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Materna Information & Communications SE

Dortmund

Consolidated financial statements for the financial year from 01/01/2018 to 12/31/2018

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Company basics

a) business model

Materna Information & Communications SE, Dortmund, (Materna SE for short) is one of the leading providers of IT services and mobile data communication in Germany. The consulting company Lünendonk & Hossenfelder GmbH ranks Materna SE in fifth place among the ten leading German medium-sized IT consulting and system integration companies (as of 2017).

In the Materna Group, Materna SE, as the largest operating company, has the central position. At the same time, it directly or indirectly holds shares of more than 50% in 27 national and international companies. The main domestic subsidiaries of the Materna Group include cbs Corporate Business Solutions GmbH (cbs GmbH for short) in Heidelberg, IQDoQ GmbH in Bad Vilbel, agineo GmbH in Aachen, and Materna TMT GmbH (TMT GmbH for short) in Dortmund, Infora Gesellschaft für Information, Organization und Automation mbH (Infora GmbH for short) in Cologne and Message Mobile GmbH in Lüneburg.

Abroad, the Nordic Materna company in Sweden and the Eastern European companies in the Czech Republic, Slovakia and Poland represent a significant part of the Materna group of companies. Further information on the scope of consolidation can be found in the notes.

Organizationally, the Materna group of companies extends over six business lines: IT Factory, Public Sector (formerly Government), Digital Enterprise, Mobility, Communications and the SAP consulting company cbs Corporate Business Solutions GmbH. This means that the group of companies is crisis-proof across several industries and can react quickly and specifically to market requirements by bundling extensive technical and technological expertise.

The IT Factory business line offers its customers from companies and authorities a complete range of consulting and technology for the transformation of classic IT systems into a highly automated IT factory. The focus is on the digitization of company processes, the efficient design and secure operation of the respective IT landscape. On the way to more performance and agility, the service portfolio of the IT Factory business line ensures the competitiveness of customer companies in an increasingly fast-moving market. The subsidiary agineo GmbH,

The Public Sector business line supports national authorities in the strategic and IT-technical implementation of state tasks on the way to digital administration. The goals of the customers, such as B. One-stop government, increased efficiency and transparency in administration, harmonization of processes and communication as well as collaboration and knowledge management are supported. With experience from over 1,000 projects in public administration at local, state and federal level, the Public Sector business line is an important guide and source of inspiration for the public sector. The subsidiary Infora GmbH, which provides organizational and IT consulting for public administration,

The Digital Enterprise business line supports companies in their digital transformation and offers solutions for digitizing touchpoints for customers and employees. The service portfolio ranges from transformation consulting, digital brand management and the digitization of business processes to solutions for the digital work of tomorrow. The customers of the Business Line Digital Enterprise are mainly based in German-speaking countries. The subsidiary TMT GmbH, which provides innovative software and services for training and further education as well as media consulting and production as a service, is assigned to the Digital Enterprise business line. The subsidiary IQDoQ GmbH is also located here,

Under the brand name MATERNA IPS - intelligent passenger solutions - the Mobility business line simplifies the handling processes of airlines and airports worldwide on the basis of comfortable and safe self-service systems for passengers. Self-check-in already remotely on the web or on-site at kiosk solutions, independent baggage check-in at so-called self-bag drop systems, electronic access control systems for security areas and the biometric recognition of passengers are among the core competencies in a very international one Market. The national companies with a focus on sales and service in the USA, Canada, UK, Norway and India are assigned to the Mobility Business Line.

In addition, services related to mobility and multimedia data for book publishers, labels and marketing agencies as well as for the transport industry such as B. Toll companies and freight forwarding service providers.

The Communications Business Line extends the scope of basic mobile technologies to other areas of application such as for telecommunications companies and virtual mobile network operators (MVNOs), financial institutions, railway operators, trading companies, municipalities and transport companies in Germany and other European countries. The subsidiary Message Mobile GmbH, Lüneburg, as well as national companies in the Czech Republic and Poland are assigned to the Communications business line.

The international management consultancy cbs Corporate Business Solutions GmbH is a designer of company-wide process and SAP system landscapes as well as a technology consultant. As a solution partner for large and medium-sized companies in the manufacturing industry, cbs creates global SAP business solutions by combining a comprehensive range of services with industry-specific process knowledge and special expertise in global projects. Cbs offers large companies and operators of complex system landscapes the high-quality portfolio of a specialist for system restructuring (system landscape transformation), system integration and business intelligence.

b) Goals and strategy

As an internationally successful IT service provider, the Materna Group advises and accompanies its customers in all matters relating to digitization and provides tailor-made solutions for agile, flexible and secure IT. The Materna Group uses extensive industry and specialist know-how as well as expert and methodological knowledge in the IT technologies of market-leading partner companies and in the development of business-critical software architectures in order to optimally develop the potential of its customers. It acts as a trustworthy and long-term implementation partner for both the upper middle class and large corporations.

The Materna Group's strategy is to maintain and expand its existing competitive position in the market. Due to the diverse portfolio, which is sold almost exclusively in the B2B business model, authorities, large medium-sized companies and corporations from various industries are the target groups of the business lines Digital Enterprise, IT Factory and Public Sector. For the Mobility business line, airports and airlines are primarily the target group. In particular, it is important here to further advance internationalization, with the focus on the North American continent. The business line cbs is also very active internationally due to its customer structure.

The IT market is a very fast-moving market. New technologies and platforms are emerging at great speed. Materna SE founded its own Innovation Center in 2016 to evaluate the new business opportunities and models that may be associated with this. Customers are also supported there in recognizing the benefits of new technologies for their own business model. Examples are new developments based on blockchain, data science, virtual reality or augmented reality and artificial intelligence. The Innovation Center is set up as a cross-company organizational unit.

c) control system

For ongoing management of the group in terms of target fulfillment, the use of opportunities and the implementation of strategic goals, the board of Materna SE uses the comprehensive information system tailored to the group, which provides information on all relevant key figures with monthly and quarterly reports. These include, in particular, incoming orders, sales, gross profit, EBIT and capacity utilization.

The comparison of the actual and the planned business development is carried out within the framework of a monthly report and an extrapolation prepared as a quarterly forecast. In the event of deviations from the plan, the management can take countermeasures in good time to achieve the overall objective using the sum of the instruments available, as well as limiting the risk if necessary.

The monthly reports are routinely used for evaluation discussions between the controlling department and the management of the companies and the heads of the business lines.

d) Research and Development

Research and development expenditure was on a par with the previous year. In addition to research and development activities in the business lines, the focus was on further expanding the activities of the Innovation Center. The Materna Innovation Center has the task of picking up market trends, evaluating them and identifying possible potential for Materna and Materna customers. It serves as an "innovation engine" for the operational units and prepares the creation and multiplication of new elements in the Materna portfolio. The activity is based on three pillars: communication, technology and business development externally on topics, to which we want to position ourselves from a group perspective, to take a stand. The Innovation Center also offers internal and customer workshops on innovation topics. These can be used to position Materna with existing and new customers on innovative topics, but also to receive market feedback on our topics. This is used to sharpen possible Materna positioning. Understanding and evaluating innovative technologies, architectures and process models is the DNA of the Materna Group. The Innovation Center evaluates frameworks, APIs and products for use in customer or customer-oriented scenarios. To this end, the Innovation Center creates prototypes for customer-oriented requirements, to achieve proof-of-concepts (PoCs) or proof-of-values (PoVs). The Innovation Center is a virtual organizational unit, suspended in Corporate Development. The motivation to

introduce an innovative technology is always directly related to the added value that it generates for a company's business. Therefore, the Innovation Center has set itself the task of developing potential business models and value-added arguments for innovative technology for both Materna and Materna customers. The motivation to introduce an innovative technology is always directly related to the added value that it generates for a company's business. Therefore, the Innovation Center has set itself the task of developing potential business models and value-added arguments for innovative technology for both Materna and Materna customers. The motivation to introduce an innovative technology is always directly related to the added value that it generates for a company's business. Therefore, the Innovation Center has set itself the task of developing potential business models and value-added arguments for innovative technology for both Materna and Materna customers.

The Materna Group also worked on the further development of its products in the past financial year. This included maintenance work and functional improvements to our own products, supplemented by partner products according to the requirements of the markets. All business lines strive for an optimal product portfolio through partner programs and cooperations and provide appropriate resources in product management.

1 economic report

a) Macroeconomic and industry-specific framework conditions

The German economy grew again in the 2018 financial year. According to the Federal Statistical Office, however, the pace of growth slowed contrary to previous forecasts and, with a rate of increase in gross domestic product of 1.5%, was down on the previous year. The growth was therefore even lower than the forecast revised as part of the autumn projection. Despite the slowdown from original expectations, growth is a solid result, showing that the German economy is still growing. According to the Federal Ministry of Economics, growth was based on a solid domestic economy. Reasons for the lower growth are varied and include, for example in a globally weakened economy. Once the negative factors have dissipated, the upswing is expected to continue, with the domestic economy cited as the main driver here too. In their latest forecasts, the international organizations are assuming a less dynamic, but still upward trend in the global economy.

BITKOM indicates growth in the ICT market for 2018 at 2.0%. The turnover of Materna SE rose by 15.4% in the past financial year, which is well above average compared to the ICT market. This is due in particular to the very good development in the Public Sector and ITF business lines.

b) Course of business

The Materna Group generated sales of T € 288,575 in the 2018 financial year. This exceeded the previous year's sales by T € 34,364 or 13.5%. The planned turnover of T € 291,638 could not be fully achieved, which is mainly due to the cbs group falling short of the budget. In view of extensive strategic investments in new locations and national companies, new employees, the development of new business areas and the professional training of the advisory team, this was in a year of consolidation.

