
Number of plans	7	6
of which with assets set aside	1	1
of which with no assets set aside	5	4
Number of individuals participating in the plans	129	127
of whom are active insurance participants	77	75
of whom are inactive insurance participants	33	34
of whom are retired	19	18
Discount rate Germany	1.57%	1.51%
Discount rate Switzerland	1.20%	0.75%
Development of salaries Germany	0.00% – 2.00%	0.00% – 2.00%
Development of salaries Switzerland	1.00%	1.00%
Development of pensions Germany	1.70%	1.70%
Development of pensions Switzerland	0.00%	0.00%

On 30 September 2018 the weighted average duration of the defined benefit obligations was 8.2 years (prior year: 11.6 years) in Germany and 19.7 years (prior year: 21.2 years) in Switzerland.

Plan assets as at 30 September 2018 and 2017 were as follows:

in KEUR	30.09.2018	30.09.2017
Rented properties	702	554
Obligations CHF	270	554
Obligations other currencies	1,511	1,440
Shares Switzerland	324	332
Shares other countries	1,296	1,080
Liquid assets and other financial assets	7,036	7,562
Total plan assets	**11,139**	**11,522**

The expected payments for All for One Steeb's employee benefit plans for the financial year 2018/19 are KEUR 512 (prior year: KEUR 571).

Sensitivity Analysis

On the basis that other assumptions remain the same, a change of 0.25 percentage points in the discount rate or of 0.25 to 0.5 percentage points in the development of pensions would have the following effects on the defined benefit obligations:

	Defined benefit obligation	
Effect in EUR	Increase	Decrease
Germany		
Discount rate (+/- 0.25% points)	-126	131
Pension progression (+/- 0.5% points)	103	-96
Switzerland		
Discount rate (+/- 0.25% points)	-228	237
Pension progression (+0.25% points)	169	–

6. Depreciation and Amortisation

The amounts of depreciation and amortisation are determined by the changes in non-current assets (see the Consolidated Statement of Changes in Fixed Assets). In the financial year under review, unscheduled depreciation (impairment) of KEUR 100 (prior year: KEUR 0) was performed on a customer base in the LOB segment to reflect the current and planned order situation. As a result, the carrying amount is now the same as the value in use.

7. Other Operating Expenses

in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
Data processing expenses	13,491	10,913
Vehicle costs	9,421	8,397
Travel and overnight accommodation expenses	7,132	6,141
Cost of premises	5,138	4,810
Marketing and advertising	2,760	2,421
Human resource management expenses	2,706	1,838
Consulting and financial statement preparation costs	1,859	1,613
Insurances	665	561
Expenses from currency differences	0	42
Other items	3,198	3,973
Total	**46,370**	**40,709**

8. Financial Result

in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
Finance lease interest income	237	265
Other interest income	32	111
Financial income	**269**	**376**
External bank loan interest expenses	-763	-866
Finance lease interest expenses	-103	-65
Other interest expenses	-424	-114
Financial expenses	**-1,290**	**-1,045**
Total	**-1,021**	**-669**

9. Income Tax

Tax expenses consist of the following:

in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
Current tax expenses	7,054	6,524
Income from deferred taxes	-1,205	-216
Total	**5,849**	**6,308**

Current tax expenses in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
Current income tax for the reporting year	6,971	6,459
Current income and withholding taxes relating to prior periods	83	65
Total	**7,054**	**6,524**

Income from deferred taxes in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
Change in tax charge on undistributed profits for the reporting year	-16	-30
Change in timing differences for the reporting year	-841	-142
Recognition of tax assets from tax losses brought forward	-348	-44
Total	**-1,205**	**-216**

The following table shows a reconciliation of the expected and the actually reported tax expenses:

in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
EBT	19,556	19,393
Expected tax expense/revenue at the rate of 30%	-5,865	-5,818
Temporary tax differences	-171	-10
Non-tax-deductible expenses/revenues	-92	-492
Capitalisation of tax losses brought forward	219	275
Current tax expenses/revenues relating to prior periods	-83	-65
Use of uncapitalised tax losses brought forward for current year	93	46
Waiver of capitalisation of tax losses brought forward for current year	-137	-403
Effect of different tax rates	101	157
Tax rate changes	54	0
Other effects	32	2
Total	**-5,849**	**-6,308**

Current taxes are calculated on the basis of prevailing tax rates rates The Group's tax rate of 30.0% (prior year: 30.0%) was determined on the basis of a corporate income tax rate of 15.0% plus the solidarity surcharge of 5.5% on this rate, and a municipal trade income tax rate of 14.2%.

The following table shows the composition of deferred tax assets and deferred tax liabilities:

in KEUR	Deferred tax assets 30.09.2018	Deferred tax liabilities 30.09.2018	Deferred tax assets 30.09.2017	Deferred tax liabilities 30.09.2017	Total 30.09.2018	Total 30.09.2017
Financial assets	-101	1,328	0	1,229	1,227	1,229
Financial liabilities	-19	50	0	60	31	60
Inventories	-9	0	-16	0	-9	-16
Trade accounts receivable	-151	1,947	-2	1,533	1,796	1,531
Intangible assets	-76	11,680	-54	12,055	11,604	12,001
Employee liabilities	-147	11	-40	0	-136	-40
Employee benefit obligations	-689	0	-673	0	-689	-673
Provisions	-185	34	-200	80	-151	-120
Tangible fixed assets	0	21	-1	80	21	79
Other timing differences	0	96	0	112	96	112
Other liabilities	-47	0	-36	0	-47	-36
Tax loss carry forwards	-640	0	-292	0	-640	-292
Deferred tax assets (-) / liabilities (+)	**-2,064**	**15,167**	**-1,314**	**15,149**	**13,103**	**13,835**
Balancing	651	-651	633	-633	0	0
Total deferred tax assets (-) / liabilities (+)	**-1,413**	**14,516**	**-681**	**14,516**	**13,103**	**13,835**

10. Earnings per Share

Earnings per share were derived from the earnings after tax attributable to the shareholders of the Group parent company and from the average number of shares in circulation. The earnings after tax attributable to the shareholders of the Group parent company increased year on year to KEUR 14,031 (prior year: KEUR 13,103). The average number of shares in circulation was unchanged at 4,982,000 in the financial year 2017/18.

The average number of shares (diluted) outstanding is the same as the average number of shares (undiluted) outstanding. The diluted earnings per share are therefore the same as the undiluted earnings per share share and increased year on year to EUR 2.82 (prior year: EUR 2.63)

K. Notes to the Balance Sheet

11. Goodwill and Other Intangible Assets

Your attention is directed to the Consolidated Statement of Changes in Fixed Assets included as an annex to these Notes to the Consolidated Financial Statements regarding the composition of this item.

The Group balance sheet as at 30 September 2018 reported goodwill with a balance sheet value of KEUR 23,642 (prior year: KEUR 24,531) other intangible assets with a balance sheet value of KEUR 38,705 (prior year: KEUR 41,618). In order to determine if any assets may be impaired, the company estimated the expected cash flows from the use and eventual sale of the assets. The actual cash flows derived may vary from the projected cash flows and from the cash flows discounted to the balance sheet date. In particular, any departure of customers from the core client business accounted for in the balance sheet, and the subsequent lower-than-projected amount of products and services sold, may result in shortened useful lives and impairment.

Impairment Testing of Goodwill and Trademark Rights

For the purpose of performing impairment tests, All for One Steeb has designated the following companies as cash-generating units (CGU) to which the respective goodwill and trademark rights are allocated. The value in use was applied when testing goodwill and trademark rights for impairment. The value in use of the future cash flows was determined using the discounted cash flow method, which does not take tax payments into consideration. As in the prior year, the applied discount rate built on the capital asset pricing model and was derived from the average weighted cost of equity and borrowed capital. The cost of equity is based on a risk-free capital-market interest rate for the respective period taking into consideration the Beta factor for the industry and a risk premium based on the relevant capital market. From this a pre-tax discount rate was derived based on the tax situation.

Current assets and earnings projections for the next three years have been prepared for the cash-generating units (CGU), which reflect and incorporate the company's latest estimates regarding how these units' sales and costs will develop. Prospective cash flow statements were derived from this and plausible assumptions were made about the further development in the years to follow that reflect a growth rate of 1%. Furthermore, the projections assumed a constant or slightly improving EBIT margin.

Goodwill

Goodwill decreased by KEUR 889 to KEUR 23,642 (prior year: KEUR 24,531) in the reporting year. The change was due to the final review of the allocation of the purchase price for inside Unternehmensberatung GmbH, Oldenburg, which necessitated an adjustment of the goodwill to KEUR 3,505.

No write-downs on goodwill were made in the reporting year.

