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CONET International Holding GmbH

Hennef

Consolidated financial statements for the financial year from April 1, 2019 to March 31, 2020

Independent auditor's report

To CONET International Holding GmbH

Examination Opinions

We have prepared the consolidated financial statements of CONET International Holding GmbH, Hennef, and its subsidiaries (the group) - consisting of the consolidated balance sheet as of March 31, 2020, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated equity statement for the financial year from March 1, 2020. April 2019 to March 31, 2020 as well as the notes to the consolidated financial statements, including a summary of significant accounting methods. In addition, we have audited the group management report of CONET International Holding GmbH for the financial year from April 1, 2019 to March 31, 2020.

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

- The attached consolidated financial statements comply in all material respects with the IFRS as they are to be applied in the EU, and the additional German legal regulations to be applied according to § 315e Abs. 1 HGB and give a true and fair view of the asset and financial situation in compliance with these regulations of the group as of March 31, 2020 and its earnings position for the financial year from April 1, 2019 to March 31, 2020 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 Institut der Wirtschaftsprüfer (IDW). Our responsibility under these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" of our auditor's report. We are independent of the group companies in accordance with the German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements.

Responsibility of the legal representatives 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 IFRS, as they are to be applied in the EU, and the additional German legal regulations to be applied according to § 315e Abs. 1 HGB in all essential respects, and for that the consolidated financial statements under Compliance with these regulations provides a true and fair view of the Group's asset, financial and earnings position. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether intended or not.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing issues relating to the going concern of the company, if relevant. In addition, they are responsible for the going concern basis of accounting, unless the intention is to liquidate the group or to cease operations or there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides a suitable view of the group’s position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements 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.

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

Our objective is to obtain sufficient certainty as to whether the consolidated financial statements as a whole are free of material - intended or unintentional - misrepresentation, 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 misrepresentation. 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 the 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 are not detected is higher in the case of violations than inaccuracies, since violations can include 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, as well as whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements take into account the IFRS, as they are to be applied in the EU, and the supplementary according to § 315e Paragraph 1 of the German Commercial Code (HGB) provides a true and fair view of the Group's asset, financial and earnings position;
- 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 sufficient suitable audit evidence, we particularly review the significant assumptions on which the future-oriented information is based on the legal representatives and assess whether the future-oriented information was properly derived 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.

Hamburg, July 28, 2020

Ernst & Young GmbH
auditing company

Brorhilker, auditor

Rathjen, auditor

Consolidated balance sheet as of March 31, 2020

ASSETS

	specification	March 31, 2020 Euro	March 31, 2019 Euro
Long-term assets			
Intangible assets	19th	9,801,298.87	13,223,899.65
Usage values	20th	12,289,320.28	9,943,214.71
Company Value	22nd	99,139,656.37	85,401,810.21
Property, plant and equipment	21st	4,133,590.74	2,951,717.18
Other claims	28	188,533.69	339,129.74
Deferred tax claims	18th	600,840.83	566,240.24
		126,153,240.78	112,426,011.73
Short-term assets			
Finished products and goods	24	1,009,935.43	1,898,414.75
Contract assets	25th	9,698,949.40	8,784,658.00

	specification	March 31, 2020 Euro	March 31, 2019 Euro
Requests from deliveries and services	26th	32,387,652.38	27,585,829.62
Current income tax claims	27	748,990.51	531,658.34
Other claims	28	851,453.54	1,158,645.92
Means of payment	29	25,135,093.55	6,344,681.39
Prepaid expenses	30th	1,782,701.34	1,083,728.47
		71,614,776.15	47,387,616.49
Total assets		197,768,016.93	159,813,628.22

LIABILITIES

	specification	March 31, 2020 Euro	March 31, 2019 Euro
Equity			
Subscribed capital	31	25,000.00	25,000.00
Capital reserve	31	21,848,584.05	14,333,584.05
Other equity components	31	-93,683.64	-19,377.71
Group loss carryforward	31	-2,256,027.08	-2,938,719.57
Consolidated annual result	31	-2,626,516.14	682,692.49
		16,897,357.19	12,083,179.26
Debt			
Long term debt			
Provisions for pensions and similar obligations	36	1,689,858.00	1,694,598.90
Financial liabilities	23	111,163,399.38	95,175,464.17
Lease liabilities	35	10,125,286.34	8,276,651.64
Deferred tax liabilities	18th	3,580,666.81	4,929,909.18
		126,559,210.53	110,076,623.89
Short term debt			
Other provisions	32	993,219.10	800,933.70
Current income tax liabilities	33	5,105,971.01	3,347,758.97
Financial liabilities	23	15,000,000.00	3,500,000.00
Lease liabilities	35	2,635,967.39	1,880,536.38
Contract liabilities	34	4,480,852.21	4,016,459.60
liabilities from goods and services	37	13,293,985.83	10,243,337.47
Other liabilities	38	12,801,453.67	13,864,798.95
		54,311,449.21	37,653,825.07
		180,870,659.74	147,730,448.96
Total assets		197,768,016.93	159,813,628.22

Consolidated statement of comprehensive income for the financial year from April 1, 2019 to March 31, 2020

in EUR	specification		2019/2020		2018/2019
Sales	4th		148,291,451.76		128,667,391.03
Other company income	9		772,793.81		590,897.80
Other own work capitalized			1,039,964.13		1,030,428.13
Material expenses					
Expenses from raw materials and supplies and goods	10	-6,253,748.45		-5,128,810.15	
Expenses for purchased services	11	-47,513,642.31	-53,767,390.76	-43,890,109.16	-49,018,919.31
Personnel expenses					
Wages and salaries	12th	-55,295,667.66		-44,847,098.37	
Social security and pension and support expenses	12th	-10,397,235.54	-65,692,903.20	-7,904,138.21	-52,751,236.58
Depreciation on intangible assets and property, plant and equipment	13		-10,702,345.12		-8,911,841.97
Impairment of financial assets including reversals			-176,983.35		-147,952.41
Other operating expenses	14th		-12,259,793.48		-12,125,620.53
Other taxes	15th		-61,609.74		-60,348.20
Operating profit			7,443,184.05		7,272,797.96
Other interest and similar income	16		4,949.03		278,317.40
Interest and similar expenses	17th		-8,054,120.90		-6,750,265.19
Profit / loss before income taxes			-605,987.82		800,850.17

in EUR	specification		2019/2020		2018/2019
Income taxes	18th		-2,020,528.32		-118,157.68
Consolidated annual result			-2,626,516.14		682,692.49
Result for the period according to the income statement			-2,626,516.14		682,692.49
Other result					
Other income (after taxes) not to be reclassified to the income statement in subsequent periods:					
Gains / (losses) on revaluation of defined benefit pension plans					
Actuarial losses / gains		-110,863.00		-141,818.00	
related deferred taxes		36,557.07	-74,305.93	46,161.76	-95,656.24
Other comprehensive income not to be reclassified to the income statement in subsequent periods			-74,305.93		-95,656.24
Other earnings after taxes			-74,305.93		-95,656.24
Total earnings after taxes			-2,700,822.07		587,036.25

Consolidated cash flow statement for the financial year from April 1, 2019 to March 31, 2020

In EUR	specification	2019/2020	2018/2019
Consolidated net loss / profit for the year		-2,626,516.14	682,692.49
Write-downs / write-ups on fixed assets	13	10,702,345.12	8,911,841.97
plus interest expenses	17th	8,054,120.90	6,750,265.19
less interest income	16	-4,949.03	-278,317.40
plus tax expense	18th	2,020,528.32	118,157.68
Other non-cash income and expenses		74,305.93	95,656.24
Decrease / increase in working capital		-4,224,047.26	-7,158,235.40
Decrease in inventories		888,479.32	433,124.19
Decrease / increase in trade receivables		-4,801,822.76	-6,799,107.98
Decrease / increase in contract assets		-914,291.40	1,142,536.00
Decrease in other assets		-241,184.44	-339,922.98
Change in provisions		187,544.50	608,783.90
Decrease / increase in trade payables		3,050,648.36	-1,731,754.19
Increase / decrease in other liabilities		-2,393,420.84	-471,894.34
Taxes paid		-1,863,491.41	-3,512,991.66
Interest Paid		-6,104,170.76	-5,488,144.88
Interest received		4,949.03	278,317.40
Cash generated from operations		6,033,074.70	399,241.63
Net investment from the acquisition of subsidiaries (payments minus cash acquired)	7th	-15,590,799.48	-6,584,227.95
Payments for the purchase of tangible and intangible assets	19, 21	-2,773,429.03	-2,296,582.21
Cash flow from investing activities		-18,364,228.51	-8,880,810.16
Receipts from the issue of shares or other equity instruments		7,515,000.00	0.00
Payments from equity capital reduction to shareholders		0.00	-9,852,300.00
Deposits from taking out loans		32,000,000.00	11,500,000.00
Loan repayment		-5,558,926.56	-89,952.24
Transaction costs paid		-488,570.00	-246,570.00
Repayment of lease liabilities		-2,345,937.47	-1,837,082.70
Cash flow from financing activities		31,121,565.97	-525,904.94
Changes in cash funds affecting cash		18,790,412.16	-9,007,473.47
Cash funds at the beginning of the period		6,344,681.39	15,352,154.86
Cash funds at the end of the period		25,135,093.55	6,344,681.39