The majority of sales are generated in the IT Factory (28.1%), cbs (27.5%) and Public Sector (22.6%) business lines. The increase in sales is due in particular to consistently good capacity utilization in 2018.

With the entry in the commercial register on September 14, 2018 at the Dortmund District Court HRB No. 30301, the parent company Materna Information & Communications SE completed the process of changing the legal form from Materna GmbH Information & Communications to the legal form of a European stock corporation, a Societas, which began in September 2017 Europaea (SE).

The European legal form of the SE offers the ideal framework to further develop the corporate structure with subsidiaries in Germany and abroad for future growth. Furthermore, the conversion will optimize the framework conditions in order to advance the further expansion of the company, which is already active beyond the borders of Germany, and to further develop the European market.

With the entry in the commercial register on July 23, 2018, the spin-off of the ServiceNow division from Materna Information & Communications SE to agineo GmbH was completed by way of universal succession. In the course of this process, all ServiceNow specialists were transferred from Materna SE to agineo GmbH. In this way, the Materna Group centralized all ServiceNow activities in one company and formed the largest independent consulting and implementation partner for ServiceNow technologies in the DACH region (Germany, Austria, Switzerland).

c) Profit situation

The increase in sales by T € 34,364 to T € 288,575 plus the inventory change in the amount of T € 3,910 results in a total output of T € 292,485. The sales are distributed among the business areas as follows:

	2018	2017
	€ million	€ million
BL Public Sector	65.1	51.2
BL IT Factory	81.1	60.8
BL Digital Enterprise	28.9	28.6
BL Mobility	18.4	17.0
BL Communications	15.6	14.5
BL cbs	79.5	82.1
total	288.6	254.2

The total output was achieved with a slightly lower material usage ratio than the previous year (25.2%; previous year: 26.0%). The resulting gross profit increased in absolute terms by T € 28,709 to T € 218,646 with a slightly increased gross profit margin of 74.8%. The reason for the slightly increased gross profit margin was essentially the cbs Group, which hired extensive new consultants when the workload was good and consequently had to purchase fewer services. At the same time, there was a disproportionately lower gross profit margin at Materna SE, which results from high capacity utilization with an almost unchanged average number of employees, which led to

The strong increase in other operating income from T € 7,187 by T € 11,913 to T € 19,100 is mainly due to the income from the sale of buildings at Materna SE (T € 12,911).

The increase in personnel expenses by T € 21,137 or 15.5% is, in addition to the annual salary increases, a sign of expanding business and can be explained by the good result of the Materna Group in the 2018 financial year and the associated increase in performance-related remuneration. Due to the continued consistent growth of the cbs Group, more than 100 consultants were hired at cbs Corporate Business Solutions GmbH. Another reason for the increase is agineo GmbH, which was acquired in the previous year and which is being consolidated for the first time with its full financial year.

The other operating expenses were € 144 thousand or 0.4% slightly below the previous year's level. This is essentially the result of several opposing effects. On the one hand from a sharp decline in other operating expenses at Materna SE due to reduced personnel recruitment and training costs, since these services were increasingly handled internally and are also due to the almost unchanged average workforce. In addition, the previous year at Materna SE included special items from the formation of provisions in connection with two projects. On the other hand, the other operating expenses at cbs Corporate Business Solutions GmbH, mainly due to the renting of a new

company building. Furthermore, for the first time, the other operating expenses of agineo GmbH were included in the consolidated financial statements for an entire financial year.

Due to higher investments, depreciation was T € 1,029 or 22.1% above the previous year's figure.

The EBIT for the 2018 financial year was T € 36,388 and thus T € 18,599 above the previous year's figure. Adjusted for the income from the sale of buildings at Materna SE, EBIT was T € 23,477 and thus still T € 5,688 above EBIT in 2017. The adjusted EBIT margin is 8.0% and therefore 1.1 percentage points above the previous year's level. The increase results from the increased total output with disproportionately higher or lower expenses. In particular, the positive development at Materna SE and the first-time earnings contribution from agineo GmbH for the full financial year had a positive effect on EBIT. The planned EBIT of EUR 25.9 million could not be fully achieved, which, in the opinion of the Management Board, is mainly due to a budget underrun by BL Mobility and the cbs Group. In addition, severance payments that were not budgeted for were incurred in 2018.

The investment and financial result was T € -76 and thus T € 1,079 above the previous year's level. The increase results mainly from the interest on tax refunds for the years 2003 to 2012 (T € 1,065) after successfully disputed tax court proceedings at Materna SE.

Taxes amounted to T € 7,750 and were therefore T € 571 or 7.9% above the previous year. This increase essentially corresponds to the increase in earnings at Materna SE with a decline in earnings at cbs Corporate Business Solutions GmbH.

The Materna Group closed the 2018 financial year with an annual surplus of € 28,562 thousand, 202.1% higher than in the previous year, of which € 239 thousand was attributable to other shareholders.

In the 2018 reporting year, the Materna Group had an average of 2,063 employees (previous year: 1,874 employees).

d) Financial position

As of December 31, 2018, the balance sheet of the Materna Group shows equity of € 57,690 thousand (previous year: € 29,816 thousand). Compared to the previous year, this means an increase of 93.5%. The share of equity in the balance sheet total is 31.7% (previous year: 22.2%).

In the course of 2018, investments were made in intangible assets without taking into account the goodwill arising from the initial consolidation and property, plant and equipment amounting to € 7,968 thousand (previous year: € 3,552 thousand). Above all, investments were made in the interior fittings of the company premises of cbs Corporate Business Solutions Unternehmensberatung GmbH as well as in the operating equipment, licenses and software. These investments served to increase performance and quality as well as to expand capacities. In addition, investments of € 4,374 thousand were made in the area of financial assets.

The cash flow from operating activities amounted to T € 31,312 and is essentially the result of the positive result for the period of T € 28,562 adjusted for non-cash write-downs and write-ups of T € 5,689 as well as other non-cash expenses for accruals amounting to T € € 7,278. In addition, the cash flow from operating activities was negatively affected by the build-up of working capital of € 3,506 thousand. The cash flow is reduced by income (T € 12,895), the corresponding incoming payments are allocated to the cash flow from investing activities.

The cash flow from investing activities amounted to € 3,388 thousand and resulted mainly from the proceeds from the sale of buildings minus investments for additions to the scope of consolidation (€ -4,374 thousand) and payments for investments in tangible and intangible assets (€ -7,805 thousand).

The cash flow from financing activities amounted to T € -3,240. This essentially takes into account scheduled and special repayments of bank and shareholder loans.

As a result, scheduled and special repayments of bank and shareholder loans as well as ongoing interest payments as well as payments for acquisitions were made from the cash flow from operating activities. The remaining amount led to an increase in cash funds of € 31,431 thousand.

In the 2018 financial year, the balance sheet total increased by T € 47,342 to T € 181,877 (previous year: T € 134,535). At T € 62,968, liquid funds were far above the previous year's level of T € 31,537 due to the effects described. The liquid funds amount to 34.6% of the balance sheet total.

The good liquidity position continues to provide a very good basis for financing ongoing business activities, the scheduled servicing of liabilities and the cushioning of fluctuations in capacity utilization to a normal extent. The Materna Group's liquidity position continues to be very good. Another credit line that has not yet been exhausted provides the opportunity to bridge short-term liquidity bottlenecks.

e) financial position

Property, plant and equipment and intangible assets increased by T € 3,823 to T € 21,100 in the 2018 financial year, mainly due to the addition of goodwill from the subsequent acquisition costs for the acquisition of agineo GmbH and the acquisition of the remaining 18% in leogistics GmbH, Hamburg, by cbs Corporate Business Solutions Unternehmensberatung GmbH. Financial assets decreased by T € 251 to T € 420. The main reason for this was the repayment of reinsurance and the merger of the previously unconsolidated INFORA Management Consulting GmbH, Hanover, into INFORA Gesellschaft für Information, Organization und Automation mbH, Cologne.

The investment intensity fell by 1.5 percentage points to 11.8% due to the increased balance sheet total. Funding ratio I for fixed assets increased by 101.9 percentage points to 268.1%. This means that the fixed assets are completely covered by the equity and shows that the fixed assets are financed with matching maturities.

The current assets also increased by T € 45,938 to T € 149,869. The main reasons for this, corresponding to organic growth, were an increase in trade accounts receivable by T € 15,275 on the reporting date as well as the higher level of liquid funds, which increased by T € 31,431 compared to the previous year due to the sale of buildings and the positive operating result. The circulation intensity also rose by 5.1 percentage points to 82.4% due to the disproportionately low increase in total assets.

Debt capital also rose by T € 19,468 to T € 124,187. The debt capital ratio reached 68.3% (previous year 77.8%) with total assets up by T € 47,342.

The net liquidity (cash and cash equivalents less financial liabilities) of the Materna Group was T € 49,645 in the 2018 financial year and thus T € 34,500 above the previous year's level. This decline reflects the cash flow development described above.

The ratio of EBIT (T € 36,388; previous year: T € 17,789) to the average total capital rose by 9.3 percentage points to 23.0% (previous year: 13.7%). The return on average equity was 65.3% (previous year: 37.2%).

f) Financial and non-financial performance indicators

In the Materna Group, the key figures for incoming orders, sales, gross profit and the operating result are used as financial performance indicators and for internal control. The gross profit is calculated on a project-specific basis from the difference between sales revenues and internal and external directly attributable costs.