Goodwill in KEUR	30.09. 2018	30.09. 2017
CGU All for One Steeb AG		
Steeb Anwendungssysteme GmbH, Abstatt (merged into the Group parent in Dec 2011)	9,692	9,692
All for One Midmarket Solutions & Services GmbH, Stuttgart (merged into the Group parent in Sep 2008)	2,434	2,434
Other CGU's		
avantum consult AG, Düsseldorf	2,569	2,569
Subgroup OSC AG, Lübeck	2,327	2,327
Process Partner AG, St. Gallen/Switzerland	1,596	1,596
KWP team HR GmbH, Düsseldorf (merged into KWP Kümmel, Wiedmann + Partner Unternehmensberatung GmbH, Heilbronn, in Dec 2014)	482	482
KWP INSIDE HR GmbH, Heilbronn (formerly: KWP team HR GmbH, KWP Kümmel, Wiedmann + Partner Unternehmensberatung GmbH)	365	365
All for One Steeb GmbH, Vienna/Austria	125	125
Grandconsult GmbH, Filderstadt	18	18
Subgroup B4B Solutions GmbH, Graz/Austria	529	529
inside Unternehmensberatung GmbH, Oldenburg (merged into KWP INSIDE HR GmbH, Heilbronn, in Aug 2017)	3,505	4,394
Total	**23,642**	**24,531**

The goodwill and trademark rights were tested for impairment at the end of the financial year. This testing showed no impairment of the goodwill and trademark rights allocated to the cash-generating units (CGU) as at 30 September 2018. The company believes, extraordinary events and circumstances aside, that a revision of its assumptions would not lead to the carrying amounts of the goodwill and trademark rights exceeding their respective recoverable amounts.

Other Intangible Assets

Other intangible assets include brand names (trademark rights) totalling KEUR 12,331 (prior year: KEUR 12,344). These brand names are company brands for which an economic life cannot be determined. Unlike product brands, these have no life cycle. For this reason it is generally assumed that they have an indefinite useful life.

No internally generated software (prior year: KEUR 140) was capitalised during the reporting year.

Other intangible assets in KEUR	Purchase price	Estimated useful life in months	Remaining useful life in months	Net carrying amount 30.09.2018	Net carrying amount 30.09.2017
Trademark rights					
CGU All for One Steeb AG					
Trademark rights of former Steeb Anwendungssysteme GmbH, Abstatt	5,465	unlimited	unlimited	5,465	5,465
Trademark rights of former All for One Midmarket Solutions & Services GmbH, Stuttgart	3,283	unlimited	unlimited	3,283	3,283
Other CGU's					
Trademark rights of avantum consult AG, Düsseldorf	1,566	unlimited	unlimited	1,566	1,566
Trademark rights of OSC AG, Lübeck	939	unlimited	unlimited	939	939
Trademark rights of B4B Solutions GmbH, Graz/Austria	77	60	36	47	62
Trademark rights of former inside Unternehmensberatung GmbH, Oldenburg	1,031	unlimited	unlimited	1,031	1,029
Customer base					
Customer base of former Steeb Anwendungssysteme GmbH, Abstatt	27,626	48 – 180	0 – 98	14,453	16,373
Customer base of former All for One Midmarket Solutions & Services GmbH, Stuttgart	6,225	180	28	968	1,383
Customer base of avantum consult AG, Düsseldorf	3,825	120	67	2,136	2,518
Customer base of OSC AG, Lübeck	5,903	144	73	2,992	3,484
Customer base of former KWP team HR GmbH, Düsseldorf	628	120	9	47	110
Customer base of Grandconsult GmbH, Filderstadt	1,362	96	54	669	941
Customer base of B4B Solutions GmbH, Graz/Austria	276	120	96	221	248
Customer base of former inside Unternehmensberatung GmbH, Oldenburg	4,000	36 – 144	18 – 126	3,328	2,565
Other intangible assets					
Internal software solutions	535	60 – 72	0 – 48	163	239
Maintenance contracts of avantum consult AG, Düsseldorf	664	120	67	371	437
Orders on hand of Grandconsult GmbH, Filderstadt	848	9 – 21	0	0	0
Orders on hand of B4B Solutions GmbH, Graz/Austria	119	11	0	0	0
Orders on hand of former inside Unternehmensberatung GmbH, Oldenburg	200	6	0	0	0
Other acquired intangible assets	5,089	12 – 96	0 – 66	926	976
30.09.2018	**69,661**			**38,605**	**41,618**

Impairment tests using the relief from royalty method were performed at the end of the financial year due to the trademark rights having an indefinite useful life (exception: B4B brand). No write-downs were made as at 30 September 2018.

Impairment testing on goodwill and trademark rights was based on the following pre-tax discount rates:

(Formerly) Steeb Anwendungssysteme GmbH, Abstatt: The implied average pre-tax discount rate is 9.47% (prior year: 7.27%).

(Formerly) All for One Midmarket Solutions & Services GmbH, Stuttgart: The implied average pre-tax discount rate is 9.47% (prior year: 7.27%).

avantum consult AG, Düsseldorf: The implied average pre-tax discount rate is 10.98% (prior year: 7.66%).

Subgroup OSC AG, Lübeck: The implied average pre-tax discount rate is 11.08% (prior year: 7.64%).

Process Partner AG, St. Gallen/Switzerland: The implied average pre-tax discount rate is 9.14% (prior year: 6.38%).

(Formerly) KWP team HR GmbH, Düsseldorf: The implied average pre-tax discount rate is 10.93% (prior year: 7.43%).

(Formerly) KWP Kümmel, Wiedmann + Partner Unternehmensberatung GmbH, Heilbronn: The implied average pre-tax discount rate is 10.93% (prior year: 7.43%).

All for One Steeb GmbH, Vienna/Austria: The implied average pre-tax discount rate is 10.07% (prior year: 7.03%).

Grandconsult GmbH, Filderstadt: The implied average pre-tax discount rate is 9.04% (prior year: 7.49%).

Subgroup B4B Solutions GmbH, Graz/Austria: The implied average pre-tax discount rate is 9.83% (prior year: 6.86%).

(Formerly) inside Unternehmensberatung GmbH, Oldenburg: The implied average pre-tax discount rate is 10.93% (prior year: 7.43%).

12. Tangible Fixed Assets

Your attention is directed to the Consolidated Statement of Changes in Fixed Assets included as an annex to these Notes to the Consolidated Financial Statements regarding the composition of this item.

Also included under leasehold improvements are those improvements over which the lessor has since assumed legal ownership, but which remain in the beneficial ownership of the lessee for the term of the lease. The useful life for depreciation purposes is the shorter of the remaining term of the lease or the useful life.

The other tangible fixed assets include office machines and equipment, office furniture and furnishings, as well as company cars.

The lessor has legal ownership of the tangible fixed assets in the amount of KEUR 5,777 (prior year: KEUR 3,487) under finance leases.

13. Financial Assets

in KEUR	Total receivables	Due <1 year	Due >1 <5 years	Due >5 years
Gross receivables from finance leases	10,097	3,614	6,483	0
Unrealised share of interest therein	-305	-39	-266	0
Net receivables from finance leases	**9,792**	**3,575**	**6,217**	**0**
Other loans	366	120	246	0
Security deposits	177	71	106	0
Total as at 30.09.2018	**10,335**	**3,766**	**6,569**	**0**
Gross receivables from finance leases	9,235	3,320	5,915	0
Unrealised share of interest therein	-375	-44	-331	0
Net receivables from finance leases	**8,860**	**3,276**	**5,584**	**0**
Other loans	410	91	319	0
Security deposits	182	51	131	0
Total as at 30.09.2017	**9,452**	**3,418**	**6,034**	**0**

Receivables from finance leases pertain to customer-specific IT systems for managed cloud services and fulfil the application regulations set forth in IFRIC 4.

Other loans include a loan receivable of KEUR 400 that has been completely written off.

14. Deferred Tax Assets

See note 9, Income Tax, for detailed information about the structure of the deferred tax assets.

The subsidiary Grandconsult GmbH, Filderstadt, established deferred tax assets for tax loss carry forwards in the amount of KEUR 275 in the prior year. These deferred tax assets were used in their entirety during the current financial year.

The subsidiary ALLFOYE Management Beratung GmbH, Düsseldorf, established deferred tax assets for tax loss carry forwards in the amount of KEUR 181.

The subsidiary B4B Solutions GmbH, Graz/Austria, established deferred tax assets for tax loss carry forwards in the amount of KEUR 176 (prior year: KEUR 17). In the course of this financial year, the subsidiary B4B Solutions GmbH, Ratingen, capitalised deferred taxes of KEUR 283.

Recognition of deferred tax assets is made on the basis of each respective company's budget. These budgets are revised annually and require a variety of estimations. These estimations may change as a result of changes in the market, competitive environment, customer structure and general economic situation. There is a great deal of volatility involved in recognising deferred tax assets in light of the regular reassessments that are made.