Consolidated statement of changes in equity for the financial year from April 1, 2019 to March 31, 2020

Reserves in EUR	Subscribed capital	Capital reserve	Other equity components
As of April 1st, 2018	25,000.00	24,185,884.05	76,278.53
Consolidated net loss for the previous year	0.00	0.00	0.00
Consolidated net income	0.00	0.00	0.00
Other comprehensive income	0.00	0.00	-95,656.24
Distributions to shareholders	0.00	-9,852,300.00	0.00
As of March 31, 2019	25,000.00	14,333,584.05	-19,377.71

Reserves in EUR	Subscribed capital	Capital reserve	Other equity components
As of April 1st, 2019	25,000.00	14,333,584.05	-19,377.71
Allocation to the capital reserve	0.00	7,515,000.00	0.00
Group result previous year	0.00	0.00	0.00
Group net loss for the year	0.00	0.00	0.00
Other comprehensive income	0.00	0.00	-74,305.93
As of March 31, 2020	25,000.00	21,848,584.05	-93,683.64

Reserves in EUR	Consolidated net loss / profit for the year	Group loss carryforward	total
As of April 1st, 2018	-2,938,719.57	0.00	21,348,443.01
Consolidated net loss for the previous year	2,938,719.57	-2,938,719.57	0.00
Consolidated net income	682,692.49	0.00	682,692.49
Other comprehensive income	0.00	0.00	-95,656.24
Distributions to shareholders	0.00	0.00	-9,852,300.00
As of March 31, 2019	682,692.49	-2,938,719.57	12,083,179.26
As of April 1st, 2019	682,692.49	-2,938,719.57	12,083,179.26
Allocation to the capital reserve	0.00	0.00	7,515,000.00
Group result previous year	-682,692.49	682,692.49	0.00
Group net loss for the year	-2,626,516.14	0.00	-2,626,516.14
Other comprehensive income	0.00	0.00	-74,305.93
As of March 31, 2020	-2,626,516.14	-2,256,027.08	16,897,357.19

Notes to the consolidated financial statements for the financial year from April 1, 2019 to March 31, 2020

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1. Company information

The consolidated financial statements of CONET International Holding GmbH and its subsidiaries (together “the Group”) for the financial year ending March 31, 2020 were released for publication on July 27, 2020 by resolution of the company management. CONET International Holding GmbH ("the company" or "the parent company") is a company founded in Germany with limited liability and domiciled in Germany. The registered office of the company is Humperdinckstr. 1, 53773 Hennef. CONET International Holding GmbH is entered in the commercial register at the Siegburg District Court under number HRB 14821.

The business activities of the group essentially consist of IT services and IT solutions, which are provided in the service areas SAP, Infrastructure, Communications, Software and Consulting.

Information on the group structure is presented in Note 6. Information on other relationships between the Group and related companies and persons can be found in Note 40.

2. Accounting methods

2.1 Basis for the preparation of the financial statements

The consolidated financial statements of CONET International Holding GmbH and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standard Board (IASB) including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions pursuant to Section 315e Para. 1 i. V. m. Para. 3 HGB applicable commercial law regulations. All IFRS and IFRIC that were adopted by the EU Commission as of March 31, 2020 and are mandatory have been observed.

The consolidated financial statements are generally prepared using the cost principle. This does not apply to contingent consideration that was measured at fair value. The consolidated financial statements are prepared in euros. Unless otherwise stated, all values are rounded up or down to the nearest thousand euros (EUR k) in accordance with commercial rounding.

The consolidated financial statements contain comparative information on the previous reporting period.

2.2 Consolidation principles

The consolidated financial statements include the financial statements of CONET International Holding GmbH and its subsidiaries as of March 31, 2020. Control exists if the group has a risk exposure or entitlement to fluctuating returns from its involvement with the investee and also has power over the investee can use to influence these returns. In particular, the group controls an associated company if and only if it has all of the following characteristics:

- the power of disposal over the investee (i.e., based on current rights, the group has the option of controlling those activities of the investee that have a significant influence on its returns)
- a risk exposure or entitlement to fluctuating returns from his involvement in the investee,
- the ability to use one's power of disposal over the investee in such a way that it influences the investee's returns.

In general, it is believed that having a majority of the voting rights results in control. To support this assumption and if the group does not have a majority of voting rights or comparable rights in an investee, it takes into account all relevant facts and circumstances when assessing whether it has power of disposal over this investee. These include:

- contractual agreements with the other eligible voters

- Rights resulting from other contractual agreements
- Voting rights and potential voting rights of the group

If facts and circumstances give rise to indications that one or more of the three elements of control have changed, the group must re-examine whether it controls an associated company. The consolidation of a subsidiary begins on the day on which the group gains control over the subsidiary. It ends when the group loses control over the subsidiary. Assets, debts, income and expenses of a subsidiary that was acquired or sold during the reporting period are recognized in the consolidated financial statements from the day on which the Group gains control over the subsidiary to the day on which control ends.

The profit or loss and every component of the other comprehensive income are attributed to the owners of the parent company and the non-controlling interests, even if this leads to a negative balance of the non-controlling interests. If necessary, adjustments are made to the financial statements of subsidiaries in order to align their accounting methods with those of the group. All intra-group assets and liabilities, equity, income and expenses as well as cash flows from business transactions that take place between group companies are completely eliminated during consolidation.

A change in the stake in a subsidiary without loss of control is accounted for as an equity transaction.

If the group loses control of the subsidiary, the associated assets (including goodwill), debts, non-controlling interests and other equity components are derecognized. Any resulting profit or loss is taken into account in the income statement. Each investment retained is recorded at fair value.

2.3 Summary of Significant Accounting Policies

a) Business combinations and goodwill

Business combinations are accounted for using the purchase method. The acquisition costs of a company acquisition are measured as the sum of the consideration transferred, which is valued at the fair value at the time of acquisition, and the non-controlling interests in the acquired company. In every business combination, the Group decides whether to measure the non-controlling interests in the acquired company at fair value or at the corresponding share of the identifiable net assets of the acquired company. Costs incurred as part of the business combination are recorded as expenses and reported as other operating expenses.

If the Group acquires a company, it assesses the appropriate classification and designation of the acquired financial assets and liabilities in accordance with the contractual terms, economic circumstances and conditions prevailing at the time of acquisition. This also includes a separation of the derivatives embedded in host contracts.

The agreed contingent consideration is recorded at the time of acquisition at fair value. A contingent consideration classified as equity is not revalued and the subsequent fulfillment is recorded in equity. A contingent consideration classified as an asset or liability in the form of a financial instrument falling within the scope of IFRS 9 Financial Instruments is measured at fair value through profit or loss in accordance with IFRS 9. All other contingent considerations that do not fall within the scope of IFRS 9 are measured at fair value through profit or loss on each reporting date.

Goodwill is initially valued at cost, which is measured as the excess of the sum of the consideration transferred, the amount of the non-controlling interests and the shares previously held over the identifiable assets acquired and liabilities assumed by the group. If the fair value of the net assets acquired exceeds the total consideration transferred, the Group reassesses whether it has correctly identified all assets acquired and all liabilities assumed, and reviews the methods used to determine the amounts that must be reported at the time of acquisition .

After initial recognition, the goodwill is valued at cost less any accumulated impairment losses. For the purpose of the impairment test, the goodwill acquired as part of a business combination is allocated from the date of acquisition to the cash-generating units of the group that are expected to benefit from the business combination. This applies regardless of whether other assets or liabilities of the acquired company are assigned to these cash-generating units.

If goodwill has been allocated to a cash-generating unit and a business unit of this unit is sold, the goodwill attributable to the sold business unit is taken into account as a component of the book value of the business unit when determining the result from the sale of this business unit. The value of the sold portion of the goodwill is determined on the basis of the relative values of the sold business area and the remaining part of the cash-generating unit.

b) Classification into short term and long term

The group divides its assets and debts into current and non-current assets and debts in the balance sheet. An asset is classified as short-term if

- the asset is expected to be realized within the normal business cycle or the asset is held for sale or consumption within this period,
- the asset is held primarily for trading purposes,
- the asset is expected to be realized within twelve months of the reporting date or
- it is cash or cash equivalents, unless the exchange or use of the asset to fulfill an obligation is restricted for a period of at least twelve months after the balance sheet date.