The Materna Group also made use of non-financial performance indicators that contribute to the successful management of the company. The training of junior staff and the employment of students were an essential part of the personnel policy. In the 2018 financial year, 83 trainees were employed in the group of companies (previous year: 80). The further development of employees was also an important success factor for the Materna Group. The range of advanced training courses was continuously expanded and gave employees the opportunity to acquire new knowledge. In addition, employees were encouraged to expand and deepen their qualifications through individual target agreements.

Evaluations of employee dismissals and regular employee surveys were also used to improve employee satisfaction. In this context, the project "What counts for you?" Was launched at the end of August 2018. In 14 workshops, a total of 135 participants dealt with the topic of values and culture at Materna and provided input on over 60

A4 pages Based on the results, concrete steps will be worked out in order to be able to expand the "Materna as employer of choice" positioning for existing and future employees.

2 Opportunities and Risks of Future Business Development

a) Opportunity and risk report

Risk management is an important part of corporate management. Its tasks include early detection of developments that could endanger the continued existence of the company. The Materna Group has a risk management system that runs through the entire process chain, from the offer phase as part of the acquisition process, through the implementation processes during the process runtime, to the downstream processes such as maintenance, warranty and operation. Here, depending on the phase, those responsible and their approach are precisely determined. Furthermore, there are two essential tools with a test and risk checklist and a risk register, which support the identification of potential risks and their documentation, analysis and assessment. Based on this, measures to deal with the risk are derived and their implementation is subsequently monitored. Risks related to the calculation and execution of larger projects are also monitored.

Like all other companies in the service industry, the Materna Group is subject to general economic and political opportunities and risks. It is exposed to economic and industry-specific risks. In a time of recession, the volatility and cyclical nature of companies' investments in equipment harbor corresponding opportunities and risks on the sales side. Possible effects of future economic and financial crises are delays in approved investments or the suspension of projects. Due to the high export share from Germany within the economy as a whole, export-oriented industrial companies in particular could be severely affected by the decline in incoming orders.

The Materna Group counters business risks with the help of a monthly reporting system that provides an overview of developments in sales, incoming orders, gross profit, EBIT and the most important types of expenses by comparing plan / actual and previous periods. In addition, a margin analysis is carried out at the individual project level. In addition, the group-wide liquidity development is monitored by daily liquidity overviews at the individual company level. Risks related to the dependency on critical earnings volumes are also observed as a key success factor for corporate development.

The Materna Group offers its range of services abroad through subsidiaries and associated companies, which is associated with corresponding risks with regard to the business success of these companies and the related success of Materna SE's investments. With standardized reporting by the subsidiaries and continuous target / actual analyzes, Materna SE has taken precautions to identify and minimize possible financial risks at an early stage. In addition, the group-wide liquidity development is monitored on a weekly basis for all companies.

In the past financial year, the risk management, project initialization and project controlling processes were further improved. In the opinion of the management, these instruments are suitable for ensuring the timely identification and quantification of all risks that could affect Materna SE and its companies and at the same time efficiently supporting the management of the necessary countermeasures at all times.

Risks can arise in the processing of contracts for work and services and fixed prices if the budgeted time frame and costs are exceeded. There is an increased risk here in particular at BL Mobility, as the projects are not only carried out in Germany, but also abroad. These can therefore have a negative impact on the liquidity and earnings position of Materna SE both directly and indirectly via the investments in foreign subsidiaries. Close-knit project controlling that monitors the most important KPIs should minimize these risks and enable countermeasures to be taken at an early stage. Further risks in the cbs business line from insufficient capacity utilization and the associated economic effects have been reduced by broadening the service portfolio, the target industries and the customer base. Due to the increased involvement of partner companies in the provision of services, cost levels can be flexibly adjusted. With this measure, the company has also successfully counteracted the financial risk resulting from the concentration of trade accounts receivable on a few customers. Due to the increased involvement of partner companies in the provision of services, cost levels can be flexibly adjusted. With this measure, the company has also successfully counteracted the financial risk resulting from the concentration of trade accounts receivable on a few customers.

In connection with BL Mobility and the aviation growth market, there are also great opportunities for the Materna Group due to its good international positioning, particularly on the North American continent. In the 2018 financial year, Materna SE won a major order from its subsidiary in the USA. The company is equipping the airport in the US metropolis of Denver, which is being converted for 650 million dollars, with devices for automatic bag drop ("Self Bag Drop"). Materna is installing 176 hybrid baggage drop-off units and 40 check-in kiosks - This means that Denver Airport will have the world's largest installation for automated baggage drop-off.

The Denver project also entails risks for the Materna Group. For this project, Materna SE has concluded a guarantee framework for the provision of performance and payment bonds in the amount of the order volume to secure the customer contract in the USA. In the event that the guarantee is called upon, the guarantee provider can resort to Materna SE. Here, too, the project controlling and ongoing monitoring of the project should minimize the risks. We are currently not aware of any circumstances that could have a material negative future impact on the Materna Group from this process.

Further opportunities arise from economic change and the associated digitalization. The IT market with an expected turnover of 92.2 billion euros and a growth of 2.5 percent is still a growth driver in the ICT industry. As a nationally and internationally successful IT service provider, the Materna Group is well positioned and offers tailor-made technologies for agile, flexible and secure IT. Thanks to the extensive industry and specialist know-how, as well as a comprehensive and holistic offer, Materna SE and its subsidiaries are well positioned.

The continued development of cbs Corporate Business Solutions Unternehmensberatung GmbH and its subsidiaries into the leading consulting company and quality leader in the "Manufacturing Industry" market segment and in the System Landscape Transformation application area also offers the Materna Group further opportunities for growth. The demand for the expansion of global SAP solutions and the standardization and reorganization of the existing process and system landscapes will continue in the next few years. Here cbs Corporate Business Solutions Unternehmensberatung GmbH has a unique and comprehensive range of solutions and also exceptional expertise in the SAP S / 4 HANA environment, which is continuously being developed becomes. In addition, the cbs group uses the software solution "leogistics Digital Supply Chain dsc" of the subsidiary leogistics GmbH to cover the increasing demand for transport and logistics solutions, even in large corporations. The very specific cloud solution range offered by leogistics GmbH, which is particularly relevant for global companies will be further expanded.

The shortage of skilled workers in the ICT industry will remain the limiting factor for growth in services for the foreseeable future. Employee retention and further training for managers and employees are therefore key issues at the Materna Group.

The dual training in IT professions is therefore an important focus for the Materna Group. With 83 apprentices in a total of four training professions, the Materna Group is the largest training company for IT specialists in application development in the chamber district and beyond. There are trainee programs especially for university graduates and training courses for experienced employees in the area of socio-methodological skills and subject-specific further training.

The Materna Group also works with schools and universities. Cooperation with selected universities throughout Germany has been intensified in recent years and is actively used for recruiting and participation in research projects. An attempt is made to involve students in all areas of the Materna Group during their studies through working student positions and thus to force a later entry at Materna. In addition to dual training, the Materna Group also participates in dual study programs in which dual training at the Chamber of Commerce and Industry and a degree with a Bachelor's degree take place in parallel.

b) Risk reporting on the use of financial instruments

The financial instruments existing in the corporate group include receivables and bank balances. The aim of financial and risk management is to secure the company's success against financial risks of all kinds. The management of the parent company pursues a conservative risk policy. To hedge against liquidity risks, liquidity plans are drawn up at the individual company level, which provide an overview of incoming and outgoing payments. If default and credit risks are discernible for financial assets, appropriate value adjustments are made. Before entering into a new business relationship, the customer's creditworthiness is always queried.

3 Forecast report

The management of Materna SE plans an increase in total output of around 8.2% to € 316.6 million in the group for the current financial year. Public and Enterprise Service Management. This is accompanied by an EBIT of € 26.6 million for the 2019 financial year. This corresponds to an increase of € 3.1 million or 13.2% compared to the EBIT 2018 adjusted for the income from the property sale of Materna SE (€ 23.5 million). These expectations have been confirmed by the course of business so far in 2019.

Internal and external profit-oriented growth is expected for the Materna Group in the following years. The measures introduced for greater flexibility and customer proximity in particular, but also the accelerated acquisition of new customers, should contribute to this growth and further expansion of market shares. Nonetheless, the development of individual business areas of the Materna Group also depends on political and economic circumstances. The growth also depends on the skilled workers available on the market who are required for this.

A targeted expansion of sales activities and increased cross-company cooperation between the various sales teams offer additional opportunities for customers with needs in various fields of application. The Materna-wide use of the sales experience and the respective customer access offers real synergies that are used to strengthen the respective competitive position. In addition, the internal technical know-how is bundled within the framework of regular and group-wide working groups in order to raise further potential in the areas of quality and capacity utilization.

The portfolio was further optimized in the first quarter of 2019. Materna SE has a majority stake in Message Mobile GmbH, Lüneburg, in the Israeli company MIND CTI Ltd. (Nasdaq: MNDO) sold. Message Mobile GmbH has specialized in individual communication solutions for more than 15 years. However, following the consolidation of the group-wide portfolio, messaging services are no longer part of the core business of Materna SE. In this context, changes to the business line structure have also been made and implemented from January 1, 2019. This resulted in the dissolution of the Business Line Communications and the content-related assignment of the remaining projects and teams to the Business Line ITF,

For the 2019 financial year, there are no known investment obligations that exceed the usual limits and no specific investments are planned.

4 Corporate Governance Statement

Board:

The Board of Management of Materna SE currently consists of one male person. The current quota of women is therefore 0%. For the period up to June 30, 2022, the target is 0%.

Management levels:

The first management level at Materna SE consists of 9 Executive Vice Presidents and Senior Vice Presidents. There are 8 men and 1 woman represented. The current quota for women is 11%. For the period up to June 30, 2022, the target is 20%.