15. Current and Deferred (Income) Tax Assets and Liabilities

As at 30 September 2018, All for One Steeb showed net liabilities from current income taxes in the amount of KEUR 2,511 (prior year net assets: KEUR 863) and net liabilities from deferred taxes in the amount of KEUR 13,103 (prior year: KEUR 13,835). The management board has to make far-reaching estimates to determine the receivables and liabilities relating to current income taxes and deferred taxes. These estimates are based among other things on the interpretation of each country's prevailing tax laws and regulations. The management board makes estimates about the subsidiaries' future taxable earnings situation both upon the initial recognition and regular determination of deferred tax assets from chargeable tax loss carry forwards. Numerous internal and external factors can have a favourable or unfavourable impact on the assets and liabilities from deferred income taxes. Changes can also be attributable to amendments in tax legislation, final tax assessment notices and the favourable or less-favourable way that the taxable income projections for the subsidiaries develop. Such factors may necessitate adjustments in the reported income tax assets and liabilities.

16. Inventories

Inventories mainly consist of hardware held for sale in the amount of KEUR 675 (prior year: KEUR 1,022).

17. Trade Accounts Receivable

in KEUR	30.09.2018	30.09.2017
Accounts receivable from other third parties	48,868	45,181
Value adjustments	-1,611	-2,305
Total	**47,257**	**42,876**

Trade accounts receivable include construction contracts with a credit balance due from customers in the amount of KEUR 1,350 (prior year: KEUR 878).

There are no trade accounts receivable from related parties or companies at the present time, nor were there any in the prior year (see note 31, Related Parties).

Changes in Allowances for Doubtful Accounts

The KEUR 1,725 in allowances for doubtful accounts as at 30 September 2016 was utilised in the amount of KEUR 158 and increased by KEUR 738. This resulted in an allowance for doubtful accounts in the amount of KEUR 2,305 as at 30 September 2017.

The KEUR 2,305 in allowances for doubtful accounts as at 30 September 2017 was utilised in the amount of KEUR 550 and decreased by KEUR 144. This resulted in an allowance for doubtful accounts in the amount of KEUR 1,611 as at 30 September 2018.

The following table shows the breakdown of trade accounts receivable not yet due and overdue based on the terms agreed to with the customers and the age structure of the receivables:

in KEUR	30.09.2018	30.09.2017
Total gross trade accounts receivable	**48,868**	**45,181**
Thereof:		
Not yet due	35,689	29,817
Due under 1 month	7,117	8,251
Due between 1 and 3 months	2,471	3,325
Due between 3 and 6 months	965	303
Due between 6 and 12 months	575	1,649
Due after 12 months	2,051	1,836
Allowance for doubtful accounts	-1,611	-2,305
Total net trade accounts receivable	**47,257**	**42,876**

The allowances for doubtful accounts are determined based on the difference between the nominal value of the accounts receivable and their estimated net recoverable amounts.

The following shows the maturity analysis for trade accounts receivable:

in KEUR	30.09.2018	30.09.2017
Not past due, not individually impaired	35,497	29,398
Past due, but not individually impaired		
Less than 1 month past due	6,875	8,109
Between 1 and 3 months past due	2,095	2,986
Between 3 and 6 months past due	716	173
Between 6 and 12 months past due	331	153
More than 12 months past due	63	98
Total receivables past due, but not individually impaired	**10,080**	**11,519**
Individually impaired, after allowance for doubtful accounts	1,680	1,959
Total net trade accounts receivable	**47,257**	**42,876**

18. Other Assets

in KEUR	Total receivables	Due <1 year	Due >1 <5 years	Due >5 years
Prepaid services	4,263	3,272	991	0
Other accounts receivable	682	637	45	0
Total as at 30.09.2018	**4,945**	**3,909**	**1,036**	**0**
Prepaid services	4,103	3,025	1,078	0
Other accounts receivable	497	460	37	0
Total as at 30.09.2017	**4,600**	**3,485**	**1,115**	**0**

19. Cash and Cash Equivalents

in KEUR	30.09.2018	30.09.2017
Cash assets	36,267	26,790
Financial investments with an original fixed term of under 90 days	49	2,950
Cash on hand	15	15
Total	**36,331**	**29,755**

The average interest on bank deposits was 0.07% (prior year: 0.34%). Of the cash and cash equivalents, 93.6% (prior year: 90.7%) is denominated in EUR; 4.7% (prior year: 7.0%) in CHF; 0.4% (prior year: 0.7%) in CZK and 1.3% (prior year: 1.6%) in TRY.

20. Shareholders' Equity

As at 30 September 2018 the issued share capital was divided into 4,982,000 (30 Sep 2017: 4,982,000) registered no-par-value shares (individual share certificates) and has been fully paid in. The arithmetic nominal value of the shares outstanding remains unchanged at EUR 3.00 per share.

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

One of the items approved by the annual general meeting of 15 March 2018 was a dividend of EUR 1.20 per share, which was distributed in an amount of EUR 6.0 million (prior year: EUR 5.5 million).

All for One Steeb's capital is governed by the cost of equity. Investments and acquisitions will continue to be made with borrowed capital as long as borrowing costs are lower than the cost of equity. Variable interest rates were agreed to as part of the loans. Should certain events occur as described in covenants stipulated in the loan agreements, then the lenders will be authorised to increase the interest rate on the loans and, as applicable, call the loans due payable immediately. These covenants pertain to maintaining established corporate operating figures. All figures are calculated and evaluated at the Group level. The management board monitors compliance with contractual requirements and observes the movement in interest rates.

All for One Steeb seeks to use its dividend policy to enable shareholders to partake directly in the company's earnings and cash flow. However, the basic premise is to always maintain adequate financial flexibility for greater business performance and additional inorganic growth.

The capital reserve consists primarily of the premium from the issue of shares.

The other reserves pertain to the reserve from currency translation. The reserve from currency translation results from gains and losses on currency translation that arise from the conversion of the financial statements of foreign Group companies included in the consolidation. This item will be reclassified in the income statement as soon as the balance sheet items belonging to it are disposed of through deconsolidation.

21. Treasury Stock

As in the prior year, All for One Steeb AG holds no treasury stock.

22. Non-Controlling Interests

in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
At start of financial year	**147**	**115**
Distribution of profit to non-controlling interests	-12	-11
Profit share of current year	-324	-18
Acquisition of a subsidiary with non-controlling interests	0	61
At end of financial year	**-189**	**147**

This figure essentially contains a 26% shareholding in WEB-MAXX GmbH, Munich, and a 30% shareholding in B4B Solutions GmbH, Graz/Austria.

23. Provisions

in KEUR	01.10.2017	Provisions made	Provisions used	Provisions reversed	30.09.2018
Anniversary provision	298	29	-17	-3	309
Impending losses from construction contracts	189	79	-189	0	79
Severance payments Austria	45	3	0	0	48
Severance payments	226	427	-194	-32	427
Warranty and damage claims	234	677	-10	-151	750
Asset retirement obligations	18	0	0	-18	0
Other provisions	0	75	0	0	75
Total	**1,010**	**1,290**	**-410**	**-204**	**1,688**
Long-term (> 12 months)	361				357
Short-term (< 12 months)	649				1,331
Total	**1,010**				**1,688**

Anniversary Provision

Anniversary payments are valued using the internationally recognised projected unit credit method. Under this method, the value of this obligation is defined as the actuarial present value of the anniversary benefits that the employees have earned according to their length of service as at the reference date. Any existing assets used to fund the obligation are measured at fair value.

This item consists only of a non-current portion.

Impending Losses from Construction Contracts

This item consists only of a current portion (see note 28, Amounts Due to Customers Under Construction Contracts).

Severance Payments Austria

This item pertains to statutory entitlements to severance payments or redundancies in cases of regular retirement or severance actions initiated by the company in Austria. The valuation of provisions for severance payments is made according to actuarial principles using the projected unit credit method in accordance with IAS 19 on the basis of an accounting interest rate of 1.57% (prior year: 1.51%) and a retirement age of 60 for women and 65 for men (prior year: age 60 for women, age 65 for men). A salary increase of 2% (prior year: 2%) was assumed when making the calculation.

This item consists only of a non-current portion.

Severance Payments

Provisions for severance payments are recognised when existing employment relationships must be terminated for operational reasons or dissolved by mutual consent. The amount of such severance payments is not always established definitively at the time the balance sheet is prepared. In such cases, provisions are recognised in the amount that would be expected to be paid were the matter to be settled through a legal process.

This item consists only of a current portion.

Warranty and Damage Claims

These items mainly relate to provisions for warranty or compensation risks arising from disputed rollout projects (contracts for work).