All other assets are classified as long-term.

A debt is to be classified as short-term if

- the debt is expected to be settled within the normal business cycle,
- the debt is held primarily for trading purposes,
- the debt is expected to be settled within twelve months of the balance sheet date or
- the company does not have an unconditional right to postpone the settlement of the debt for at least twelve months after the reporting date.

All other debts are classified as long term.

Deferred tax assets and liabilities are classified as long-term assets or liabilities.

c) Measurement of the fair value

The Group values financial instruments, such as derivatives and contingent consideration, at their fair value on each reporting date.

The fair value is the price that was received for the sale of an asset or paid for the transfer of a liability in an orderly business transaction between market participants on the measurement date. When measuring the fair value, it is assumed that the business transaction in which the asset is sold or the liability is transferred

- either in the main market for the asset or the debt
- or, if there is no major market, the most advantageous market for the asset or liability.

The group must have access to the main market or the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would make when determining the price for the asset or liability. It is assumed here that the market participants act in their best economic interests.

When measuring the fair value of a non-financial asset, the ability of the market participant to generate economic benefits through the most economically sensible and best use of the asset or by selling it to another market participant who finds the most economically sensible and best use for the asset is taken into account .

The Group uses valuation techniques that are appropriate under the respective circumstances and for which sufficient data is available to measure the fair value. The use of relevant observable input factors should be as high as possible and those unobservable input factors should be kept as low as possible.

All assets and liabilities for which the fair value is determined or shown in the financial statements are classified in the measurement hierarchy described below, based on the input factor of the lowest level that is material for the measurement at fair value overall:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: valuation methods in which the input factor of the lowest level, which is material for the valuation at fair value as a whole, is directly or indirectly observable on the market
- Level 3: valuation methods in which the input factor of the lowest level, which is material for the valuation at fair value as a whole, is not observable on the market

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether regroupings have taken place between the levels of the hierarchy by performing the classification at the end of each reporting period (based on the input factor of the lowest level applicable for the measurement at fair value is material overall).

In order to meet the disclosure requirements for the fair values, the Group has defined classes of assets and liabilities on the basis of their type, their characteristics and their risks as well as the levels of the measurement hierarchy explained above.

Information on the fair value of financial instruments and non-financial assets that are measured at fair value or for which a fair value is reported can be found in the following notes:

- Information on valuation methods, significant estimates and assumptions (Notes 3 and 23.3)
- Quantitative information on the measurement of the fair value according to hierarchy levels (Note 8)
- Financial instruments (including those measured at amortized cost) (Note 23)
- Contingent consideration (note 23)

d) Realization of income / sales realization

In the 2018/2019 financial year, the Group switched its accounting and valuation methods to the accounting and valuation methods valid from April 1, 2018.

Revenue from contracts with customers

The group operates in the fields of IT services and IT solutions and provides related installation services. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer. They are recognized in the amount of the consideration that the Group is likely to receive in exchange for these goods or services. The group has basically come to the conclusion that it acts as a principal in its sales transactions, since it usually has the power of disposal over the goods or services before they are transferred to the customer.

The main judgments, estimates and assumptions in connection with revenue from contracts with customers are explained in Note 3.

Provision of services

The group records revenue from services over a certain period of time, since the customer receives the benefit from the group's performance and he uses this benefit at the same time. The Group uses an input-based method to determine the progress made in relation to the complete fulfillment of its performance obligation.

Sale of goods and products

Income from the sale of goods and products is recognized at the point in time at which control of the asset is transferred to the customer. This is generally the case when the equipment is delivered. The usual payment term is 30 to 90 days from delivery.

When determining the transaction price for the provision of services and for the sale of goods and products, the Group takes into account - if any - the existence of significant financing components.

The Group generally receives short-term advance payments from customers. In application of the exemption provided for in IFRS 15, he waives the need to adjust the amount of the promised consideration by the effects of a significant financing component if he expects at the beginning of the contract that the time span between the transfer of the promised good or the promised service to the customer and the payment this good or this service by the customer is a maximum of one year.

Warranty obligations

The group usually offers legally required warranties for the elimination of defects that existed at the time of sale. These so-called assurance-type warranties are recorded in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Details of the accounting policy for warranty provisions are provided in section r) Provisions.

Contract balances

Contract assets

A contract asset is the right to receive consideration in exchange for goods or services transferred to a customer. If the Group fulfills its contractual obligations by transferring goods or services to a customer before the customer pays the consideration or before the payment is due, a contract asset is recognized for the contingent claim for consideration.

Requests from deliveries and services

A claim is the unconditional claim of the group to consideration (ie the due date occurs automatically after the passage of time). The accounting policies for financial assets are explained in Section n) Financial Instruments - Initial Recognition and Subsequent Measurement.

Contract liabilities

A contractual liability is the Group's obligation to transfer goods or services to a customer for which he has received (or has yet to receive) consideration from him. If a customer pays consideration before the Group transfers goods or services to it, a contractual liability is recognized when the payment is made or when it is due (whichever is earlier). Contract liabilities are recognized as revenue as soon as the Group fulfills its contractual obligations.

e) Realization of expenses and income from leases

The group rents various real estate, operating and office equipment and vehicles. Leases are usually concluded for fixed periods of up to 10 years and can have extension options. The rental conditions are negotiated individually and contain a large number of different conditions.

Up to and including the 2017/2018 financial year, lease payments within an operating lease were recorded as an expense in the consolidated income statement on a straight-line basis over the term of the lease, unless another systematic basis has the temporal course of the benefit for the society met. Operate leasing existed when the leasing contract did not transfer all significant risks and opportunities to the lessee. The Group regularly checked whether there was an operating or finance lease.

In the 2018/2019 financial year, the Group changed its accounting method for accounting for leases and implemented the first-time application of IFRS 16 on April 1, 2018. The lease liabilities were valued at the present value of the remaining lease payments.

Leases are accounted for as a right of use and a corresponding liability at the time the leased item is available for use by the Group.

f) Realization of interest income and distributions

Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest method. This is the discount rate with which the estimated future payments over the expected term of the financial instrument or, if applicable, a shorter period are discounted exactly to the net book value of the financial asset. Interest income is reported as part of financial income in the income statement.

Distributions

Income is recognized when the legal claim to payment arises; this is generally the time at which the shareholders decide to distribute.

g) taxes

Actual income taxes

The actual tax claims and tax liabilities are measured at the amount in which a refund from the tax authorities or a payment to the tax authorities is expected. The calculation of the amount is based on the tax rates and tax laws that apply on the balance sheet date or will apply shortly in the countries in which the Group operates and generates taxable income.

Actual taxes that relate to items booked directly in equity are not recorded in the income statement, but in equity. Management regularly assesses individual tax issues to determine whether there is room for interpretation in view of the applicable tax regulations. If necessary, tax provisions are recognized.

Deferred taxes

Deferred taxes are created using the liability method on existing temporary differences between the valuation of an asset or liability in the balance sheet and the tax balance sheet value on the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences, with the exception of

- Deferred tax liabilities from the initial recognition of goodwill or an asset or a liability from a business transaction that is not a business combination and that at the time of the business transaction does not affect either the commercial result for the period or the taxable result, and
- Deferred tax liabilities from taxable temporary differences in connection with investments in subsidiaries, associated companies and shares in joint agreements, if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will change in the foreseeable future will not repent.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and unused tax losses and tax credits can be used with the exception of

- Deferred tax claims from deductible temporary differences that arise from the initial recognition of an asset or a liability from a business transaction that is not a business combination and that at the time of the business transaction does not affect the commercial result for the period or the taxable result, and
- Deferred tax claims from deductible temporary differences in connection with investments in subsidiaries, associated companies and shares in joint agreements, if it is probable that the temporary differences will not reverse in the foreseeable future or that sufficient taxable profit will not be available against which the temporary differences can be used.

The book value of the deferred tax claims is checked on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax claim can at least partially be used. Unrecognized deferred tax claims are checked on each balance sheet date and recognized to the extent that it has become probable that future taxable earnings will enable the deferred tax claim to be realized.

Deferred tax assets and liabilities are measured using the tax rates that are likely to become valid in the period in which an asset is realized or a liability is settled. This is based on the tax rates (and tax laws) that apply on the reporting date or that have been announced by law.

Deferred taxes that relate to items recognized directly in equity are also posted with no effect on income. Deferred taxes are recognized either in other comprehensive income or directly in equity, depending on the business transaction on which they are based.