The second management level consists of 27 Vice Presidents. There are 24 men and 3 women represented. The current quota of women is 11.1%. For the period up to June 30, 2022, the target is 20%.

Supervisory Board:

With the conversion to an SE, a supervisory board was also set up. This currently consists of 3 men. The current quota of women is therefore 0%. For the period up to June 30, 2022, the target is 0%.

Dortmund, May 08, 2019

Michael Knopp, board member / CFO

Consolidated balance sheet as of December 31, 2018

Materna Information & Communications SE (formerly: Materna GmbH Information & Communications), Dortmund

assets

			December 31, 2017
	EUR	EUR	KEUR
A. Fixed assets			
I. Intangible Assets			
1. Software and licenses acquired against payment	1,724,023.19		1,722
2. Goodwill	11,343,345.94		8,479
3. Advance payments made	6,387.00		5
		13,073,756.13	10.206
II. Tangible assets			
1. Land and buildings	3,192,952.44		2,988
2. Other equipment, factory and office equipment	4,611,636.69		4.012
3. Advance payments and assets under construction	222,015.98		71
		8,026,605.11	7,071
III. Financial assets			
1. Shares in affiliated companies	26,163.70		139
2. Loans to affiliated companies	0.00		7th

			December 31, 2017
	EUR	EUR	KEUR
3. Securities held as fixed assets	340,000.00		340
4. Reinsurance claims from life insurance	53,562.63		185
		419,726.33	671
		21,520,087.57	17,948
B. Current Assets			
I. Inventories			
1. Work in progress	13,259,458.42		8,262
2. Finished products, licenses and goods	584,867.75		2,178
3. Advance payments made	518,175.23		0
		14,362,501.40	10,440
II. Receivables and other assets			
1. Trade accounts receivable	67,775,766.04		52,501
2. Receivables from affiliated companies	81,996.03		100
3. Other assets	4,680,620.01		9,353
		72,538,382.08	61,954
III. Cash and bank balances		62,968,457.46	31,537
		149,869,340.94	103,931
C. Prepaid expenses		10,404,262.37	12,554
D. Active difference from asset offsetting		82,965.00	102
		181,876,655.88	134,535

liabilities

			December 31, 2017
	EUR	EUR	KEUR
A. Equity			
I. Drawn capital		260,000.00	260
II. Retained earnings			
1. Legal Reserve	26,000.00		0
2. Other retained earnings	9,668,749.87		0
		9,694,749.87	0
III. Difference in equity from currency conversion		-347,117.91	-264
IV. Group net profit		47,395,072.91	28,802
V. Non-controlling interests		687,365.07	1,018
		57,690,069.94	29,816
B. Provisions			
1. Provisions for pensions and similar obligations	12,507,986.79		11,633
2. Tax provisions	6,871,934.08		3,185
3. Other provisions	30,353,689.01		26,045
		49,733,609.88	40,863
C. Liabilities			
1. Liabilities to banks	4,497,626.90		5,486
2. Advance payments received on orders	19,772,177.45		10,467
3. Trade accounts payable	14,795,907.86		13,166
4. Liabilities to shareholders	8,825,999.11		9,807
5. Liabilities to affiliated companies	20,309.78		3
6. Other Liabilities	9,692,544.09		12,663
of which from taxes EUR 8,506,918.88 (previous year: EUR 10,160 thousand)			
thereof in the context of social security EUR 225,005.24 (previous year: EUR 235 thousand)			
		57,604,565.19	51,592
D. Prepaid expenses		14,091,535.74	9,752
E. Deferred Tax Liabilities		2,756,875.13	2,512
		181,876,655.88	134,535

Consolidated income statement for 2018**Materna Information & Communications SE (formerly: Materna GmbH Information & Communications), Dortmund**

	EUR	EUR	2017 KEUR
1. Sales	288,574,523.18		254.211
2. Increase in stocks of finished goods and work in progress	3,910,472.48		2,309
3. Other operating income	19,099,502.95		7.187
of which income from currency translation EUR 709,734.52 (previous year: EUR 804 thousand)		311,584,498.61	263,707
4. Cost of materials			
a) Expenses for purchased licenses and goods	-8,322,693.79		-6,511
b) Expenses for purchased services	-65,515,974.76		-60.072
5. Personnel expenses			
a) Wages and salaries	-134,636,051.00		-116,853
b) Social security and pension costs	-22,946,362.52		-19,592
of which for pensions EUR -2,202,722.20 (previous year: EUR -1,422 thousand)			
6. Depreciation on intangible assets and property, plant and equipment	-5,675,036.72		-4,646
7. Other operating expenses	-38,100,288.07		-38,244
thereof expenses from currency conversion EUR -676,706.33 (previous year: EUR -1,565 thousand)			
of which expenses from the application of Art. 66 and 67 Paragraphs 1 to 5 EGHGB (transitional provisions to BilMoG) EUR -145,522.85 (previous year: EUR -144 thousand)		-275,196,406.86	-245,918
8. Income from other securities and loans from financial assets	396.47		5
of which from affiliated companies EUR 396.47 (previous year: EUR 4 thousand)			
9. Other Interest and Similar Income	1,081,242.10		34
10. Depreciation on financial assets	-14,442.29		-7
11. Interest and Similar Expenses	-1,143,091.14		-1,187
of which expenses from discounting EUR -60,952.72 (previous year: EUR -498 thousand)		-75,894.86	-1,155
12. Taxes on income and earnings		-7,749,961.18	-7,179
13. Earnings after taxes / consolidated net income		28,562,235.71	9,455
14. Profit carried forward from the previous year		28,802,287.69	19,786
15. Allocations to retained earnings			
a) into the legal reserve		26,000.00	0
b) to other revenue reserves		9,668,749.87	0
16. Profit due to non-controlling interests		-239,162.44	-439
17. Change in the scope of consolidation		35,538.18	0
16. Consolidated net profit		47,395,072.91	28,802

Consolidated cash flow statement for 2018

Materna Information & Communications SE (formerly: Materna GmbH Information & Communications), Dortmund

	KEUR	2017 KEUR
1. Cash flow from operating activities		
Profit or loss for the period (including minority interests)	28,562	9,455
Depreciation on fixed assets	5,689	4,652
Increase / decrease (-) in provisions	7,278	47
Other non-cash expenses / income (-)	-365	-288
Gains (-) / losses from asset disposals	-12,895	-3
Income tax expense	7,750	7,179
Increase (-) / decrease in inventories, trade receivables and other assets	-12,875	-5,448
Increase / decrease (-) in trade payables and other liabilities	9,369	-943
Interest expenses	62	1,154
Other investment income (-)	0	-5
Expenses (-) from extraordinary items	146	0
Payments from extraordinary items	1,065	0
Income tax payments (-)	-2,474	-3,670
Cash generated from operations	31,312	12,130

	KEUR	2017 KEUR
2. Cash flow from investing activities		
Payments received from the disposal of intangible assets	1	0
Payments received from the disposal of items of property, plant and equipment	15,409	6th
Payments (-) for investments in property, plant and equipment	-6,423	-3,000
Payments (-) for investments in intangible assets	-1,382	-472
Inpayments from the disposal of financial assets	141	247
Payments (-) for investments in financial assets	-1	-34
Payments (-) for additions to the scope of consolidation	-4,374	-4,655
Interest received	17th	34
Cash flow from investing activities	3,388	-7,874
3. Cash flow from financing activities		
Payments from taking out (financial) loans	1,451	100
Payouts (-) from the repayment of (financial) loans	-3,420	-4,077
Interest Paid	-1,000	-629
Dividends paid to other shareholders	-271	-400
Cash flow from financing activities	-3,240	-5,006
4. Cash funds at the end of the period		
Cash change in financial resources (subtotals 1 - 3)	31,460	-750
Exchange rate and valuation-related		
Changes in financial resources	-82	172
Changes in financial resources due to the scope of consolidation	53	1,459
Cash funds at the beginning of the period	31,537	30,656
Cash funds at the end of the period	62,968	31,537
5. Composition of financial resources		
Liquid funds	62,968	31,537
Cash funds at the end of the period	62,968	31,537

Consolidated statement of changes in equity for 2018

Materna Information & Communications SE (formerly: Materna GmbH Information & Communications), Dortmund

	Parent Company Equity				
	Subscribed capital	legal reserve	Retained earnings Other retained earnings	Total retained earnings	Difference in equity from currency conversion
	EUR	EUR	EUR	EUR	EUR
01/01/2017	260,000.00	0.00	0.00	0.00	-350,900.18
Consolidated net income					
Profit due to non-controlling interests					
Currency conversion					86,623.07
Change in the scope of consolidation					
Distribution 2017					
December 31, 2017	260,000.00	0.00	0.00	0.00	-264,277.11
01/01/2018	260,000.00	0.00	0.00	0.00	-264,277.11
Consolidated net income					
Allocation to retained earnings		26,000.00	9,668,749.87	9,694,749.87	
Profit due to non-controlling interests					
Currency conversion					-82,840.80
Change in the scope of consolidation					
Distribution 2018					
December 31, 2018	260,000.00	26,000.00	9,668,749.87	9,694,749.87	-347,117.91
	Parent Company Equity				Non-controlling interests
	Consolidated net profit		Equity	Equity attributable to non-controlling interests	Group equity
	EUR		EUR	EUR	EUR

	Parent Company Equity		Non-controlling interests	Group equity
	Consolidated net profit	Equity	Equity attributable to non-controlling interests	
	EUR	EUR	EUR	EUR
01/01/2017	20,211,270.36	20,120,370.18	962,930.41	21,083,300.59
Consolidated net income	9,454,790.42	9,454,790.42		9,454,790.42
Profit due to non-controlling interests	-438,842.28	-438,842.28	438,842.28	0.00
Currency conversion		86,623.07		86,623.07
Change in the scope of consolidation	-424,930.81	-424,930.81	16,830.97	-408,099.84
Distribution 2017		0.00	-400,420.26	-400,420.26
December 31, 2017	28,802,287.69	28,798,010.58	1,018,183.40	29,816,193.98
01/01/2018	28,802,287.69	28,798,010.58	1,018,183.40	29,816,193.98
Consolidated net income	28,562,235.71	28,562,235.71		28,562,235.71
Allocation to retained earnings	-9,694,749.87	0.00		
Profit due to non-controlling interests	-239,162.44	-239,162.44	239,162.44	0.00
Currency conversion		-82,840.80		-82,840.80
Change in the scope of consolidation	-35,538.18	-35,538.18	-298,949.59	434,487.77
Distribution 2018		0.00	-271,031.18	-271,031.18
December 31, 2018	47,395,072.91	57,002,704.87	687,365.07	57,690,069.94

Notes to the consolidated financial statements for the 2018 financial year

Materna Information & Communications SE (formerly: Materna GmbH Information & Communications), Dortmund

General Information

The present consolidated financial statements were prepared in accordance with §§ 290 ff. HGB.