This item consists only of a current portion.

In cases where there are no special valuation rules or principles for individual provisions, the management board made the provisions by estimating the probabilities and the amounts of the expected future outflow of resources to settle the obligations in each of the cases. These estimates are reviewed at each balance sheet date. If the effect is material, then in the case of long-term provisions the expected future cash outflows are discounted. Provisions are also recognised for contractual obligations where the unavoidable costs involved in fulfilling or revoking them are greater than the expected benefits and value to be received (onerous contracts).

The other provision items consist only of a current portion.

24. Financial Liabilities

in KEUR	Total liabilities	Due <1 year	Due >1 <5 years	Due >5 years
Future payments for finance leases	5,962	1,834	4,128	0
Interest therein	-156	-14	-142	0
Finance lease liabilities	**5,806**	**1,820**	**3,986**	**0**
Bank loans	23,504	147	19,376	3,981
Total as at 30.09.2018	**29,310**	**1,967**	**23,362**	**3,981**
Future payments for finance leases	3,773	1,437	2,336	0
Interest therein	-107	-13	-94	0
Finance lease liabilities	**3,666**	**1,424**	**2,242**	**0**
Other financial liabilities	52	52	0	0
Bank loans	23,491	5,052	14,462	3,977
Total as at 30.09.2017	**27,209**	**6,528**	**16,704**	**3,977**

The finance lease agreements consist primarily of lease-to-own agreements on parts of data center facilities, the legal ownership of which is transferred to the company with the respective payment of the final lease instalment.

Promissory notes in an amount of EUR 35 million were placed as at 30 April 2013. The financing terms and conditions were locked in for an extended period of time and mostly in the form of fixed interest rates. The promissory notes are not subordinated and are unsecured.

In the prior year, new promissory notes of EUR 10 million in total were placed at much more favourable terms and conditions and due to mature in 2022 and 2024, respectively (fixed rate of around 1.3% to 1.7%). A further promissory note tranche of EUR 8.5 million remains scheduled for repayment on 30 April 2020 (fixed rate: 4.3%). A residual financial liability consisting of a promissory note tranche of EUR 5 million (fixed rate of around 3.4%) was repaid as scheduled as of 30 April 2018 and replaced with a new tranche of EUR 5 million (fixed rate of around 1.4%, due on 30 Apr 2022). As a result, the entire portfolio of promissory notes for a total of EUR 23.5 million (30 Sep 2017: EUR 23.5 million) now has a long-term structure.

The holders of these promissory notes are authorised to raise the interest margin or, as applicable, to call the promissory notes totalling EUR 23.5 million due immediately should certain events occur on the basis of the covenants. These events involve adhering to the agreed targets for the equity ratio and the sum of equity as well as the relationship between total net debt and EBITDA. The creditors will also be authorised to cancel their loan commitments and call the remaining total amount of EUR 23.5 million due immediately should certain changes be made in the All for One Steeb shareholder structure (change of control). The management board believes that these requirements can be met both during the reporting year and in the future.

The B4B Group has a loan valued at KEUR 18 (prior year: KEUR 30) from the Raiffeisen Bank International AG. The loan is being repaid semi-annually in the amount of KEUR 6. The fixed interest rate is 1.0%.

The B4B Group has a loan valued at KEUR 25.5 (prior year: KEUR 32.8) from the Raiffeisen Bank International AG. Starting on 30 June 2017, this loan is being repaid semi-annually in the amount of KEUR 3.65. The fixed interest rate is 0.75%.

The average weighted interest rate for lease liabilities during the reporting period was 1.66% (prior year: 1.98%). The lease payments are established at the beginning of the contract and are not subject to changes in the instalment amount or interest rate for the duration of the term.

As at the balance sheet date, the All for One Steeb Group had approved lines of credit at banks in the amount of KEUR 9,801 (prior year: KEUR 10,301).

Aval guarantees for rental security deposits are being utilised in the amount of KEUR 1,376 (prior year: KEUR 722).

The change in financial liabilities affected the cash flow from financing activities as follows:

	Financial liabilities			Equity		
in KEUR	Finance lease liabilities	Bank loans	Other financial liabilities	Retained earnings	Non-controlling interests	Total
Balance as at 01.10.2017	**3,666**	**23,491**	**52**	**42,639**	**147**	**69,995**
Changes in cash flow from financing activities						
Cash flow from loans and long-term financial liabilities	0	5,000	0	0	0	5,000
Repayment of loans and long-term financial liabilities	0	-5,020	0	0	0	-5,020
Income tax paid	-103	-683	-213	0	0	-999
Repayment of finance leases	-1,938	0	0	0	0	-1,938
Dividend payments to shareholders and non-controlling interests	0	0	0	-5,978	-12	-5,990
Total change in cash flow from financing activities	**-2,041**	**-703**	**-213**	**-5,978**	**-12**	**-8,947**
Other changes						
Finance leases	4,239	0	0	0	0	4,239
Other non-cash transactions	-58	716	161	0	0	819
Total other changes with regard to financial liabilities	**4,181**	**716**	**161**	**0**	**0**	**5,058**
Total other changes with regard to equity	**0**	**0**	**0**	**14,108**	**-324**	**13,784**
Balance as at 30.09.2018	**5,806**	**23,504**	**0**	**50,769**	**-189**	**66,106**

25. Deferred Tax Liabilities

See note 9, Income Tax, for detailed information about the structure of deferred tax liabilities.

26. Other Liabilities

in KEUR	30.09. 2018	30.09. 2017
Personnel obligations	23,167	21,823
Advanced payment on maintenance charges	4,904	4,766
Other tax liabilities	4,634	4,138
Purchase price obligations	798	2,208
Other liabilities	4,835	4,730
Total	**38,338**	**37,665**
Short-term element thereof	37,825	35,639
Long-term element thereof	513	2,026

The »personnel obligations« item relates predominately to liabilities from unused holiday leave, as yet unpaid variable compensation components, commissions, flexi-time and overtime payments, bonuses and obligations to social security providers.

The purchase price obligations item decreased by KEUR 1,410 during the financial year. As at the end of the financial year, the obligations for payment of purchase price elements consisted principally of liabilities from the acquisition of inside Unternehmensberatung GmbH. These include variable purchase price obligations in the amount of KEUR 0, (prior year: KEUR 740) and fixed purchase price obligations in the amount of KEUR 798 (prior year: KEUR 1,512), which are due in the next financial year.

An amount of KEUR 68 (prior year: KEUR 21) was reported as interest expense from compounding the interest on the non-current other liabilities.

27. Trade Accounts Payable

The general payment term for trade accounts payable is 0 to 60 days.

28. Amounts Due to Customers Under Construction Contracts

The amounts due to customers under construction contracts total KEUR 921 (prior year: KEUR 1,188). Of this amount, KEUR 842 (prior year: KEUR 998) were recognised under trade accounts payable and KEUR 79 (prior year: KEUR 189) under provisions.

29. Additional Information about Financial Instruments

Measurement Categories as at 30 September 2018 in KEUR	Category	Carrying amount 30.09.2018	Fair value IFRS 7[1]
Assets			
Cash and cash equivalents	Loans and receivables	36,331	–
Trade accounts receivable	Loans and receivables	45,907	–
Receivables from finance leases	Loans and receivables	9,792	9,868
Other loans/deposits	Loans and receivables	543	–
Equity and liabilities			
Trade accounts payable	Financial obligations	14,690	–
Bank loans	Financial obligations	23,504	–
Finance lease liabilities	Financial obligations	5,806	5,821
Other financial liabilities	Financial obligations	0	–
Purchase price elements	Financial obligations	798	–

1) the carrying amount represents a suitable approximate value for the fair value in those cases where a fair value was not stated

Measurement Categories as at 30 September 2017 in KEUR	Category	Carrying amount 30.09.2017	Fair value IFRS 7[1]
Assets			
Cash and cash equivalents	Loans and receivables	29,755	–
Trade accounts receivable	Loans and receivables	41,998	–
Receivables from finance leases	Loans and receivables	8,860	9,019
Other loans/deposits	Loans and receivables	592	–
Equity and liabilities			
Trade accounts payable	Financial obligations	13,909	–
Bank loans	Financial obligations	23,491	–
Finance lease liabilities	Financial obligations	3,666	3,686
Other financial liabilities	Financial obligations	52	–
Purchase price elements	Financial obligations	2,208	–

1) the carrying amount represents a suitable approximate value for the fair value in those cases where a fair value was not stated

Cash and cash equivalents, trade accounts receivable and payable, as well as other loans/deposits have largely short remaining terms or are subject to variable interest rates that follow the market interest rates. These items are recognised at amortised cost.