Deferred tax benefits acquired as part of a business combination that do not meet the criteria for separate recognition at the time of acquisition are recognized in subsequent periods, provided this results from new information on facts and circumstances that existed at the time of acquisition. The adjustment is either treated as a decrease in goodwill (as long as it does not exceed the goodwill) if it arises during the valuation period, or is recognized in profit or loss for the period.

Deferred tax claims and liabilities are offset only if the Group has an enforceable right to set off actual tax refund claims against actual tax liabilities and the deferred tax claims and liabilities relate to income taxes levied by the same tax authority either for the same taxable entity or for different taxable entities who intend, in any future period in which the redemption or realization of significant amounts of deferred tax liabilities or claims is to be expected,either to settle the actual tax liabilities and reimbursement claims on a net basis or to discharge the obligations at the same time as the claims are realized.

value added tax

Expenses and assets are recorded after deduction of sales tax. The following cases are an exception:

- If the sales tax incurred on purchasing assets or using services cannot be reclaimed from the tax authorities, it is recognized as part of the cost of the asset or as part of expenses.
- If receivables and payables are recognized together with the amount of sales tax they contain.

The amount of sales tax to be reimbursed by the tax authorities or to be paid to them is shown in the balance sheet under receivables or liabilities.

h) Currency conversion

The consolidated financial statements are prepared in euros, the parent company's functional currency. The Group defines the functional currency for each company. The items contained in the financial statements of the respective company are valued using this functional currency. The group uses the direct consolidation method; When a foreign business is sold, the profit or loss reclassified in the income statement corresponds to the amount resulting from the application of this method. In these consolidated financial statements, the functional currency for each company included is the euro.

Foreign currency transactions and balances

Foreign currency transactions are converted by Group companies at the time at which the business transaction can be recognized for the first time using the current spot rate in the functional currency. Monetary assets and liabilities in a foreign currency are converted into the functional currency on each reporting date using the spot rate on the reporting date.

Differences from the settlement or conversion of monetary items are recognized in profit or loss.

Non-monetary items that are valued at historical acquisition or production costs in a foreign currency are converted at the rate on the day of the business transaction, those that are valued at their fair value in a foreign currency at the rate at the time the fair value applies. The accounting treatment of the profit or loss from the translation of non-monetary items measured at fair value is based on the recognition of the profit or loss from the change in the fair value of the item. (Translation differences from items for which the profit or loss from the valuation at fair value is included in other comprehensive income or

To determine the exchange rate that is used when the related asset, expense or income (or part thereof) is initially recognized when a non-monetary asset or liability is derecognized from prepaid consideration, the date of the transaction is the date of the initial Recognize the non-monetary asset or liability arising from the prepayment. If there are several payments in or out in advance, the Group determines the time of the transaction for each payment in or out of a consideration paid in advance.

i) Distributions to shareholders

The Company recognizes a liability to pay a distribution when it has been resolved and is no longer at the Company's discretion. In accordance with the corporate legislation of the Federal Republic of Germany, a distribution is resolved if it has been approved by the shareholders. The corresponding amount is recorded directly in equity.

j) property, plant and equipment

Assets under construction are recognized at acquisition or production cost less accumulated impairment losses. Property, plant and equipment are valued at acquisition or production costs less accumulated scheduled depreciation and accumulated impairment losses. The acquisition or production costs include the cost of replacing part of an item of property, plant and equipment and the cost of borrowing for long-term construction projects, provided that the recognition criteria are met. If significant parts of property, plant and equipment have to be replaced at regular intervals, the Group writes them down separately based on their respective economic useful lives. If a major inspection is carried out, the costs are capitalized as a replacement in the book value of the property, plant and equipment, provided the recognition criteria are met. All other maintenance and repair costs are recognized immediately in profit or loss.

The scheduled straight-line depreciation is based on the following useful lives of the assets:

• IT systems	3 to 5 years
• Factory and office equipment	4 to 13 years

Property, plant and equipment are either derecognized when they are disposed of or when no further economic benefit is expected from the continued use or sale of the asset. The gains or losses resulting from the derecognition of the asset are determined as the difference between the net sales proceeds and the carrying amount of the asset and are recognized in the income statement in the period in which the asset is derecognised.

The residual values, economic useful lives and depreciation methods of property, plant and equipment are checked at the end of each financial year and adjusted prospectively if necessary.

k) Leases

As explained under point e), the Group changed its accounting method for accounting for leases in the 2018/2019 financial year. With the first-time application of IFRS 16, lease liabilities are now also recognized in the balance sheet for leases previously classified as operate leases under IAS 17. These lease liabilities are valued at the present value of the remaining lease payments.

Leases are accounted for as a right of use and a corresponding liability at the point in time at which the leased item is available for use by the Group.

The rights of use are amortized on a straight-line basis over the term of the lease or - if shorter - over the useful life of the leased assets.

l) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or manufacture of an asset that takes a substantial period of time to get into its intended usable or salable condition are recognized as part of the cost of the relevant asset Asset activated. All other borrowing costs are recorded as expenses in the period in which they are incurred. Borrowing costs are interest and other costs that a company incurs in connection with borrowing.

m) Intangible assets

Intangible assets that are not acquired as part of a business combination are initially recognized at cost. The acquisition costs of intangible assets acquired in a business combination correspond to their fair value at the time of acquisition. The intangible assets are recognized in the following periods at their acquisition or production costs less accumulated scheduled depreciation and accumulated impairment losses, if any. With the exception of capitalized development costs, internally generated intangible assets are not capitalized;

A distinction is made between intangible assets with a limited and those with an unlimited useful life.

Intangible assets with a finite useful life are amortized over their economic useful life and checked for possible impairment if there are indications that the intangible asset may have been impaired. In the case of intangible assets with a limited useful life, the amortization period and the amortization method are reviewed at least at the end of each reporting period. Changes in the depreciation method or in the depreciation period required due to changes in the expected useful life or the expected consumption of the future economic benefit of the asset are treated as changes in estimates.

In the case of intangible assets with an unlimited useful life, an impairment test is carried out at least once a year for the individual asset or at the level of the cash-generating unit. These intangible assets are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed once a year to determine whether the assessment of an indefinite useful life is still justified. If this is not the case, the estimate is changed prospectively from an unlimited to a limited useful life.

An intangible asset is either derecognized on disposal (ie at the point in time at which the recipient gains power of disposal) or when no further economic benefits are expected from the further use or sale of the recognized asset. Gains or losses from the derecognition of intangible assets are determined as the difference between the net sales proceeds and the book value of the asset and recognized in profit or loss in the period in which the asset is derecognized.

Research and development costs

Research costs are recognized as an expense in the period in which they are incurred. Development costs of an individual project are only capitalized as an intangible asset if the group can demonstrate the following:

- the technical feasibility of completing the intangible asset that enables internal use or sale of the asset
- the intention to complete the intangible asset and the ability and intention to use or sell it
- the way in which the asset will generate future economic benefits
- the availability of resources for the purpose of completing the asset
- the ability to reliably determine the expenditure attributable to the intangible asset during its development

After initial recognition, development costs are recognized as an asset at cost less accumulated depreciation and accumulated impairment losses. Depreciation begins with the completion of the development phase and from the point in time at which the asset can be used. It takes place over the period over which future benefits can be expected and is included in the cost of sales. An impairment test is carried out annually during the development phase.

n) Financial instruments - initial recording and subsequent valuation

A financial instrument is a contract that results in a financial asset in one company and a financial liability or equity instrument in the other.

1. Financial assets

The accounting and valuation are based on the following accounting and valuation methods

Initial approach and assessment

When initially recognized, financial assets are classified for subsequent measurement either as at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss.

The classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the Group's business model for managing its financial assets. With the exception of trade receivables that do not contain a significant financing component or for which the Group has used the practical aid, the Group measures a financial asset at its fair value, and in the case of a financial asset that is not measured at fair value through profit or loss , plus transaction costs. Requests from deliveries and services, which do not contain a significant financing component or for which the Group has used the practical aid are valued at the transaction price determined in accordance with IFRS 15. In this context, reference is made to the accounting methods in section d) Revenue from contracts with customers.

In order for a financial asset to be classified and valued as valued at amortized cost or at fair value with no effect on income in other comprehensive income, the cash flows may consist solely of principal and interest payments (solely payments of principal and interest - SPPI) on the outstanding principal. This assessment is known as the SPPI test and is carried out at the level of the individual financial instrument.

The Group's business model for managing its financial assets reflects how a company manages its financial assets to generate cash flows. Depending on the business model, the cash flows arise through the collection of contractual cash flows, the sale of the financial assets, or both.

Purchases or sales of financial assets that provide for the delivery of the assets within a period of time that is determined by regulations or conventions of the respective market (customary market purchases) are recognized on the trading day, i.e. on the day on which the Group undertakes to purchase or Sale of the asset has been received.