The consolidated financial statements were prepared in accordance with generally accepted accounting principles. The regulations for large corporations within the meaning of Section 267 (3) of the German Commercial Code (HGB) apply to the Group's accounting.

The structure of the consolidated balance sheet and the consolidated income statement corresponds to Sections 266 and 275 of the German Commercial Code (HGB), supplemented by special group-specific items, whereby the total cost method is used for the consolidated income statement.

Register information

The parent company is registered under the company Materna Information & Communications SE with headquarters in Dortmund in the commercial register of the Dortmund Local Court under the number HRB 30301. The company is a Societas Europaea (SE) and is subject to German law.

It was created through the transformation of Materna GmbH Information & Communications into Materna AG Information & Communications; The conversion was entered in the commercial register of the Dortmund District Court on July 27, 2018. The subsequent transformation of Materna AG Information & Communications into Materna Information & Communications SE (Materna SE for short) was registered on September 14, 2018.

Scope of consolidation

In addition to Materna Information & Communications SE, Dortmund, the scope of consolidation includes the following 7 domestic and 19 foreign subsidiaries, which are to be consolidated due to the majority of voting rights held by Materna SE in accordance with Section 290 (2) No. 1 HGB.

The following subsidiaries have been included in the consolidated financial statements as part of the full consolidation:

Name, seat	Shareholding in % (Parent company)
Materna Information & Communications SE, Dortmund	100.00
Materna Information & Communications Norway A / S, Lillestrom / Norway	100.00
cbs Corporate Business Solutions Unternehmensberatung GmbH, Heidelberg	100.00
cbs Schweiz AG, Zurich / Switzerland *)	100.00
IQDoQ GmbH, Bad Vilbel	100.00
leogistics GmbH, Hamburg *)	100.00
INFORA Society for Information, Organization and Automation mbH, Cologne	100.00
Materna TMT GmbH, Dortmund	100.00
Materna Communications Plc, High Wycombe / Great Britain	100.00
Materna Information & Communications Italy Srl, Milan / Italy	100.00
Materna Communications Sp. Z oo, Warsaw / Poland *)	87.40
Materna Information & Communications AB, Kista / Sweden	100.00
Materna Information & Communications Schweiz AG, Bern / Switzerland	100.00
Materna Information & Communications sro, Bratislava / Slovakia	100.00
Materna Communications as, Hradec Kralove / Czech Republic	75.00
Message Mobile GmbH, Lueneburg	51.05

Name, seat	Shareholding in %
Materna Information & Communications Corp., Orlando / USA	100.00
Materna Information & Communications Inc., Toronto / Canada	100.00
MATERNA Information & Communications India Pvt. Ltd., Bangalore / India	100.00
Mobile Communications sro, Prague / Czech Republic *)	100.00
Quadruple as, Prague / Czech Republic *)	75.39
cbs Corporate Business Solutions Asia Pacific Pte. Ltd., Singapore / Republic of Singapore *)	100.00
agineo GmbH (formerly ComConsult Kommunikationstechnik GmbH), Aachen	100.00
cbs Transformation Consulting Spain, SL, Barcelona / Spain *)	100.00
cbs Corporate Business Solutions Malaysia Sdn. Bhd., Kuala Lumpur / Malaysia *)	100.00
cbs Corporate Business Solutions America Inc., Philadelphia / USA *)	100.00
agineo AG (formerly ComConsult Kommunikationstechnik AG), Köniz / Switzerland *)	100.00

*) indirect participation

In accordance with Section 296 (2) of the German Commercial Code and Section 311 (2) of the German Commercial Code (HGB), the following companies are not included in the consolidated financial statements, as the companies want to convey a true and fair view of the Group's asset, financial and earnings position have only a subordinate meaning. These are the following companies:

Name, seat	Shareholding in %
Materna Communications sro, Bratislava / Slovakia *)	100.00
COOP Mobil sro, Prague / Czech Republic *)	33.33
Trust Center Mobile Payment GmbH, Lüneburg *)	50.00
snacc-IT GmbH, Aachen *)	50.00

*) indirect participation

Change in the scope of consolidation

In the reporting year, INFORA Management Consulting GmbH, Hanover, was merged with INFORA Gesellschaft für Information, Organization und Automation mbH, Cologne, on July 30, 2018. In addition, a further 18% in leogistics GmbH, Hamburg, was acquired from cbs Corporate Business Solutions Unternehmensberatung GmbH, Heidelberg, which now holds 100% of the shares. In March all shares in Materna Information & Communications Oy, Helsinki / Finland, were sold. Likewise, in February Materna Information & Communications Nederland BV, VE Huizen / Netherlands, in April Materna Belgium BVBA, Antwerp / Belgium, and in November Materna A / S, Koge / Denmark, were liquidated. The companies were accordingly deconsolidated at the time of liquidation or sale. Furthermore, MATERNA Information & Communications India Pvt. Ltd., Bangalore / India, which will be 100% included in the consolidation from January 1, 2018.

Information on accounting and valuation methods

The following accounting and valuation methods were essentially unchanged for the preparation of the consolidated financial statements. In the 2018 financial year, the parent company reports equity and the income statement in accordance with the amendments to the Commercial Code under company law. The 2017 financial year was also adjusted accordingly.

The financial statements of the companies included in the consolidated financial statements were drawn up according to uniform accounting and valuation principles.

The intangible assets acquired in return for payment and the tangible fixed assets were valued at the cost of acquisition or production and, if depreciable, reduced by scheduled depreciation. Unscheduled depreciation was made in the event of an expected permanent impairment. In addition to the directly attributable costs, necessary overheads are also included in the production costs. Depreciation is carried out on a straight-line basis based on the expected useful life of the assets. Low-value assets up to a net individual value of € 800.00 are written off in full in the year of acquisition or recorded as an expense; their immediate departure was assumed.

Goodwill from the initial consolidation of shares is amortized over a period of 10 years, since the company's business is a business with typical life cycles of 10 years.

In the case of financial assets, shares, securities and reinsurance claims from life insurances are shown at acquisition costs or lower fair values, and loans are generally shown at their nominal value.

The inventories were valued at the cost of acquisition or manufacture. If the daily values were lower on the balance sheet date, these were used. The work in progress is shown at the manufacturing cost. In addition to all individual costs that have to be capitalized, the production costs also include overhead costs in the form of a reasonable surcharge on the individual costs. General administration costs are not capitalized. Interest on borrowed capital was also not included in the production costs. Merchandise is valued at acquisition cost or lower market price.

Receivables and other assets were stated at their nominal values, taking into account all identifiable risks. Identifiable individual risks are recorded through value adjustments. The general credit risk is taken into account by a general value adjustment of 1.0% on the net receivables that have not been individually adjusted.

Cash in hand and bank balances are valued at nominal values.

The prepaid expenses include expenses before the balance sheet date that lead to expenses in the coming periods.

Deferred tax assets are recognized in accordance with Section 274 of the German Commercial Code (HGB), taking into account company-specific tax rates. The calculation was based on tax rates of 19%, 21%, 22%, 23%, 31%, 32.5% and 32.8%. Active and passive tax deferrals are offset. Active tax deferrals or active deferred tax surpluses are not capitalized in exercising the option under Section 274 (1) sentence 2 of the German Commercial Code. Deferred tax assets are based on differences in financial assets, property, plant and equipment, receivables and provisions.

The share capital as well as the revenue reserves are reported at their nominal value.

The provisions for pensions and similar obligations are determined according to the modified entry age method using the "Richttafeln 2018 G" by Prof. Dr. Klaus Heubeck. The average market interest rate of the last ten years with a flat remaining term of 15 years of 3, 21% (previous year 3.68%) in accordance with the Provision Discounting Ordinance of November 18, 2009. Expected salary increases were 0.0% to 2.0% (previous year 2.0%) and expected pension increases were 4.0% (PY: 4.0%) for former managing directors and 0.0% to 2.0% (PY: 2.0%) for other employees, 0%.

By exercising the option under Art. 67 Paragraph 1 Clause 1 EGHGB, the change in the accounting for provisions pursuant to §§ 249 Paragraph 1 Clause 1, 253 Paragraph 1 Clause 2, Paragraph 2 in conjunction with § 298 HGB by the Accounting Law Modernization Act (BilMoG) evenly distributed over the maximum period of 15 years.