Receivables from finance leases and the finance lease liabilities are also reported at amortised cost. The fair value measurement of the receivables from finance leases is made based on the present value of the payments associated with the assets. The fair values were measured based on the current interest parameters which reflect market-related changes in terms and expectations. The fair value measurement of the finance lease liabilities was made similarly.

The purchase price elements are measured at fair value through profit or loss. The fair value is measured as the present value of the expected discounted cash flows on the basis of the future business performance that is planned for the affected companies. The valuation parameters for measuring the fair value are based on unobservable market data (level 3).

The total interest income for financial assets not recognised as income at fair value was KEUR 238 (prior year: KEUR 265). The other interest expenses for financial liabilities, which were not measured at fair value in profit and loss, totalled KEUR 167 (prior year: KEUR 136).

The net losses from loans and receivables mainly included the results of impairment losses in an amount of KEUR 337 (prior year: KEUR 758). There were no significant net gains or losses on financial liabilities.

30. Segment Reporting

The segments at All for One Steeb AG are classified as follows:

The **»CORE«** operating segment includes software solutions for the areas of ERP (enterprise resource planning) and corporate-wide collaboration for midmarket customers. This operating segment also provides consulting and infrastructure services.

Another segment is called **»LOB«** (Lines of Business). This Lines of Business portfolio includes proprietary brands to specifically address the individual specialised departments within businesses.

The following segment information reflects the parameters utilised in the internal reporting and management systems, and which the management board uses for performance assessment and resource allocation purposes. In addition to the segment's sales revenues, the other results-based key performance indicator is earnings before interest and taxes (EBIT). For control purposes, acquisition-related depreciation and amortisation is presented separately or in the aggregate. Depreciation and amortisation from acquisitions pertain mainly to the customer relationships and intangible assets that result from completed acquisitions. Reporting is also made about the liquidity situation.

	CORE		LOB		Consolidation		Total	
in KEUR	**10/2017 – 09/2018**	10/2016 – 09/2017	**10/2017 – 09/2018**	10/2016 – 09/2017	**10/2017 – 09/2018**	10/2016 – 09/2017	**10/2017 – 09/2018**	10/2016 – 09/2017
Income statement								
Sales to external customers	277,956	251,743	54,401	48,778	0	0	332,357	300,521
Intersegment sales	3,857	3,498	9,932	8,725	-13,789	-12,223	0	0
Sales revenues (1)	**281,813**	**255,241**	**64,333**	**57,503**	**-13,789**	**-12,223**	**332,357**	**300,521**
Other operating income (2)	6,471	3,653	753	962	-2,236	-1,643	4,988	2,972
Cost of materials and purchased services (3)	-117,465	-106,960	-14,599	-13,219	12,143	10,937	-119,921	-109,242
Personnel expenses (4)	-102,841	-92,936	-37,007	-31,232	0	0	-139,848	-124,168
Other operating expenses (7)	-37,903	-32,547	-12,349	-11,000	3,882	2,838	-46,370	-40,709
Depreciation (6)	-5,859	-4,711	-591	-479	18	0	-6,432	-5,190
EBITA	**24,216**	**21,740**	**540**	**2,535**	**18**	**-91**	**24,774**	**24,184**
Amortisation	-2,830	-2,829	-1,367	-1,293	0	0	-4,197	-4,122
EBIT	**21,386**	**18,911**	**-827**	**1,242**	**18**	**-91**	**20,577**	**20,062**
Investments	11,485	6,547	422	744	0	0	11,907	7,291
	30.09.2018	30.09.2017	**30.09.2018**	30.09.2017	**30.09.2018**	30.09.2017	**30.09.2018**	30.09.2017
Cash and cash equivalents	29,810	23,093	6,521	6,662	0	0	36,331	29,755
Segment assets	**172,432**	**157,254**	**38,764**	**38,502**	**-28,021**	**-27,030**	**183,175**	**168,726**
Financial liabilities	29,079	26,864	1,581	1,595	-1,350	-1,250	29,310	27,209
Segment liabilities	**90,801**	**85,396**	**19,638**	**16,994**	**-4,283**	**-3,174**	**106,156**	**99,216**

31. Related Parties

Unternehmens Invest AG, Vienna/Austria, and UIAG Informatik-Holding GmbH, Vienna/Austria, each directly hold 25.07% of the share capital of All for One Steeb AG. A voting agreement exists between both shareholders. Therefore, All for One Steeb AG is considered a dependent company of Unternehmens Invest AG and UIAG Informatik-Holding GmbH in accordance with §§16 sections 1, 2; 17 section 2 »Aktiengesetz«. In addition to Unternehmens Invest AG and UIAG Informatik-Holding GmbH as directly controlling companies, these companies' shareholders and other parent companies, along with Dr Rudolf Knünz, can also indirectly exercise a controlling influence over All for One Steeb AG. For this reason, all relationships with controlling entities and their affiliated companies are documented in the dependent company report.

No revenues were generated with related persons or entities during the period 1 October 2017 to 30 September 2018. Business transactions between All for One Steeb AG and its subsidiaries are eliminated during consolidation and therefore not explained in these Notes.

Joint Arrangements (IFRS 11)

Food & Beverage Alliance

The Food & Beverage Alliance has been in place since 19 March 2015. This service partnership of longstanding All for One Steeb business partners is a one-stop resource that delivers all-encompassing support for SAP solutions and systems together with a commitment to cost and performance leadership. Earnings of KEUR 1 (prior year: KEUR 3) and expenditures of KEUR 3 (prior year: KEUR 2) arose in connection with the Food & Beverage Alliance in the current financial year. There were no receivables (prior year: none) or liabilities (prior year: none) as at the balance sheet date.

Construction Alliance

The agreement entitled »Letter of Mutual Agreement – Vereinbarung zur Partnerschaft« has been in place since February 2016. The joint Construction Alliance (in German: »Bau Allianz«) actively pursues sales among small to mid-sized businesses within the construction and building materials industry and with various builders merchants in order to provide licenses and consulting services for joint SAP projects. Earnings of KEUR 3 (prior year: KEUR 3) and expenditures of KEUR 6 (prior year: KEUR 6) arose in connection with the Construction Alliance in the current financial year. There were no receivables (prior year: none) and no liabilities (prior year: none) as at the balance sheet date.

In each case All for One Steeb AG is considered a joint operator within the meaning of IFRS 11.

Members of the Supervisory Board

Josef Blazicek (independent businessman, chairman), Peter Brogle (independent businessman, deputy chairman up to 15 Mar 2018), Paul Neumann (member of the management board of Unternehmens Invest AG und managing director of UIAG Informatik-Holding GmbH, both in Vienna/Austria, deputy chairman since 15 Mar 2018), Peter Fritsch (managing director of BEKO HOLDING GmbH & Co. KG, Nöhagen/Austria, and member of control bodies in other BEKO Group companies), Dr. Rudolf Knünz (chairman of the management board of Unternehmens Invest AG, Vienna/Austria, member since 15 Mar 2018), Maria Caldarelli (head of legal & compliance at All for One Steeb AG, Filderstadt/Germany, member since 26 Feb 2018), Jörgen Dalhoff (organisation development at All for One Steeb AG, Filderstadt/Germany), Detlef Mehlmann (head of business development international at All for One Steeb AG, Filderstadt/Germany, retired), Nicole Schultheiß (assistant to the management team at All for One Steeb AG, Filderstadt/Germany, member from 30 Nov 2017 to 26 Feb 2018).

The composition of the supervisory board changed during the period under review. At the annual general meeting on 15 March 2018, Dr. Rudolf Knünz was elected as one of six members to the company's supervisory board for the first time. Dr. Knünz is CEO of Unternehmens Invest AG, Vienna/Austria, which – together with UIAG Informatik-Holding GmbH, Vienna/Austria – holds 50.14% of the shares in All for One Steeb AG. The shareholders again elected Josef Blazicek (independent businessman), Paul Neumann (management board member of Invest AG and managing director of UIAG Informatik-Holding GmbH, both in Vienna/Austria) and Peter Fritsch (managing director of BEKO HOLDING GmbH & Co KG, Nöhagen/Austria) to the supervisory board. Peter Brogle (independent businessman), who had been on the supervisory board of All for One Steeb AG since 2000, did not stand for re-election.

From 30 November 2017 until the employee representatives were elected on 26 February 2018, Nicole Schultheiß (assistant to the management team at All for One Steeb AG, Filderstadt/Germany) replaced Detlef Mehlmann (head of Business Development International, All for One Steeb AG, Filderstadt/Germany) on the supervisory board of All for One Steeb AG following the latter's appointment before the start of the current reporting year as legal representative of a firm that is dependent on the company.

Exercising their right to co-determine one third of the supervisory board composition, on 26 February 2018 the employees elected Maria Caldarelli (head of legal & compliance) for the first time and re-elected Jörgen Dalhoff, organisation development), both All for One Steeb AG, to represent them on the company's newly formed supervisory board.