Follow-up evaluation

For subsequent evaluation, financial assets are classified into four categories:

- Financial assets measured at amortized cost (debt instruments)
- Financial assets measured at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments)
- Financial assets measured at fair value in other comprehensive income without reclassification of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets measured at fair value through profit or loss

Financial assets measured at amortized cost (debt instruments)

This category is of the greatest importance for the consolidated financial statements. The Group measures financial assets at amortized cost if the following two conditions are met:

- The financial asset is held under a business model whose objective is to hold financial assets to collect contractual cash flows, and
- the contractual terms of the financial asset lead to cash flows at specified times, which only represent principal and interest payments on the outstanding principal.

Financial assets measured at amortized cost are measured in subsequent periods using the effective interest method and must be checked for impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets measured at amortized cost include trade receivables and other receivables.

Write-off

A financial asset (or part of a financial asset or part of a group of similar financial assets) is mainly derecognized (i.e. removed from the consolidated balance sheet) if one of the following conditions is met:

- The contractual rights to receive cash flows from the financial asset have expired.
- The Group has transferred its contractual rights to receive cash flows from the financial asset to a third party or assumed a contractual obligation to immediately pay the cash flow to a third party within the framework of a so-called pass-through agreement, thereby either (a) essentially all opportunities and risks that are associated with ownership of the financial asset or (b) essentially neither transfer nor retain all opportunities and risks associated with ownership of the financial asset, but transfer control of the asset.

If the group transfers its contractual rights to receive cash flows from an asset or enters into a pass-through agreement, it assesses whether and to what extent the opportunities and risks associated with ownership remain with it. If he essentially neither transfers nor retains all the opportunities and risks associated with ownership of this asset, nor transfers control of the asset, he continues to recognize the transferred asset to the extent of his continuing involvement. In this case, the Group also recognizes an associated liability. The transferred asset and the associated liability are valued in such a way that

If the continuing engagement guarantees the transferred asset, the extent of the continuing engagement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group might have to repay.

Impairment of financial assets

Further details on the impairment of financial assets can be found in the following notes:

- Information on key assumptions (note 3)
- Financial assets (Note 23)
- Trade accounts receivable (Note 26)

The Group recognizes an allowance for expected credit losses (ECL) on all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows to be paid under the contract and the sum of the cash flows that the Group expects to receive, discounted using an approximate value of the original effective interest rate. The expected cash flows include the cash flows from the sale of the collateral held or other credit collateral, which are an integral part of the contractual conditions.

Expected credit losses are recorded in two steps. For financial instruments whose default risk has not increased significantly since they were initially recognized, risk provisioning is recognized in the amount of the expected credit losses based on a default event within the next twelve months (12-month ECL). For financial instruments, the default risk of which has increased significantly since they were initially recognized, a company must record risk provisions in the amount of the credit losses expected over the remaining term, regardless of when the default event occurs (total term ECL).

For trade receivables and contract assets, the Group uses a simplified method for calculating the expected credit losses. Therefore, it does not track changes in the credit risk, but instead records risk provisioning on each reporting date based on the total term ECL.

The Group expects a financial asset to default if internal or external information suggests that it is unlikely that the Group will receive the outstanding contractual amounts in full before all of the credit collateral it holds is taken into account. A financial asset is amortized if there is no reasonable expectation that the contractual cash flows will be realized.

2. Financial Liabilities

First acquisition and evaluation

Upon initial recognition, financial liabilities are classified as financial liabilities that are measured at fair value through profit or loss, as loans, liabilities or derivatives that have been designated as hedging instruments and are effective as such.

All financial liabilities are initially measured at fair value, in the case of loans and liabilities, less the directly attributable transaction costs.

The Group's financial liabilities include trade payables, contractual liabilities, other liabilities and loans, including overdrafts.

Follow-up evaluation

The subsequent valuation of financial liabilities depends on their classification as follows:

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading as well as other financial liabilities that are classified as measured at fair value through profit or loss when they are initially recognized.

The Group does not have any financial liabilities that are classified as held for trading.

Financial liabilities are classified as measured at fair value through profit or loss at the time of their initial recognition, provided the criteria according to IFRS 9 are met.

loan

The “loan” category has the greatest significance for the consolidated financial statements. After initial recognition, interest-bearing loans are valued at amortized cost using the effective interest method. Profits and losses are recognized in profit or loss when the liabilities are derecognised, as well as in the context of amortization using the effective interest method.

Amortized cost is calculated taking into account a premium or discount on acquisition as well as fees or costs that are an integral part of the effective interest rate. The amortization using the effective interest method is included in the income statement as part of finance costs.

Interest-bearing loans usually fall into this category. Further information can be found in Note 23.

Write-off

A financial liability is derecognized when the obligation on which it is based has been fulfilled, canceled or has expired. If an existing financial liability is exchanged for another financial liability of the same lender with substantially different contractual terms or if the terms of an existing liability are materially changed, such exchange or change is treated as derecognition of the original liability and recognition of a new one. The difference between the respective book values is recognized in profit or loss.

3. Offsetting of financial instruments

Financial assets and liabilities are netted and the net amount shown in the consolidated balance sheet if there is currently a legal right to offset the recorded amounts and the intention is to settle on a net basis or to redeem the associated liability at the same time as the asset in question is realized .

o) supplies

The inventories relate exclusively to goods. Inventories are valued at the lower of acquisition cost and net realizable value.

The net realizable value is the estimated sales proceeds that can be achieved in the normal course of business less the estimated costs up to completion and the estimated sales costs.

p) Impairment of non-financial assets

Further details on the impairment of non-financial assets can be found in the following notes:

- Information on key assumptions Note 3

- Goodwill Note 22

On each balance sheet date, the Group determines whether there are any indications that non-financial assets may be impaired. If there are such indications or if an annual impairment test is required, the Group makes an estimate of the recoverable amount of the respective asset. The recoverable amount of an asset is the higher of the two amounts from the fair value of an asset or a cash-generating unit less costs to sell and the value in use. The recoverable amount must be determined for each individual asset, unless an asset does not generate any cash inflows, which are largely independent of those of other assets or other groups of assets. If the book value of an asset or a cash-generating unit exceeds the recoverable amount, the asset is impaired and is written down to its recoverable amount.

To determine the value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market expectations with regard to the time value of money and the specific risks of the asset. Recent market transactions are taken into account to determine the fair value less costs to sell. If no such transactions can be identified, an appropriate valuation model is used. This is based on valuation multiples, stock exchange prices of shares in companies traded on the stock exchange or other available indicators for the fair value.

The Group bases its impairment assessment on detailed budget and forecast calculations, which are prepared separately for each of the Group's cash-generating units to which individual assets are allocated. Such budget and forecast calculations usually extend over five years. After the third year, a long-term growth rate is determined and used to forecast future cash flows.

Impairment losses in continuing operations are recognized in profit or loss in the expense categories that correspond to the function of the impaired asset in the company. This does not apply to previously revalued assets if the increases in value from the revaluation were recognized in other comprehensive income. In the case of these, the impairment up to the amount from a previous revaluation is also recorded in other comprehensive income.

For assets, with the exception of goodwill, a review is carried out on each balance sheet date to determine whether there are indications that a previously recognized impairment loss no longer exists or has decreased. If there are any such indications, the Group makes an estimate of the recoverable amount of the asset or the cash-generating unit. A previously recognized impairment loss is only reversed if there has been a change in the assumptions that were used to determine the recoverable amount since the last impairment loss was recorded. The write-up is limited to that the book value of an asset may neither exceed its recoverable amount nor the book value that would have resulted after taking scheduled depreciation into account if no impairment loss had been recorded for the asset in previous years. A write-up is recognized in profit or loss unless the asset is accounted for using the revaluation method. In this case, the reversal is treated as an increase in value from the revaluation. A write-up is recognized in profit or loss unless the asset is accounted for using the revaluation method. In this case, the reversal is treated as an increase in value from the revaluation. A write-up is recognized in profit or loss unless the asset is accounted for using the revaluation method. In this case, the write-up is treated as an increase in value from the revaluation.

The recoverability of the goodwill is checked annually (on March 31). A review also takes place if circumstances indicate that the value could be reduced.

The impairment is determined by determining the recoverable amount of the cash-generating unit (or the group of cash-generating units) to which the goodwill was allocated. If the recoverable amount of the cash-generating unit falls below the book value of this unit, an impairment loss is recognized. An impairment loss recorded for goodwill may not be made up for in subsequent reporting periods.

q) means of payment

The item “Cash and cash equivalents” in the balance sheet includes cash on hand, bank balances and short-term deposits with a term of less than three months, which are only subject to an insignificant risk of fluctuations in value.