Securities-based pension commitments are valued at the fair value of the securities in accordance with Section 298 (1) in conjunction with Section 253 (1) sentence 3 HGB, provided this exceeds the guaranteed minimum amount (discounted settlement amount of the guarantee). Congruently reinsured pension commitments, the amount of which is therefore determined exclusively according to the fair value of a reinsurance claim, are valued at this insofar as it exceeds the guaranteed minimum amount (discounted fulfillment amount of the guarantee). A reinsurance is to be described as congruent, if the payments resulting from it are congruent with the payments to the beneficiary in terms of both amount and timing. The fair value of a reinsurance claim consists of the so-called business plan coverage capital of the insurance company plus any available credit from premium refunds (so-called surplus sharing).

The assets that are used exclusively to meet the pension obligations and are not accessible to all other creditors (cover assets within the meaning of Section 246 (2) sentence 2 HGB) were offset against the provisions at their fair value. Taking into account the lower of cost or market principle, the acquisition costs of the assets correspond to the amortized acquisition costs and thus the fair value i. S. d. Section 255 (4) sentence 4 HGB. This value also corresponds to the tax asset value.

The tax provisions and the other provisions take into account all uncertain liabilities and impending losses from pending transactions. They are set in the amount of the settlement amount necessary according to a reasonable commercial assessment. Provisions with a remaining term of more than one year have been discounted.

The provisions for anniversaries are determined using the modified entry age method in accordance with the actuarial report. The average market interest rate with a flat remaining term of 15 years of 2.32% (previous year 2.80%) in accordance with the Provision Discounting Ordinance of November 18, 2009 was used for discounting. Expected salary increases were taken into account with 2.5% (previous year 2.5%) and expected increases in the contribution assessment ceiling with 2.0% (previous year 2.0%). The fluctuation was taken into account at a rate of 10.0% (previous year: 9.0%).

Liabilities were shown at the settlement amount.

The deferred income includes income before the balance sheet date, insofar as it leads to income after the balance sheet date.

The recognition of deferred tax liabilities in accordance with Section 274 of the German Commercial Code (HGB) took into account a company-specific tax rate of 32.8% and relates to a reserve only shown in the tax balance sheet. Active and passive tax deferrals are offset.

Currency conversion

The currency conversion of business transactions in a foreign currency takes place at the exchange rate on the day of occurrence. Receivables and liabilities in foreign currency existing on the balance sheet date with remaining terms of up to one year are valued at the mean spot exchange rate on the balance sheet date. In this respect, the realization and acquisition cost principle according to § 256a HGB is not applied. The resultant income and expenses are shown separately under other operating income and other operating expenses in the profit and loss account as a note of which.

The annual financial statements of the foreign subsidiaries included were converted into euros in accordance with Section 308a of the German Commercial Code using the modified reporting date method. The assets and debts of the included company are converted using the closing rate and the equity capital is converted using historical rates.

The items in the income statement are converted into euros at the average rate.

Translation differences are recognized directly in equity under the item "Equity difference from currency translation".

Consolidation principles

The capital consolidation is carried out according to the revaluation method (Section 301 (1) sentence 2 HGB) by offsetting the share of the parent company with the proportionate, revalued equity of the subsidiary (in accordance with Section 301 (2) sentence 1 HGB) at the time the company was established Has become a subsidiary.

The valuation of the shares belonging to the parent company is offset against the amount of the subsidiary's equity attributable to these shares. Equity is stated at the amount that corresponds to the fair value of the assets, liabilities, prepaid expenses and special items to be included in the consolidated financial statements at the time of consolidation. Any difference remaining after offsetting is shown as goodwill if it arises on the assets side and, if it arises on the liabilities side, under the item "Negative difference from capital consolidation" after equity.

The time value of the assets, debts, prepaid expenses and special items to be included in the consolidated financial statements and the relevant point in time for capital consolidation is generally the one at which the company became a subsidiary. In the case of subsidiaries that were previously not included in accordance with Section 296 of the German Commercial Code, the date of inclusion of the subsidiary in the consolidated financial statements is decisive.

The capital consolidation for companies or for purchased capital shares that were consolidated for the first time before January 1, 2010, was carried out using the book value method at the time of acquisition or at the time of initial consolidation. As far as possible, we allocated the amounts to be capitalized to the relevant asset items; the remaining amount was shown as goodwill. We recorded negative differences from capital consolidation within equity.

Debt consolidation takes place in accordance with Section 303 (1) of the German Commercial Code (HGB) by eliminating the receivables and the corresponding liabilities between the companies included in the consolidated financial statements.

Consolidation of expenses and income is carried out in accordance with Section 305 (1) of the German Commercial Code (HGB) by offsetting internal sales and other operating income between the group companies against the related expenses. The same applies to other interest and similar income that was offset against the corresponding expenses. The profit distributions to group companies have been eliminated.

Notes on the consolidated balance sheet

Capital assets

The development of the individual items of the fixed assets can be seen from the fixed asset schedule, including the depreciation of the financial year.

The capital consolidation of the shares from the acquisition of the remaining 18% in leogistics GmbH, Hamburg, the subsequent acquisition costs of agineo GmbH (formerly ComConsult Kommunikationstechnik GmbH), Aachen, as well as the shares in the newly founded company MATERNA Information & Communications India Pvt. Ltd., Bangalore / India, resulted in a difference of € 4,088,547.32 capitalized as goodwill.

Receivables and other assets

The receivables from affiliated companies include trade receivables amounting to € 81,996.03 (previous year: € 83.5 thousand).

The other assets contain an amount of € 74,628.08 (previous year: € 0.0 thousand) with a remaining term of more than one year.

Equity

The development of the group's equity is shown in the consolidated equity statement attached as Annex 4.

The profit carried forward contained in the balance sheet profit amounts to € 28,802,287.69.

Pension provisions

The deficit to be accumulated in future periods in accordance with Section 298 (1) HGB in conjunction with Article 67 (2) EGHGB amounts to € 851 thousand.

The difference according to Section 253 (6) of the German Commercial Code (HGB) is € 1,724 thousand and is subject to a distribution block.

Information on offsetting according to Section 298 (1) in conjunction with Section 246 (2) sentence 2 HGB:

	2018	2017
	T €	T €
Settlement amount of the offset debts	1,510	1,973
Acquisition costs of the assets	1,270	1,654
Fair value of the assets	1,420	1,793
Charged expenses	0	14th
Offset income	9	24

As a result of the individual valuation of the pension commitments, the offsetting results in an active difference from the asset offsetting of € 83 thousand and a pension provision of € 173 thousand.

Other provisions

The following types of provisions have been summarized under the item other provisions:

	2018	2017
	€	€
Outstanding commissions employees	16,045,929.54	12,761,536.47
Employer's liability insurance association / levy for severely disabled persons	588,962.23	500,083.08
Outstanding overtime	765,454.88	621,628.22
Remaining vacation outstanding	5,417,581.93	5,074,278.72
other personnel provisions	3,338,993.03	2,331,929.60
Provision warranty	1,178,428.08	1,309,898.56
Annual financial statements and audit costs	249,626.72	243,712.16
Outstanding incoming invoices	1,951,727.49	2,125,251.42
Other provisions	816,985.11	1,076,931.97
total	30,353,689.01	26,045,250.20

Deferred taxes

The deferred tax balances of the tax liabilities shown in the consolidated balance sheet developed as follows in the financial year:

	01/01/2018	change	December 31, 2018
	T €	T €	T €
Deferred tax assets according to § 274 HGB	24	1451	1,475
Deferred tax liabilities according to § 274 HGB	0	-4,231	-4,231
	24	-2,780	-2,756
Deferred tax assets according to § 306 HGB	0	0	0
Deferred tax liabilities according to § 306 HGB	-2,535	2,535	0
	-2,535	2,535	0
total	-2,511	-245	-2,756

Contingent Liabilities

As of the balance sheet date, the following contingent liabilities exist in accordance with Section 251 of the German Commercial Code:

Limited amount guarantee of € 383,468.91.

The risk of a claim under the guarantee is assessed as low due to the good asset, financial and earnings position of the company concerned.

Other financial obligations

As of the balance sheet date, there were other financial obligations from rental, leasing and leasing obligations as well as from obligations from maintenance contracts in the amount of T € 35,073.

The leasing liabilities are primarily the leasing of company vehicles. The focus here is on the risk-free financing aspect.

Valuation units

No valuation units were formed in the 2018 financial year.

Notes on the consolidated income statement

Sales

Regionally, sales are broken down as follows:

	2018	2017
	€ million	€ million
inland	240.5	210.5
EU countries	28.1	30.0

	2018	2017
	€ million	€ million
Third country	20.0	13.7
total	288.6	254.2

The sales revenues are distributed among the business areas as follows:

	2018	2017
	€ million	€ million
BL Public Sector	65.1	51.2
BL IT Factory	81.1	60.8
BL Digital Enterprise	28.9	28.6
BL Mobility	18.4	17.0
BL Communications	15.6	14.5
BL cbs	79.5	82.1
total	288.6	254.2

Other company income

Significant income unrelated to the accounting period was income from the reversal of valuation allowances in the amount of T € 1,727.

Other operating income includes income of extraordinary importance and magnitude in the amount of T € 12,911 from the sale of the property and the building at Vosskuhle 37, Dortmund.

Other operating expenses

The other operating expenses include extraordinary expenses in the amount of € 145,522.85, which result from the application of Art. 66 and Art. 67 Paragraphs 1 to 5 EGHGB (transitional provisions to BilMoG) from the valuation of pension provisions.

The expenses unrelated to the accounting period amount to € 101,762.11 and mainly relate to the operating cost bills of the previous year.

The other operating expenses include operating taxes (property and vehicle taxes) in the amount of € 264,736.11 (previous year: € 251,410.03).