During the reporting year, the supervisory board members were also members of the supervisory boards and control bodies of the following companies in terms of §125, section 1, sentence 5 »Aktiengesetz«:

Josef Blazicek: KTM Industries AG, Wels/Austria (chairman of the supervisory board), Pankl Racing Systems AG, Kapfenberg/Austria (deputy chairman of the supervisory board), Pierer Industrie AG, Wels/Austria (deputy chairman of the supervisory board), W Verwaltungs AG, Wels/Austria (chairman of the supervisory board up to 24 Apr 2018), QINO AG, Hünenberg/Switzerland (chairman of the administrative board up to Mar 2018), QINO Group Holding AG, Hünenberg/Switzerland (chairman of the administrative board up to Mar 2018), Qino Management and Advisory Ltd., Limassol/Cyprus (Executive Director of The Board), Qino JB Ltd., Limassol/Cyprus (Executive Director of The Board since Feb 2018), (Qino Pipe One Ltd., Limassol/Cyprus (Executive Director of The Board since Jun 2018).

Peter Brogle (deputy chairman up to 15 Mar 2018): alupak AG, Belp/Switzerland (member of the administrative board), Nahrin AG, Sarnen/Switzerland (member of the administrative board), Neumatt-Park AG, Hünenberg/Switzerland (president of the administrative board up to 11 Dec 2017), Similasan AG, Jonen/Switzerland (member of the administrative board).

Paul Neumann: none

Peter Fritsch: TRIPLAN AG, Bad Soden/Germany (deputy chairman of the supervisory board).

Dr. Rudolf Knünz (member since 15 Mar 2018): Ganahl Aktiengesellschaft, Frastanz/Austria (chairman of the supervisory board).

Maria Caldarelli (member since 26 Feb 2018): none

Jörgen Dalhoff: none

Detlef Mehlmann (retired): none

Nicole Schultheiß (member from 30 Nov 2017 to 26 Feb 2018): none

Compensation for Supervisory Board

Total fixed compensation for the supervisory board was as follows:

in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
Josef Blazicek	65	43
Peter Brogle (up to 15 Mar 2018)	13	18
Paul Neumann (since 11 Nov 2016)	25	13
Peter Fritsch	23	20
Dr. Rudolf Knünz (since 15 Mar 2018)	8	–
Maria Caldarelli (since 26 Feb 2018)	7	–
Jörgen Dalhoff	13	10
Detlef Mehlmann (stepped down)	–	10
Nicole Schultheiß (30 Nov 2017 to 26 Feb 2018)	3	–
Total	**157**	**114**

The members of the supervisory board also receive reimbursement for their expenses.

The annual general meeting on 15 March 2018 adopted a resolution to amend the specification of supervisory board compensation, starting in the financial year 2017/18. The amended compensation for the supervisory board is now structured as follows:

The members of the supervisory board each receive a fixed compensation in the amount of KEUR 12.5 (prior year: KEUR 10) (plus any value-added tax that may be owed) for each full financial year that they belong to the supervisory board, and which is payable at the end of the financial year, and for the first time at the end of the financial year 2017/18. The chairman of the supervisory board receives four times (prior year: three times) and the deputy chairman two times (prior year: one-and-a-half times) the preceding fixed amount of compensation. The members of the supervisory board also receive a remuneration for their work in committees as follows:

a) A simple member of a committee receives KEUR 3.0 per year (prior year: KEUR 2.5) (plus any value-added tax that may be due) for each committee membership.
b) The chairman of a committee receives four times (prior year: four times) the above committee membership remuneration.

Performance-related components are not included in the compensation for the supervisory board. Payment of the total fixed compensation for the supervisory board will be made in the financial year 2018/19 and is reported under »Other Liabilities« as at 30 September 2018.

Members of the Management Board

During the reporting year, the management board consisted of Lars Landwehrkamp (CEO since May 2007) and Stefan Land (CFO since Apr 2008). Membership by management board members in control bodies in terms of §125, section 1, sentence 5 »Aktiengesetz« are limited to various companies within All for One Steeb AG. The compensation for the management board members for all of their employment relationships in companies included within the scope of the consolidation for the financial year 2017/18 include salaries, bonuses (performance-related components) and benefits in kind from the use of company cars, insurance and pension plans.

Compensation for Management Board

Compliant to the recommendations of the German Corporate Governance Code, the amounts of benefits granted for the reporting year and the allocations (i.e. amounts disbursed) for the reporting year are listed separately in the disclosure of compensation for members of the management board:

Lars Landwehrkamp

Benefits granted	Lars Landwehrkamp – CEO since 5/2007			
in KEUR	10/2017 – 09/2018	10/2016 – 09/2017	10/2017 – 09/2018 (Min)	10/2017 – 09/2018 (Max)
Fixed compensation	336	336	336	336
Fringe benefits[1]	61	60	61	61
Total fixed compensation	**397**	**396**	**397**	**397**
One-year variable compensation[2]	581	605	0	581
Multi-year variable compensation[2]				
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	104	24	0	104
Total variable compensation	**685**	**629**	**0**	**685**
Service cost	81	81	81	81
Total compensation	**1,162**	**1,106**	**477**	**1,162**

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

Allocation	Lars Landwehrkamp – CEO since 5/2007	
in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
Fixed compensation	336	336
Fringe benefits[1]	61	60
Total fixed compensation	**397**	**396**
One-year variable compensation[2]	605	538
Multi-year variable compensation		
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	0	0
Total variable compensation	**605**	**538**
Service cost	81	81
Total compensation	**1,083**	**1,015**

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

Stefan Land

Benefits granted	Stefan Land – CFO since 4/2008			
in KEUR	**10/2017 – 09/2018**	**10/2016 – 09/2017**	**10/2017 – 09/2018 (Min)**	**10/2017 – 09/2018 (Max)**
Fixed compensation	252	252	252	252
Fringe benefits[1]	18	18	18	18
Total fixed compensation	**270**	**270**	**270**	**270**
One-year variable compensation[2]	398	403	0	404
Multi-year variable compensation[2]				
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	83	24	0	83
Total variable compensation	**480**	**427**	**0**	**486**
Service cost	45	45	45	45
Total compensation	**795**	**742**	**315**	**801**

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

Allocation	Stefan Land – CFO since 4/2008	
in KEUR	**10/2017 – 09/2018**	**10/2016 – 09/2017**
Fixed compensation	252	252
Fringe benefits[1]	18	18
Total fixed compensation	**270**	**270**
One-year variable compensation[2]	403	353
Multi-year variable compensation		
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	0	0
Total variable compensation	**403**	**353**
Service cost	45	45
Total compensation	**718**	**667**

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

Total Management Board Compensation

The total compensation (benefits granted) for the two management board members, Lars Landwehrkamp and Stefan Land, was KEUR 1,957 for the reporting year (prior year: KEUR 1,848) and the allocation was KEUR 1,801 (prior year: KEUR 1,682). The variable amount of this total compensation amounted to KEUR 1,165 (prior year: KEUR 1,056) and includes estimates, which may deviate from the amounts determined as part of the final accounting.

An allocation from the multi-year variable compensation was not made in the reporting year. Furthermore, no loans were extended and no options for shares of All for One Steeb AG were granted to the management board during the reporting year. Unusual transactions with related parties did not take place.

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

The compensation system for members of the management board is described in detail in the Group Management Report.

32. Other Financial Liabilities not Reported on the Balance Sheet

The financial obligations from »Operating Leases« not reported on the balance sheet primarily consist of leases for company cars and the leasing of EDP infrastructure (predominantly hardware and operating software). The lease periods range from 1 to 10 years. These obligations are as follows:

Operating leases in KEUR	**30.09. 2018**	30.09. 2017
2017/18	–	4,435
2018/19	4,888	2,922
2019/20	3,227	1,329
2020/21	1,484	88
2021/22	31	19
2022/23[1]	1	1
2023/24 and later	0	–
Total	**9,631**	**8,794**

1) in the prior year: 2022/23 and later

In addition there are other unreported financial obligations, particularly from rental agreements, as shown below:

Rental agreements in KEUR	**30.09. 2018**	30.09. 2017
2017/18	–	7,535
2018/19	9,560	4,422
2019/20	5,378	2,814
2020/21	4,651	2,116
2021/22	3,458	1,382
2022/23[1]	2,365	2,121
2023/24 and later	6,503	–
Total	**31,915**	**20,390**

1) in the prior year: 2022/23 and later

The expenditures for operating leases and rental agreements totalled EUR 9.4 million in the financial year 2017/18 (prior year: EUR 7.7 million).

There is also an order commitment for investments in tangible fixed assets amounting to KEUR 234 (prior year: KEUR 4,247).