For the purposes of the cash flow statement, cash and cash equivalents include the cash and short-term deposits defined above.

r) provisions

Principles

A provision is recognized if the Group has a current (legal or constructive) obligation due to a past event, the outflow of resources with economic benefit to fulfill the obligation is probable and a reliable estimate of the amount of the obligation is possible. If the Group expects at least partial reimbursement for a provision recognized as a liability (e.g. in the case of an insurance contract), the reimbursement is recognized as a separate asset, provided that the receipt of the reimbursement is almost certain. The expense from the creation of a provision is shown in the income statement less the reimbursement.

If the interest effect resulting from discounting is material, provisions are discounted using a pre-tax interest rate that reflects the risks specific to the liability. In the case of discounting, the increase in provisions due to the passage of time is recognized as a financial expense.

Warranty provision

Provisions for costs in connection with warranties are made at the time of the sale of the underlying products or the provision of services to the customer. The initial recording is made on the basis of empirical values from the past. The initial estimate of the warranty costs is revised annually.

Contingent liabilities that are recognized in the context of a business combination

A contingent liability that is recognized as part of a business combination is recognized at its fair value upon initial recognition. Subsequent valuation is at the higher of the following two amounts: the amount recognized in accordance with the provisions for provisions above, or the amount originally recognized, less the accumulated depreciation recognized in accordance with the income recognition requirements, if applicable.

s) Pensions and other post-employment benefits

A performance-based plan in the form of direct commitments was set up in a subgroup in Germany. The amount of the obligation resulting from the defined benefit plan is determined using the projected unit credit method.

Revaluations, including actuarial gains and losses, the impact of the asset ceiling, excluding amounts included in net interest on net defined benefit liability and income from plan assets (excluding amounts included in net interest on the net debt from defined benefit plans) are immediately recorded in the balance sheet and transferred to retained earnings (debit or credit) via other income in the period in which they arise. Revaluations may not be reclassified to the profit and loss account in subsequent periods.

The past service cost is recognized in profit or loss at the earlier of the following times:

- Time at which the plan will be adjusted or reduced
- Time at which the group recognizes related restructuring costs

The net interest is determined by applying the discount rate to the balance (liability or asset) from the defined benefit plan. The group recognizes the following changes to the defined benefit obligation in the income statement according to their function in sales, administration or sales costs:

- Service cost, including current service cost and past service cost and gains and losses from plan curtailments and extraordinary plan settlements

- Net tax expense or income

3. Material judgments, estimates and assumptions

When preparing the consolidated financial statements, management makes discretionary decisions, estimates and assumptions that affect the amount of reported income, expenses, assets, debts and related information as well as the disclosure of contingent liabilities. Due to the uncertainty associated with these assumptions and estimates, the actual results in future periods could lead to significant adjustments to the carrying amount of the assets or liabilities concerned.

Other disclosures in connection with the risks and uncertainties to which the Group is exposed include the following topics:

- Capital management Note 5
- Objectives and methods of risk management for financial instruments Note 23.4
- Details of sensitivity analyzes Notes 22, 23.4 and 0.

Discretionary decisions

In applying the Group's accounting methods, management made the following judgments, which have a significant impact on the amounts in the consolidated financial statements:

Revenue from contracts with customers

The Group made the following discretionary decisions, which have a significant influence on the determination of the amount and timing of revenue from contracts with customers:

• Determination of the timing of the fulfillment of IT services

The group has come to the conclusion that the revenues from IT services are to be recorded over a certain period of time, since the customer benefits from the group's services and consumes them at the same time. The fact that another company does not have to provide the IT services that the group has previously provided proves that the customer benefits from the service and that he uses the group's service while the group is providing it.

The group came to the conclusion that the input-based method is best suited to determine the progress of the IT services, as there is a direct connection between the workload of the group (ie the hours worked) and the transfer of the service to the customer . The Group recognizes revenue based on the number of hours worked in relation to the total number of hours expected to complete the service.

Estimates and assumptions

The most important assumptions relating to the future and other main sources of estimation uncertainty as of the reporting date, due to which there is a significant risk that a material adjustment to the carrying amounts of assets and liabilities will be necessary within the next financial year, are explained below. The Group's assumptions and estimates are based on parameters that were available at the time the consolidated financial statements were prepared. However, these conditions and the assumptions about future developments can change due to market movements and market conditions that are beyond the Group's control.

Value adjustment for expected credit relationships for trade receivables and contract assets

Valuation adjustments are made for doubtful accounts in order to take account of estimated losses from customers' inability or unwillingness to pay.

The Group uses an allowance matrix to measure the expected credit losses on trade receivables and contract assets. The allowance rates are determined based on the number of days overdue. The loss rates are based on historical values adjusted for prospective expectations.

The assessment of the relationship between historical default rates, forecast economic conditions and expected credit defaults is a key estimate. The amount of expected credit defaults depends on changes in circumstances and the forecast economic conditions. The Group's historical credit defaults and the forecast of the economic environment may not be representative of actual customer defaults in the future. Information on the expected credit losses on the Group's trade receivables and contract assets is contained in Note 23.

Impairment of non-financial assets

An impairment exists if the book value of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of the two amounts from the fair value less costs to sell and the value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions between independent business partners on similar assets or observable market prices less directly attributable costs for the sale of the asset. A discounted cash flow method is used to calculate the value in use. The cash flows are derived from the financial plan for the next three years, not including restructuring measures to which the Group has not yet committed and significant future investments that will increase the profitability of the cash-generating unit tested. The recoverable amount depends on the discount rate used in the context of the discounted cash flow method as well as the expected future cash inflows and the growth rate used for the purpose of extrapolation. These estimates are most relevant to goodwill.

Taxes

Deferred tax claims are recognized for unused tax losses to the extent that it is probable that taxable income will be available so that the loss carryforwards can actually be used. When determining the amount of deferred tax claims that can be capitalized, management must exercise significant discretion with regard to the expected time of occurrence and the amount of future taxable income as well as future tax planning strategies.

Further details on taxes are provided in Note 18.

Defined benefit pension plans (pension benefits)

The expense from the defined benefit plan and the present value of the pension obligation are determined on the basis of actuarial valuations. An actuarial valuation is made on the basis of various assumptions that may differ from actual developments in the future. This includes determining the discount rates, future wage and salary increases, the mortality rate and future pension increases. Due to the complexity of the assessment and its long-term nature, a performance-based obligation reacts extremely sensitively to changes in these assumptions. All assumptions are checked on each balance sheet date.

The parameter that is most subject to change is the discount rate. When determining an appropriate discount rate, the management uses the interest rates for corporate bonds in currencies that correspond to the currency of the obligation for post-employment benefits and have at least an AA rating from an internationally recognized rating agency, with these interest rates being extrapolated along if necessary the yield curve can be adjusted to the expected term of the defined benefit obligation. The quality of the underlying bonds is also checked. Those who have excessively high credit spreads are removed from the bond portfolio,

The mortality rate is based on publicly available mortality tables for Germany (mortality tables 2018 G by Claus Heubeck). These mortality tables usually only change if there are also demographic changes. Future increases in wages, salaries and pensions (1% to 1.8%) are based on expected future inflation rates for the respective country.

Further details on pension obligations are provided in Note 36.

Measurement of the fair value of financial instruments

If the fair values of recognized financial assets and financial liabilities cannot be measured using quoted prices in active markets, they are determined using valuation methods, including the discounted cash flow method. The input factors used in the model are based as far as possible on observable market data. If this is not the case, the determination of the fair value is based to a large extent on discretionary decisions by management. The discretionary decisions concern input factors such as liquidity risk, default risk and volatility. Changes to the assumptions made for these factors can affect the fair values of the financial instruments. For further information, please refer to Note 23.3.

Contingent considerations that arise in the context of business combinations are valued as part of the business combination at fair value at the time of acquisition. If the contingent consideration meets the definition of a financial liability, it is remeasured at fair value on each balance sheet date in subsequent periods. The determination of the fair value is based on discounted cash flows. The basic assumptions take into account the likelihood that each performance target will be met and the discount factor (for further information, see Notes 22 and 23.3).

From the acquisition of ACT IT Holding GmbH, a contingent consideration with an estimated fair value of EUR 4,500 thousand was recorded at the time of acquisition and valued at EUR 4,215 thousand on the reporting date March 31, 2018. Due to payments, the contingent consideration decreased by EUR 2,515 thousand in the 2018/2019 financial year and by EUR 1,985 thousand in the 2019/2020 financial year (see Note 23.2).

A contingent consideration with an estimated fair value of EUR 1,700 thousand at the time of acquisition was recorded from the acquisition of Babiel GmbH and was also valued at EUR 1,700 thousand as of March 31, 2019. Due to payments, the contingent consideration was paid in full in the 2019/2020 financial year (see Note 23.2).