Depreciation on financial assets

The unscheduled depreciation on the financial assets amounts to € 14,442.29.

Taxes on income and earnings

To adjust the tax burden from the individual financial statements to the consolidated result, deferred tax income in the amount of T € -245 (previous year: T € 0) was included in taxes on income.

Payments to minority shareholders

In the past financial year, T € 271 in profit distributions was paid to the minority shareholders of the group.

Other Information

Board of the parent company

In the 2018 financial year, the following persons belonged to the Management Board of Materna SE:

Mr. Helmut Binder, CEO and Board Member, Königswinter (until October 31, 2018)

Mr. Michael Knopp, CFO and Management Board, Ratingen

The total remuneration of the Board of Management of Materna SE in the 2018 financial year was € 958,590.47 (previous year: € 1,172,288.43).

For former members of the management and board of directors as well as their surviving dependents, the remuneration was € 1,077,015.46 (previous year: € 260,722.44).

The pension provisions for former members of the management and their surviving dependents have been set up in full and amounted to € 9,410,859.60 as of December 31, 2018 (previous year: € 8,579,856.86).

Supervisory board of the parent company

The following persons belonged to the Supervisory Board of Materna SE in the 2018 financial year:

Dr. Winfried Materna, chairman, company founder

Mr. Helmut an de Meulen, vice chairman, company founder

Mr Dieter Kraß, works council member, project manager

The members of the Supervisory Board of Materna SE did not receive any remuneration for their work as members of the body in the 2018 financial year.

Examination and consultation fees

The fee for the Group's auditor recognized as an expense in the financial year amounts to T € 90 for auditing services, T € 21 for other certification services and T € 7 for other services.

number of employees

In the 2018 financial year, an average of 2,063 (previous year 1,874) people were employed.

These are the employees of the companies included in the consolidation. These are divided as follows:

	2018	2017
Headquarters Services	85	114
ZE Shared Delivery (SD)	114	113

	2018	2017
ZE Corporate Development	6th	8th
ZE Marketing & Communication	19th	18th
ZE Central Sales	21st	22nd
ZE Managed Services	101	52
BL Communications	58	63
BL Public Sector	386	360
BL Digital Enterprise	254	244
BL IT Factory	417	369
BL Mobility	137	130
BL cbs	465	381
total	2,063	1,874

Supplementary report

On March 26, 2019, Materna SE sold its shares of 51.05% in Message Mobile GmbH, Lüneburg.

No other special events occurred after the reporting date.

Proposal for the appropriation of profits

The Supervisory Board and Management Board propose to use the net profit for the past 2018 financial year in the amount of € 47,395,072.91 as follows:

Allocation to retained earnings	€ 20,000,000.00
Lecture on new account	€ 27,395,072.91

Dortmund, May 08, 2019

Michael Knopp, board member / CFO

Development of consolidated assets in 2018**Materna Information & Communications SE (formerly: Materna GmbH Information & Communications), Dortmund**

	Acquisition and production costs			Additions first cons.
	1.1.2018	Currency change	Accesses	
	EUR	EUR	EUR	EUR
I. Intangible Assets				
1. Software and licenses acquired against payment	10,606,844.59	-38,478.47	1,366,535.79	0.00
2. Goodwill	27,310,451.68	0.00	2,464,000.00	1,624,547.32
3. Advance payments made	4,979.36	233.62	2,100.40	0.00
	37,922,275.63	-38,244.85	3,832,636.19	1,624,547.32
II. Tangible assets				
1. Land and buildings	15,819,887.40	0.00	2,993,339.64	0.00
2. Other equipment, factory and office equipment	19,960,902.68	-16,196.16	3,384,056.58	-42,129.73
3. Advance payments and assets under construction	71,158.56	0.00	222,015.98	0.00
	35,851,948.64	-16,196.16	6,599,412.20	-42,129.73
III. Financial assets				
1. Shares in affiliated companies	159,865.73	-78.01	0.00	0.00
2. Loans to affiliated companies	695,562.10	-58.14	1,252.18	0.00
3. Securities held as fixed assets	3,891,541.23	-4,312.43	0.00	0.00
4. Reinsurance claims from life insurance	184,440.32	0.00	0.00	0.00
	4,931,409.38	-4,448.58	1,252.18	0.00
	78,705,633.65	-58,889.59	10,433,300.57	1,582,417.59
	Acquisition and production costs			
	Departures	Disposals of	Rebooking	December 31, 2018
	EUR	first cons.	EUR	EUR
I. Intangible Assets				
1. Software and licenses acquired against payment	29,280.81	0.00	19,023.92	11,924,645.02
2. Goodwill	0.00	-1,967,820.14	0.00	29,431,178.86
3. Advance payments made	0.00	0.00	0.00	7,313.38
	29,280.81	-1,967,820.14	19,023.92	41,363,137.26
II. Tangible assets				
1. Land and buildings	14,130,593.17	0.00	71,158.56	4,753,792.43
2. Other equipment, factory and office equipment	2,684,208.88	0.00	-19,023.92	20,583,400.57

	Acquisition and production costs			December 31, 2018
	Departures	Disposals of first cons.	Rebooking	
	EUR	EUR	EUR	EUR
3. Advance payments and assets under construction	0.00	0.00	-71,158.56	222,015.98
	16,814,802.05	0.00	-19,023.92	25,559,208.98
III. Financial assets				
1. Shares in affiliated companies	114,374.52	-10,326.40	0.00	35,086.80
2. Loans to affiliated companies	688,573.59	0.00	0.00	8,182.56
3. Securities held as fixed assets	3,547,228.80	0.00	0.00	340,000.00
4. Reinsurance claims from life insurance	130,877.69	0.00	0.00	53,562.63
	4,481,054.60	-10,326.40	0.00	436,831.98
	21,325,137.46	-1,978,146.54	0.00	67,359,178.23
		Accumulated depreciation		
	1.1.2018	Currency change	Accesses	Departures
	EUR	EUR	EUR	EUR
I. Intangible Assets				
1. Software and licenses acquired against payment	8,884,832.19	-40,849.69	1,383,414.10	27,832.12
2. Goodwill	18,831,067.92	0.00	1,224,585.14	0.00
3. Advance payments made	553.22	35.75	337.41	0.00
	27,716,453.33	-40,813.94	2,608,336.65	27,832.12
II. Tangible assets				
1. Land and buildings	12,832,177.20	0.00	469,589.23	11,740,926.44
2. Other equipment, factory and office equipment	15,948,552.20	-13,235.25	2,597,110.84	2,559,606.56
3. Advance payments and assets under construction	0.00	0.00	0.00	0.00
	28,780,729.40	-13,235.25	3,066,700.07	14,300,533.00
III. Financial assets				
1. Shares in affiliated companies	20,735.30	-43.41	6,230.20	17,999.00
2. Loans to affiliated companies	688,573.59	-29.53	8,212.09	688,573.59
3. Securities held as fixed assets	3,551,540.23	-4,312.03	0.00	3,547,228.20
4. Reinsurance claims from life insurance	0.00	0.00	0.00	0.00
	4,260,849.12	-4,384.97	14,442.29	4,253,800.79
	60,758,031.85	-58,434.16	5,689,479.01	18,582,165.91
		Accumulated depreciation		
		Disposals of first cons.	Rebooking	December 31, 2018
		EUR	EUR	EUR
I. Intangible Assets				
1. Software and licenses acquired against payment		0.00	1,057.35	10,200,621.84
2. Goodwill		1,967,820.14	0.00	18,087,832.92
3. Advance payments made		0.00	0.00	926.38
		1,967,820.14	1,057.35	28,289,381.14
II. Tangible assets				
1. Land and buildings		0.00	0.00	1,560,839.99
2. Other equipment, factory and office equipment		0.00	-1,057.35	15,971,763.88
3. Advance payments and assets under construction		0.00	0.00	0.00
		0.00	-1,057.35	17,532,603.87
III. Financial assets				
1. Shares in affiliated companies		0.00	0.00	8,923.10
2. Loans to affiliated companies		0.00	0.00	8,182.56
3. Securities held as fixed assets		0.00	0.00	0.00
4. Reinsurance claims from life insurance		0.00	0.00	0.00
		0.00	0.00	17,105.65
		1,967,820.14	0.00	45,839,090.66
		Book values		
		December 31, 2018		December 31, 2017
		EUR		KEUR
I. Intangible Assets				
1. Software and licenses acquired against payment		1,724,023.19		1,722

	Book values	
	December 31, 2018	December 31, 2017
	EUR	KEUR
2. Goodwill	11,343,345.94	8,479
3. Advance payments made	6,387.00	5
	13,073,756.13	10.206
II. Tangible assets		
1. Land and buildings	3,192,952.44	2,988
2. Other equipment, factory and office equipment	4,611,636.69	4.012
3. Advance payments and assets under construction	222,015.98	71
	8,026,605.11	7,071
III. Financial assets		
1. Shares in affiliated companies	26,163.70	139
2. Loans to affiliated companies	0.00	7th
3. Securities held as fixed assets	340,000.00	340
4. Reinsurance claims from life insurance	53,562.63	185
	419,726.33	671
	21,520,087.57	17,948

Statement of liabilities as of December 31, 2018

Materna Information & Communications SE (formerly: Materna GmbH Information & Communications), Dortmund

	up to 1 year	more than 1 year	including more than 5 years	total
	KEUR	KEUR	KEUR	KEUR
1. Liabilities to banks	785	3.712	0	4,497
(Previous year)	(1,762)	(3,724)	(521)	(5,486)
2. Advance payments received on orders	18,675	1,097	1,097	19,772
(Previous year)	(10,467)	(0)	(0)	(10,467)
3. Trade accounts payable	14,796	0	0	14,796
(Previous year)	(13,166)	(0)	(0)	(13,166)
4. Liabilities to shareholders	8,826	0	0	8,826
(Previous year)	(9,643)	(164)	(0)	(9,807)
5. Liabilities to affiliated companies	20th	0	0	20th
(Previous year)	(3)	(0)	(0)	(3)
6. Other Liabilities	9,661	32	0	9,693
(Previous year)	(12,643)	(20)	(0)	(12,663)
thereof tax liabilities	8,507	0	0	8,507
(Previous year)	(10,160)	(0)	(0)	(10,160)
of which social security liabilities	225	0	0	225
(Previous year)	(235)	(0)	(0)	(235)
TOTAL	52,763	4,841	1,097	57,604
(Previous year)	(47,684)	(3,908)	(521)	(51,592)

The liabilities to shareholders are loan liabilities (EUR 8,826 thousand; previous year: EUR 9,807 thousand). The liabilities to affiliated companies are trade payables (EUR 20 thousand; previous year: EUR 3 thousand).