The finance lease liabilities are included under financial liabilities (see note 24, Financial Liabilities).

33. Currency Hedges

Revenues generated by the individual companies are predominantly made in the same currency in which expenses are incurred. Therefore, no currency hedges were undertaken in the years 2016/17 and 2017/18.

34. Non-Current Assets by Country

in KEUR[1]	**30.09. 2018**	30.09. 2017
Germany	78,681	77,148
Austria	355	373
Switzerland	1,705	1,737
Other countries	6,390	5,789
Total	**87,131**	**85,047**

1) based on domicile of the service provider and not including deferred tax assets

35. Notifications about the Share of Voting Rights in All for One Steeb AG according to §21, Section 1 and §25a, Section 1 »Wertpapierhandelsgesetz« (WpHG)

As at 30 September 2018 there were equity interests held in the company about which the following notifications and public disclosures were made in accordance with the provisions of the »Wertpapierhandelsgesetz« (WpHG):

1. On 16 March 2011, **BEKO HOLDING AG** (since 31 Dec 2015: BEKO HOLDING GmbH & Co KG), Nöhagen, Austria, has informed us according to article 21, section 1 of the WpHG that the share of voting rights of BEKO HOLDING AG in All for One Midmarket AG, Filderstadt-Bernhausen, Germany, ISIN: DE0005110001, WKN: 511000 has fallen below the limits of 50%, 30%, 25%, 20%, 15% on 12 March 2011 and on that day amounted to 11.11% (this corresponds to 540,000 voting rights).

2. On 8 January 2016, **Prof. Ing. Peter Kotauczek**, Austria, informed us according to article 21, section 1 of the WpHG that BEKO HOLDING GmbH & Co. KG, Nöhagen, Austria, (formerly: BEKO HOLDING AG), has a total share of voting rights from shares of All for One Steeb AG, Filderstadt-Bernhausen, Germany, ISIN: DE0005110001, WKN: 511000, in the amount of 11.58%. In relation to the total number of voting rights (4,982,000), this corresponds to a total share of 576,742 voting rights that are attributable to Prof. Ing. Peter Kotauczek according to article 22, section 1, sentence 1, number 1 of the WpHG. The full chain of controlled companies starting with the ultimate controlling natural person is as follows:

- Prof. Ing. Peter Kotauczek
- BEKO HOLDING GmbH
- BEKO HOLDING GmbH & Co KG (share of the voting rights: 11.58%)

3. On 22 November 2016, **Dr Rudolf Knünz**, Austria, informed us according to article 21, section 1 of the WpHG that Unternehmens Invest AG and UIAG Informatik-Holding GmbH, both of Vienna, Austria, have concluded a voting share agreement between subsidiaries (acting in concert) from shares of All for One Steeb AG, Filderstadt-Bernhausen, Germany, ISIN: DE0005110001, WKN: 511000, in the amount of 50.14%. In relation to the total number of voting rights (4,982,000), this corresponds to a total share of 2,497,746 voting rights that are attributable to Dr Rudolf Knünz according to article 22, section 1, sentence 1, number 1 of the WpHG. The full chain of controlled companies starting with the ultimate controlling natural person is as follows:

- Dr Rudolf Knünz
- Knünz GmbH
- Robotec GmbH
- Knünz Invest Beteiligungs GmbH
- Unternehmens Invest AG (share of the voting rights: 50.14%)
- UIAG Informatik-Holding GmbH (share of the voting rights: 50.14%)

4. On 2 June 2017, **MainFirst SICAV**, Senningerberg, Luxemburg, informed us according to article 21, section 1 of the WpHG that they have a total share of voting rights from All for One Steeb AG, Filderstadt-Bernhausen, Germany, ISIN: DE0005110001, WKN: 511000, in the amount of 7.74%. In relation to the total number of voting rights (4,982,000), this corresponds to a total of 385,607 voting rights.

The total number of shares with voting rights of All for One Steeb AG is an unchanged 4,982,000.

36. Corporate Governance, Non-Financial Statement, Compensation Report

The reports and statements relating to the above can be found in the Investor Relations section on the company's website at www.all-for-one.com.

37. Group Auditors Fees and Services

The auditors' fees were as follows:

in KEUR	10/2017 – 09/2018	10/2016 – 09/2017
Audit services	267	244
of which are only KPMG AG	215	208
Other confirmation services	112	80
of which are only KPMG AG	112	80
Tax advisory services	25	28
of which are only KPMG AG	0	5
Other services	1	8
of which are only KPMG AG	0	8
Total	**405**	**360**
of which are only KPMG AG	327	301

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

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

38. Release of Consolidated Financial Statements for Publication

The management board released these consolidated financial statements for publication on 11 December 2018.

39. Subsequent Events

With effect from 1 January 2019, All for One Steeb AG will acquire all shares in TalentChamp Consulting GmbH, Vienna/Austria. The corresponding share purchase agreement was signed on 30 November 2018. The company is a recognised talent management and cloud specialist in the German-speaking marketplace, generates annual revenues in excess of EUR 4 million, currently employs 35 people and has successfully completed more than 150 SuccessFactors projects. All for One Steeb is striving to become market leader in the German-speaking SAP Cloud HR market. The transaction constitutes a business combination under IFRS 3. The entity will be fully included in the consolidated financial statements from 1 January 2019 onwards. The provisional total purchase price for acquiring all the shares in TalentChamp is in the mid-single-digit million euros range plus a performance-related two-year earn-out component. Since purchase price allocation is still outstanding, no statements can as yet be made with regard to the earnings and profits of the combined business.

No other reportable events occurred after 30 September 2018.

Filderstadt, 11 December 2018
All for One Steeb AG

Lars Landwehrkamp	Stefan Land
CEO	CFO

Consolidated Statement of Changes in Fixed Assets of All for One Steeb AG

Financial Year from 1 October 2017 to 30 September 2018

	Costs						
in KEUR	01.10.2017	Foreign currency differences	Change in scope of consolidation	Additions	Disposals	Reclassifi-cations	30.09.2018
Intangible assets							
Goodwill	25,803	0	-889	0	0	0	24,914
Other intangible assets	68,001	0	1,292	491	-131	8	69,661
	93,804	**0**	**403**	**491**	**-131**	**8**	**94,575**
Tangible fixed assets							
Leasehold improvements	1,637	-14	0	137	-12	0	1,748
IT systems	24,559	5	0	8,051	-861	-6	31,748
Operating and office equipment	5,388	-14	0	3,228	-230	-2	8,370
	31,584	**-23**	**0**	**11,416**	**-1,103**	**-8**	**41,866**
Total	**125,388**	**-23**	**403**	**11,907**	**-1,234**	**0**	**136,441**

KEUR 4,239 in finance leases are included in the additions to the non-current assets.

Financial Year from 1 October 2016 to 30 September 2017

	Costs						
in KEUR	01.10.2016	Foreign currency differences	Change in scope of consolidation	Additions	Disposals	Reclassifi-cations	30.09.2017
Intangible assets							
Goodwill	20,880	0	4,923	0	0	0	25,803
Other intangible assets	64,110	0	4,420	445	-974	0	68,001
	84,990	**0**	**9,343**	**445**	**-974**	**0**	**93,804**
Tangible fixed assets							
Leasehold improvements	933	-10	12	760	-58	0	1,637
IT systems	21,578	-27	147	5,328	-2,467	0	24,559
Operating and office equipment	4,664	-16	215	758	-233	0	5,388
	27,175	**-53**	**374**	**6,846**	**-2,758**	**0**	**31,584**
Total	**112,165**	**-53**	**9,717**	**7,291**	**-3,732**	**0**	**125,388**

KEUR 2,625 in finance leases are included in the additions to the non-current assets.