From the acquisition of PROCON IT AG, a contingent consideration with an estimated fair value of EUR 3,500 thousand was recorded at the time of acquisition and valued at EUR 0 thousand as of March 31, 2020. We refer to Note 7.

Development costs

The group capitalizes the costs of product development projects. The initial capitalization of costs is based on management's assessment that the technical and economic feasibility has been proven; this is usually the case when a product development project has reached a certain milestone in an existing project management model. For the purpose of determining the amounts to be capitalized, management makes assumptions about the amount of the expected future cash flows from the project, the discount rates to be used and the period of inflow of the expected future benefit. In the 2019/2020 financial year, the group incurred research and development costs of EUR 3,882 thousand (previous year: EUR 3 thousand). 185) incurred. Of this, EUR 1,040 thousand (previous year: EUR 1,030 thousand) were capitalized in the 2019/2020 financial year. The non-capitalizable research and development costs amounting to EUR 2,842 thousand (previous year: EUR 2,155 thousand) were booked as expenses in the period in which they were incurred. The book value of the total capitalized development costs was EUR 2,712 thousand as of March 31, 2020 (March 31, 2019 EUR 3,129 thousand).

This amount includes investments in the development of our own software products.

4. Income from contracts with customers

4.1. Breakdown of Income

The following table shows the breakdown of the revenues that the Group generated from contracts with customers:

in EUR thousand	2019/2020	2018/2019
Advice and service	136,458	116,669
Distribution of merchandise including licenses	6,725	6.213
Sales of own software including maintenance	2,575	3,373
Other sales	2,533	2,412
total	148.291	128,667

Of the total revenue of EUR 148,291 thousand, EUR 30,419 thousand was generated with a customer in the 2019/2020 financial year. This corresponds to 20.5% of sales.

Contract balances

in EUR thousand	March 31, 2020
Contract assets	9,699
Requests from deliveries and services	32,388
Contract liabilities	4,481

Trade accounts receivable are not interest-bearing and are usually due between 30 and 90 days.

In the 2019/2020 financial year, a valuation allowance for expected credit losses on trade receivables in the amount of EUR 73 thousand (previous year 2018/2019: EUR 44 thousand) was recognized.

For the income from IT services, contract assets are initially shown, since the receipt of the consideration depends on the successful completion of the IT services. After completion of the IT services and their acceptance by the customer, the amounts recorded as contract assets are reclassified to trade receivables.

The contract liabilities contain short-term advance payments for the provision of IT services.

The following are the amounts of revenue recognized as follows:

in EUR thousand	2019/2020
Amounts recognized in contract liabilities at the beginning of the fiscal year	4.016

4.2. Performance obligations

The Group's performance obligations are summarized below:

IT services

The performance obligation is fulfilled over a certain period of time and payment is usually due upon completion of the IT service and its acceptance by the customer. With some contracts, short-term advance payments have to be made before or during the provision of the IT service.

Computer products

The performance obligation is fulfilled upon delivery of the IT products and the payment period ends 30 to 90 days after delivery.

The transaction price allocated to the (unfulfilled or partially unfulfilled) remaining performance obligations as of March 31, 2020 is broken down as follows:

in EUR thousand	2019/2020
Within a year	88,900

in EUR thousand	2019/2020
In more than a year	121,500

No use was made of the options for simplifying the calculation of the transaction price allocated to the remaining performance obligations.

5. Capital management

For capital management purposes, equity includes the equity reported in the consolidated financial statements. The primary goal of the Group's capital management is to maximize shareholder value.

The control and adjustment of the Group's capital structure is based on changes in the general economic conditions and the agreed conditions. In order to maintain or adjust the capital structure, the Group can adjust the distributions to the shareholders, make a capital repayment to the shareholders, or carry out a capital increase. The Group monitors its capital using a leverage ratio that corresponds to the ratio of net financial debt to the sum of capital and net financial debt. According to the Group's internal guidelines, the level of indebtedness must be between 60% and 95%. Net financial debt includes financial debt, contract liabilities,

	March 31, 2020	March 31, 2019
	KEUR	KEUR
Financial debt	126.163	98,675
Contract liabilities	4,481	4.016
liabilities from goods and services	13,294	10,243
Other liabilities	12,801	13,865
minus cash and short-term deposits	-25,135	-6,345
Net financial debt	131,604	120,454
Equity	16,897	12,083
Sum of capital	16,897	12,083
Capital and net financial debt	148.501	132,537
Leverage	89%	91%

The financial debts include liabilities to the shareholder of the parent company in the amount of EUR 16,308 thousand. These loans are available to the Group on a long-term basis.

To this end, the Group's capital management aims, among other things, to comply with the conditions agreed within the framework of the interest-bearing loan, which specify the requirements for the capital structure. If these conditions are not complied with, the banks can call the loan in question immediately. In the financial year, all conditions agreed within the framework of interest-bearing loans were met.

As of March 31, 2020, no changes were made to the objectives, guidelines or procedures for capital management.

6. Scope of consolidation

Subsidiary information

The following subsidiaries are included in the consolidated financial statements:

No.	society	Seat	currency	%	about	Subscribed capital
1	CONET International Holding GmbH	Hennef / Germany	Euro			25,000.00
2	CONET International GmbH	Hennef / Germany	Euro	100	1	25,000.00
3	CONET Technologies Holding GmbH	Hennef / Germany	Euro	100	2	25,000.00
4th	CONET Solutions GmbH	Hennef / Germany	Euro	100	3	386,000.00
5	CONET Communications GmbH	Hennef / Germany	Euro	100	4th	25,000.00
6th	CONET Communications GmbH	Vienna / Austria	Euro	100	5	35,000.00
7th	CONET Business Consultants GmbH	Ludwigsburg / Germany	Euro	100	3	833,334.00
8th	CONET Services GmbH	Hennef / Germany	Euro	100	3	375,000.00
9	ACT IT Consulting & Services AG	Niederkassel / Germany	Euro	100	3	155,000.00
10	ACT Development & Integration GmbH	Niederkassel / Germany	Euro	100	3	155,000.00
11	Babiel GmbH	Düsseldorf / Germany	Euro	100	3	25,569.71
12th	PROCON IT AG	Munich / Germany	Euro	100	3	501,874.00

The holding company

The directly superordinate holding company of CONET International Holding GmbH is Tempus Holdings 24 Sarl, based in Luxembourg. The ultimate parent company is Tempus Holdings 23 Sarl, based in Luxembourg.

Mergers in the 2019/2020 financial year

With the merger agreement dated October 29, 2019, Babiel Service GmbH was merged with Babiel GmbH. The merger was entered in the commercial register of Babiel GmbH on November 12, 2019.

7. Business Combinations

Company acquisition in 2019/2020

Acquisition of PROCON IT GmbH

The group acquired 100% of the voting shares in PROCON IT AG on February 1, 2020 (acquisition date). PROCON IT AG is a non-listed company based in Germany that specializes in the provision of IT services and the development of IT solutions. The company acquisition serves to further develop an IT group.

With a partnership agreement of March 26, 2020 and entry in the commercial register on April 25, 2020, PROCON IT AG was converted into PROCON IT GmbH.

Assets acquired and liabilities assumed

The preliminary fair values of the identifiable assets and liabilities of PROCON IT AG are as follows at the time of acquisition:

	Fair value at the time of acquisition
	KEUR
financial assets	
Intangible assets	1,780
Property, plant and equipment	1,307
Other receivables (long-term)	6th
Finished products and goods	358
Requests from deliveries and services	1,778
Means of payment	5,413
Prepaid expenses	160
	10,802
Debt	
Deferred tax liabilities	580
Current income tax liabilities	58
Other provisions	56
Contract liabilities	25th
liabilities from goods and services	416
Other liabilities	2,401
	3,536
Total identifiable net assets at fair value	7,266
Goodwill from the company acquisition	13,738
Consideration Transferred	21.004

	KEUR
compensation	
Cash purchase price	21.004

Since the time of acquisition, PROCON IT AG has contributed EUR 3,367 thousand to the group's sales and EUR -932 thousand to the group result from continuing operations before income taxes.

If the business combination had taken place at the beginning of the financial year, the Group's sales would have increased by EUR 23,676 thousand and the consolidated earnings before income taxes by EUR 65 thousand.

Analysis of the cash outflow due to the company acquisition

- cash purchase price	-21,004
- Cash acquired with the subsidiary (included in the cash flows from investing activities)	5,413
	-15,591

Contingent consideration

As part of the purchase agreement with the previous owners, a contingent consideration was agreed. At the time of acquisition, the fair value of the contingent consideration was valued at EUR 3,500 thousand. As of March 31, 2020, the contingent counter-payment was not capitalized because the EBIT in the 2020/2021 financial year will not exceed certain thresholds, so that the payment of the contingent consideration is not expected.