Independent auditor's report

To Materna Information & Communications SE

Examination Opinions

We have prepared the consolidated financial statements of Materna Information & Communications SE, Dortmund, and its subsidiaries (the group) - consisting of the consolidated balance sheet as of December 31, 2018, the consolidated income statement, the consolidated cash flow statement and the consolidated equity statement for the Fiscal year from January 1, 2018 to December 31, 2018 and the notes to the consolidated financial statements, including the presentation of the accounting and valuation methods. In addition, we have audited the group management report of Materna Information & Communications SE for the financial year from January 1, 2018 to December 31, 2018.

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

- the attached consolidated financial statements comply in all material respects with German commercial law regulations and, in compliance with German generally accepted accounting principles, give a true and fair view of the Group's assets and financial position as of December 31, 2018, as well as its earnings position for the business year of January 1, 2018 until December 31, 2018 and
- the attached group management report gives an overall accurate picture of the Group's position. In all material respects, this group management report is

consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the group management report.

Basis for the examination results

We carried out our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institute of Auditors (IDW). Our responsibility in accordance with these regulations and principles is described in more detail in the section entitled "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report" of our auditor's report Compliance with these requirements. We believe

Other Information

The legal representatives are responsible for the other information. The other information includes the declaration on corporate governance in accordance with Section 315d HGB in conjunction with Section 289f Paragraph 4 HGB (information on the quota of women).

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and accordingly we do not issue an audit opinion or any other form of audit conclusion thereon.

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

- have material inconsistencies with the consolidated financial statements, the group management report or our knowledge obtained during the audit or
- otherwise appear materially misrepresented.

If, on the basis of the work we have carried out, we come to the conclusion that there has been a material misrepresentation of this other information, we are obliged to report this fact. We have nothing to report in this context.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with the German commercial law in all essential respects, and for ensuring that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the in compliance with German principles of proper accounting Group mediated. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with the German principles of proper accounting to enable the preparation of consolidated financial statements that are free from material - intended or unintentional - misrepresentation.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing matters relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for the going concern basis of accounting, unless actual or legal circumstances conflict with this.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides an accurate picture of the group's position, is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and accurately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a group management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements in the group management report can.

The Supervisory Board is responsible for overseeing the Group's accounting process for the preparation of the consolidated financial statements and the group management report.

Auditor's responsibility for the audit of the consolidated financial statements and the group management report

Our aim is to obtain sufficient certainty as to whether the consolidated financial statements as a whole are free of material - intended or unintentional - misstatements and whether the group management report as a whole gives an accurate picture of the Group's position and, in all material matters, with the consolidated financial statements as well is consistent with the knowledge gained during the audit, complies with German legal requirements and correctly presents the opportunities and risks of future development, and issues an auditor's report that includes our audit opinions on the consolidated financial statements and the group management report.

Adequate security is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) in accordance with the German principles of proper auditing established by the Institute of Auditors (IDW) will always reveal a material misstatement. Misrepresentations can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they individually or collectively influence the economic decisions of the addressees made on the basis of these consolidated financial statements and group management report.

During the examination, we exercise our due discretion and maintain a critical attitude. Furthermore

- we identify and assess the risks of material - intentional or unintentional - misrepresentations in the consolidated financial statements and the group management report, plan and carry out audit procedures in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations will not be detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent interaction, forgeries, intentional incompleteness, misleading representations or the overriding of internal controls;
- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the provisions and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of providing an audit opinion on the effectiveness of these Dispense systems;
- we assess the appropriateness of the accounting methods used by the legal representatives as well as the acceptability of the estimated values presented by the legal representatives and related information;
- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the Group's ability to continue as a going concern can raise. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the consolidated financial statements and in the group management report in the auditor's report, or if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the Group can no longer continue its business activities;
- We assess the overall presentation, structure and content of the consolidated financial statements, including the information, and whether the consolidated

financial statements present the underlying business transactions and events in such a way that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the group conveyed;

- We obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the group in order to issue audit opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and execution of the group audit. We are solely responsible for our audit opinions;
- we assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the picture it provides of the group's position;
- we perform audit procedures on the future-oriented information presented by the legal representatives in the group management report. On the basis of adequate, suitable audit evidence, we particularly review the significant assumptions on which the legal representatives are based on the future-oriented information and assess the appropriate derivation of the future-oriented information from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a significant unavoidable risk

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

Dortmund, May 27, 2019

Ernst & Young GmbH
auditing company

Ruhl, auditor

Kirsch, auditor

REPORT OF THE SUPERVISORY BOARD for the 2018 financial year

Activity of the supervisory board

The Supervisory Board performed the tasks assigned to it by law and the Articles of Association and monitored and advised the management of the Management Board on a timely and continuous basis. The basis for this is provided by numerous timely oral, telephone and written reports from the Board of Management as well as meetings with the Board of Management members. The Supervisory Board always had sufficient opportunity to critically examine the reports, motions and proposed resolutions of the Management Board and to make suggestions.

The Chairman of the Supervisory Board discussed the situation and development of the company and its domestic and foreign subsidiaries with the Management Board on an ongoing basis. The focus here was on the current business development, the sales and earnings situation and the strategic business development. In addition, the Supervisory Board was regularly informed by the Management Board about risk management and the risk situation. The control by the Supervisory Board also extended to the application of internal compliance by the Management Board.

Materna Information & Communications SE was created through the transformation of Materna GmbH Information & Communications into Materna Information & Communications AG (the transformation was entered in the commercial register of the Dortmund District Court on July 27, 2018) and the subsequent transformation of Materna Information & Communications AG into Materna Information & Communications SE. The conversion was registered on September 14, 2018. Including the constituent meeting on August 28, 2018, the Supervisory Board of Materna Information & Communications SE met six times in the 2018 financial year. The Supervisory Board generally takes all necessary resolutions in meetings on the basis of proposals from the Management Board. Between the meetings, he makes the necessary decisions in a written circulation procedure.

In the meetings, the Supervisory Board dealt with the business and financial situation after the end of the respective months, with the current business situation and with the further outlook as well as with the strategic business development, especially with regard to acquisitions and investments. In addition, the Supervisory Board dealt with corporate planning, balance sheet issues and transactions requiring approval, fundamental questions of business policy, risk management, market development, the competitive situation of the company and its subsidiaries and the further development of corporate governance at the company.

All members of the Supervisory Board participated in all meetings and resolutions.

Committees

Due to its size of three members, the Supervisory Board did not form any committees in the 2018 financial year.

Annual and consolidated financial statements 2018

The auditor and group auditor, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Dortmund, elected by the Annual General Meeting and commissioned by the Supervisory Board, examined the annual financial statements prepared by the Management Board for the 2018 financial year, the management report, the consolidated financial statements and the group management report and issued an unqualified audit opinion.

The documents for the annual financial statements and the audit reports of the auditor and group auditor were forwarded to all members of the Supervisory Board in good time.

During the audit, the chairman of the supervisory board was informed about the course of the audit, questions that arose or other matters. At the Supervisory Board meeting on May 29, 2019, the Supervisory Board discussed the financial statements and reports in detail. The representative of the auditing company reported in detail on the process and the main results of his audit as well as on the fact that there were no weaknesses in the internal control system and the risk management system. At this meeting, the Management Board explained the financial statements of Materna Information & Communications SE and the group. The auditor also discussed the scope, focus and costs of the audit.

The Supervisory Board examined the annual financial statements prepared by the Management Board, the management report and the consolidated financial statements including the group management report. The Supervisory Board endorsed the audit results of the auditor or group auditor and, even after the final result of its own audit, raised no objections to the annual financial statements, the consolidated financial statements, the management report for the company and the management report for the Materna Group.

In the balance sheet meeting, the Supervisory Board approved the annual financial statements and the consolidated financial statements as of December 31, 2018; the annual financial statements were thus adopted. The Supervisory Board concurs with the Management Board's proposal on the appropriation of the net profit.

Composition of the Board of Management and the Supervisory Board

In the 2018 financial year there was a personnel change on the Executive Board. On October 22, the Supervisory Board resolved to dismiss Mr. Helmut Binder as a member of the Management Board (CEO) as of October 31, 2018, and to terminate his employment contract as of October 31, 2019. Since then, the Management Board has consisted of Mr. Michael Knopp (CFO).

There were no changes to the Supervisory Board in the 2018 financial year.

thanks

The Supervisory Board thanks all employees in the Group for their commitment and the very good results in the past financial year. Our thanks also go to the members of the Executive Board for their work. We would like to thank our business partners very much for the trust they have placed in us.

Dortmund, May 29, 2019

Dr. Winfried Materna, chairman of the supervisory board