	Accumulated depreciation/amortisation						Carrying amounts	
	01.10.2017	Foreign currency differences	Deprec./ amortisation	Disposals	Reclassifi-cations	30.09.2018	30.09.2018	30.09.2017
	1,272	0	0	0	0	1,272	23,642	24,531
	26,383	0	4,790	-117	0	31,056	38,605	41,618
	27,655	**0**	**4,790**	**-117**	**0**	**32,328**	**62,247**	**66,149**
	795	-15	211	-7	0	984	764	842
	15,615	5	4,790	-851	-6	19,553	12,195	8,944
	3,425	-10	838	-209	6	4,050	4,320	1,963
	19,835	**-20**	**5,839**	**-1,067**	**0**	**24,587**	**17,279**	**11,749**
	47,490	**-20**	**10,629**	**-1,184**	**0**	**56,915**	**79,526**	**77,898**

	Accumulated depreciation/amortisation						Carrying amounts	
	01.10.2016	Foreign currency differences	Deprec./ amortisation	Disposals	Reclassifi-cations	30.09.2017	30.09.2017	30.09.2016
	1,272	0	0	0	0	1,272	24,531	19,608
	22,602	0	4,755	-974	0	26,383	41,618	41,508
	23,874	**0**	**4,755**	**-974**	**0**	**27,655**	**66,149**	**61,116**
	679	-10	184	-58	0	795	842	254
	14,197	-20	3,660	-2,222	0	15,615	8,944	7,381
	2,952	-12	713	-228	0	3,425	1,963	1,712
	17,828	**-42**	**4,557**	**-2,508**	**0**	**19,835**	**11,749**	**9,347**
	41,702	**-42**	**9,312**	**-3,482**	**0**	**47,490**	**77,898**	**70,463**

Responsibility Statement

of the Management Board

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

Filderstadt, 11 December 2018
All for One Steeb AG

Lars Landwehrkamp	Stefan Land
CEO	CFO

Independent Auditors' Report

to All for One Steeb AG

Report on the Audit of the Consolidated Financial Statements and Group Management Report

Auditors' Opinion

We have audited the consolidated financial statements of All for One Steeb AG and its subsidiaries (the Group), comprising the Group income statement and other comprehensive income for the financial year 1 October 2017 to 30 September 2018, the Group balance sheet as at 30 September 2018, the Group cash flow statement and the Group statement of changes in equity for the financial year 1 October 2017 to 30 September 2018, and the notes to the consolidated financial statements, together with a summary of significant accounting policies. Furthermore, we have audited the group management report of All for One Steeb AG for the financial year from 1 October 2017 to 30 September 2018.

In our opinion based on the findings of our audit:

- The accompanying consolidated financial statements comply in all material respects with IFRS as adopted in the EU and with the additional requirements of German law pursuant to §315e, section 1 German Commercial Code (»HGB«) and give a true and fair view of the net assets and financial position of the Group as at 30 September 2018 and of the results of operations for the financial year 1 October 2017 to 30 September 2018.

- The accompanying group management report provides an overall suitable view of the Group's situation. The group management report conforms in all material respects with the consolidated financial statements, complies with the requirements of German law, and suitably presents the opportunities and risks of future development.

Pursuant to §322, section 3, sentence 1 HGB, we declare that our audit has not led to any reservations with regard to the regularity of the consolidated financial statements or the group management report.

Basis for the Auditors' Opinion

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters which, in our professional judgement, were of the most significance in our audit of the consolidated financial statements for the financial year 1 October 2017 to 30 September 2018. These matters were addressed within the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereof. We do not provide a separate audit opinion on these matters.

Impairment of goodwill and the trademark rights of the cash generating unit All for One Steeb AG

Information about the accounting and valuation methods applied and the impairment testing performed are contained in sections H. »Accounting and Valuation Principles« and K. 11. »Goodwill and Other Intangible Assets« of the notes to the consolidated financial statements.

The Risk to the Financial Statements

The goodwill totalled EUR 12.1 million and the trademark rights EUR 8.7 million in the cash generating unit All for One Steeb AG as at 30 September 2018.

The goodwill and the trademark rights are tested for impairment at the level of the cash generating unit All for One Steeb AG. The impairment testing of goodwill and the trademark rights is complex and based on a number of discretionary factors. The most significant assumptions concern the expected future sales revenues and the discount rates applied.

No need for recognition of an impairment loss was identified as a result of the impairment testing made by the company. There exists the risk to the consolidated financial statements that the goodwill and the trademark rights of the cash generating unit All for One Steeb AG may not be recoverable.

Our Audit Approach

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

For the cash generating unit All for One Steeb AG, we compared the expected future cash flows with the planning submitted by the supervisory board. In addition, and by having used a retrospective comparison of the budget figures (e.g. sales revenues) from years past with the actual results attained, we were satisfied with the company's sound basis for making plans. We assessed the assumptions and parameters used in determining the applied discount rate, particularly the market risk premium and the beta, and evaluated the measurement model. Furthermore, we performed our own sensitivity analysis so as to enable us to estimate a potential impairment risk in connection with what is considered to be a potential change in the material assumptions of the valuation.

We evaluated the impairment test's measurement method and mathematically reviewed the calculation of the discounted cash flows.

Our Conclusions

The underlying measurement method used for the impairment test of the goodwill and the trademark rights of the cash generating unit All for One Steeb AG as at 30 September 2018 is proper and complies with applicable IFRS measurement principles. The most significant underlying assumptions used in the impairment test are appropriate.

Recognition of sales revenues from consulting and services

The disclosures pertaining to the recognition of the reported sales revenues are contained in sections H. »Accounting and Valuation Principles« and J. 1. »Sales Revenues« of the notes to the consolidated financial statements.

The Risk to the Financial Statements

The sales revenues of EUR 133.4 million from consulting services in financial year 2017/2018 account for 40.1% of the Group's revenues. These revenues stem primarily from consulting services and long-term project contracts.

Proper recognition of sales revenues in the consolidated financial statements is of utmost importance for the economic situation of the Group. In the consulting business, the diverse range of customer requirements lead to complex contracting arrangements that have a bearing on revenue recognition.

The company provides consulting services that are invoiced and recognised on the basis of the hours recorded by the employees after the services have been rendered (time and material projects). The company also carries out long-term projects on the basis of contracts for work, the revenues from which are recognised using the percentage of completion method. In the case of long-term project contracts, the stage of completion, and with it the amount of revenues recognised, is determined by comparing the number of hours worked and the total number of expected hours in the project. The total number of expected hours for completion of the project requires discretionary decisions on the part of the company, involves uncertainty associated with the estimate, and can have a significant effect on the amount of sales revenues.

There exists the risk for the consolidated financial statements that the sales revenues from the long-term project business are not recognised in an appropriate amount.

Our Audit Approach

Our examination of the effectiveness of the internal controls with respect to the proper recognition of the contract-related personnel and other expenses in the internal job accounts was based on our understanding of the processes and an evaluation of the structure and implementation of these measures. With these controls, the company ensures that only project-related hours and expenses are invoiced and recorded in the respective job accounts.

We reviewed the contractual agreements underlying a representative sampling of time and material projects to determine if the projects are in fact time and material projects with revenue recognition made when the service is provided.

For this sampling, we then evaluated the customer invoices for conformity with the contractual agreements and the internal job accounts.

We reviewed the contractual agreements underlying a representative sampling of unfinished long-term projects to determine if the projects are in fact long-term projects with revenue recognition made using the percentage of completion method.

For this sampling of unfinished long-term projects, we then assessed the underlying stage of completion used for revenue recognition by reviewing and evaluating the total actual hours recorded, the total expected hours, and the expected revenues in the calculation for the customer.

In the case of the long-term projects completed in the financial year, we inspected selected risk-oriented acceptance certificates to evaluate the recognition of the sales revenues in the appropriate periods.

Our Conclusions

The company's actions for differentiation and recognition of the sales revenues from consulting and services are proper. The estimates of the stages of completion are appropriate.

Other Information

The legal representatives are responsible for providing the other information. Other information includes the business report – which will probably not be available to us until after the date of issuing this audit certificate – with the exception of the audited consolidated financial statements and Group management report, and our audit certificate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Draw conclusions about the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether there exists a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or in the group management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. Future events or conditions may, however, lead to the Group being unable to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS as adopted by the EU and the requirements of German law pursuant to §315e, section 1 HGB.

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

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

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

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

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

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

Other information pursuant to Article 10 of EU Regulation 537/2014

We were appointed by the annual general meeting to be the auditors of the consolidated financial statements on 15 March 2018. We were engaged by the supervisory board on 7 June 2018. We have been working on behalf of All for One Steeb AG as the auditors of the consolidated financial statements continuously for 21 years.

We declare that the audit opinions contained in this auditors' report are consistent with the additional report to the audit committee that was prepared pursuant to Article 11 of EU Regulation 537/2014.

Responsible auditor

The auditor responsible for the audit is Arne Stratmann.

Stuttgart, 11 December 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Stratmann	Köpke
Auditor	Auditor

Service

Financial Calendar for Financial Year 2018/19

Donnerstag	07.02.2019	Quarterly Statement 2018/19 as at 31 December 2018
Wednesday	13.03.2019	Annual General Meeting, Leinfelden-Echterdingen
Thursday	09.05.2019	Half-Year Financial Report 2018/19 as at 31 March 2019
Thursday	08.08.2019	Quarterly Statement 2018/19 as at 30 June 2019
Monday	16.12.2019	Publication of Consolidated and Annual Financial Statements Financial Year from 1 October 2018 to 30 September 2019
Monday	16.12.2019	Press Conference on Consolidated and Annual Financial Statements, Filderstadt
Tuesday	17.12.2019	Analyst Presentation, Frankfurt

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

Disclaimer

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

Imprint

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