Company acquisition in 2018/2019

Acquisition of Babiel GmbH and Babiel Service GmbH

On February 25, 2019, the group acquired 100% of the voting shares in Babiel GmbH and Babiel Service GmbH, with Babiel GmbH itself holding a 40% share in Babiel Service GmbH. The shares in both companies were acquired as part of a combined acquisition process, which is why the two companies are collectively referred to as Babiel in the following descriptions. The two companies are unlisted companies based in Germany that are active in the online communications industry. The company acquisition serves to expand the existing IT group.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Babiel are as follows at the time of acquisition:

	Fair value at the time of acquisition
financial assets	KEUR
Intangible assets	946
Property, plant and equipment	777
Other receivables (long-term)	3
Finished products and goods	83
Requests from deliveries and services	1,474
Other receivables (short term)	10
Means of payment	524
Prepaid expenses	100
	3,917
Debt	

	Fair value at the time of acquisition
financial assets	KEUR
Deferred tax liabilities	281
Current income tax liabilities	208
Payments received	146
liabilities from goods and services	35
Other liabilities	861
Prepaid expenses	106
	1,637
Total identifiable net assets at fair value	2,280
Goodwill from the company acquisition	7,979
Consideration Transferred	10,259

The fair value of the trade receivables is EUR 1,474 thousand, the gross amount of the trade receivables is EUR 1,474 thousand. None of the trade accounts receivable was impaired and the entire contractually agreed amounts are expected to be recoverable.

Since the acquisition date, Babiel has contributed EUR 1,038 thousand to the Group's sales revenues and EUR 51 thousand to the consolidated result from continuing operations before income taxes.

If the business combination had taken place at the beginning of the 2018/2019 financial year, the Group's sales would have amounted to EUR 137,629 thousand and the consolidated earnings before income taxes to EUR 864 thousand.

	KEUR
compensation	
Cash purchase price	7.109
Purchase price deferral	1,450
Liability from contingent consideration	1,700
	10,259

Analysis of the cash outflow due to the company acquisition

- cash purchase price	-7,109
- Cash acquired with the subsidiary (included in the cash flows from investing activities)	525
	-6,584

Contingent consideration

As part of the purchase agreement with the previous owners of Babiel, a contingent consideration was agreed. Accordingly, there will be further cash payments to the previous owners of Babiel, namely in the amount of up to EUR 1,700 thousand if the EBIT in the financial years 2018/2019 to 2020/2021 exceeds certain thresholds.

At the time of acquisition, the fair value of the contingent consideration was valued at EUR 1,700 thousand, since it was assumed at this point in time that the EBIT in both financial years will at least reach the upper value of the range. As of March 31, 2019, the contingent consideration was valued unchanged at EUR 1,700 thousand and paid out in full in the 2019/2020 financial year.

8. Measurement of the fair value

The following table shows the measurement of the fair value of the Group's assets and liabilities according to hierarchy levels.

Fair value hierarchy for debt as of March 31, 2019:

			Measurement of the fair value using		
	Valuation date	total	Quoted prices in active markets (level 1)	Significant observable input factors (level 2)	significant unobservable input factors (level 3)
		KEUR	KEUR	KEUR	KEUR
Debt measured at fair value					
Liabilities from contingent consideration (Note 7)	March 31, 2019	3,685	0	0	3,685

Fair value hierarchy for debt as of March 31, 2020:

			Measurement of the fair value using		
	Valuation date	total	Quoted prices in active markets (level 1)	Significant observable input factors (level 2)	significant unobservable input factors (level 3)
		KEUR	KEUR	KEUR	KEUR
Debt measured at fair value					
Liabilities from contingent consideration (Note 7)	March 31, 2020	0	0	0	0

In the 2019/2020 financial year, the liabilities from contingent consideration were paid and no new ones were created.

9. Other operating income

The other operating income is made up as follows:

in EUR thousand	2019/2020	2018/2019
Income from the release of provisions	635	547
Other income	55	25th
Income from the reversal of individual value adjustments	53	2
Income from exchange rate differences	30th	14th
Insurance refund income	0	3
total	773	591

10. Expenses for raw materials and supplies and for purchased goods

The expenses for raw materials, consumables and supplies are made up as follows:

in EUR thousand	2019/2020	2018/2019
Purchase of merchandise	4,744	4,245
Purchasing software	1,510	884
total	6.254	5,129

11. Expenses for purchased services

It essentially concerns expenses for third-party services in the course of handling customer projects.

12. Personnel expenses

The disclosure mainly relates to salaries, voluntary social benefits, additions to vacation accruals, profit sharing and bonuses, as well as social contributions and expenses for retirement benefits.

in EUR thousand	2019/2020	2018/2019
Wages and salaries	55,296	44,847
Social security contributions and expenses for pensions	10,397	7,904
total	65,693	52,751

The expenses for pensions essentially comprise the employer's contribution to the statutory pension insurance. The statutory pension insurance is designed as a defined contribution plan. The Group also offers its employees in Germany the option of paying contributions to a pension fund or direct insurance through deferred salaries. The employer does not enter into any obligations under these defined contribution plans. The amount of future pension benefits is based solely on the amount of the contributions that the employer has paid to the external pension fund for the employee, including the income from the investment of these contributions.

The annual average (on a quarterly basis) employed 1,074 people (previous year: 799 employees), plus 118 trainees (previous year: 85 trainees).

On the balance sheet date, the number of employees was 1,096 (previous year: 884 people). Of these, 1,088 employees (previous year: 876 employees) worked in Germany and 8 (previous year: 8) in other member states of the European Union.

Personnel expenses include expenses arising from termination of employment in the amount of EUR 305 thousand (previous year: EUR 249 thousand). As of the balance sheet date, EUR 267 thousand (previous year: EUR 249 thousand) are shown under other liabilities, as these have not yet become cash-effective. In the 2019/2020 financial year and in the previous year, there were no liabilities from severance payments from previous financial years.

13. Depreciation

The composition of the depreciation results from the development of the fixed assets, which is shown in notes 19 to 21.

14. Other operating expenses

The other operating expenses are made up as follows:

in EUR thousand	2019/2020	2018/2019
Traveling expenses	2,224	1,853
Legal and consulting costs	1,497	2.128
Maintenance / servicing	1,345	767
Vehicle costs	1,190	1,246
Space costs	1,015	863
Other external services	996	1,302
Training costs	979	778
Advertising / representation costs	774	703
Other staff costs	682	493
General Administration	602	524
insurance	451	407
Other expenses	340	946
Software rental costs	88	95
Expenses from exchange rate losses	75	16
Expenses from the sale of fixed assets	2	5
total	12,260	12,126

15. Other taxes

The other taxes are made up as follows:

in EUR thousand	2019/2020	2018/2019
Vehicle taxes	33	32
Sales taxes	29	28

in EUR thousand	2019/2020	2018/2019
total	62	60

16. Interest Income

The interest income in the 2019/2020 financial year was EUR 5 thousand (previous year: EUR 278 thousand). The total interest income in the previous year mainly relates to interest income from loans to related companies (see Note 40).

17. Interest Expenses

The total interest expenses for financial liabilities are as follows:

in EUR thousand	2019/2020	2018/2019
Interest loans	6,810	5,797
Interest expenses leasing	611	473
Agent fees	508	411
Interest expenses for company taxes	76	2
Interest portion transfer to pension provision	24	26th
Guarantee commission	18th	24
Interest profit participation rights	4th	0
Other interest expenses	2	9
Interest checking account	1	8th
Total interest expenses	8,054	6,750

18. Income Taxes

Income taxes include domestic corporation tax including the solidarity surcharge and trade tax. Comparable taxes of the foreign subsidiaries are also shown under this item.

The income tax expense is made up as follows:

in EUR thousand	2019/2020	2018/2019
Ongoing tax expense	3,948	1,225
Change in deferred taxes	-1,927	-1,107
total	2,021	118

Current tax expenses include out-of-period income in the amount of EUR 0 thousand (previous year: EUR 166 thousand) and out-of-period expenses in the amount of EUR 1,057 thousand (previous year: EUR 67 thousand).

The expected tax burden on the taxable result is 32.98% as of the reporting date (previous year: 32.63%) and is calculated as follows:

in %	2019/2020	2018/2019
Trade tax at a rate of 490% (previous year: 480%)	17.15%	16.80%
Corporation tax	15.00%	15.00%
Solidarity surcharge (5.5% of corporate income tax)	0.83%	0.83%
total	32.98%	32.63%

The difference between the actual tax expense and the calculated tax expense, which would result at a tax rate of 32.98% (previous year: 32.63%), is made up as follows:

in EUR thousand	2019/2020	2018/2019
Profit for the period before taxes	-606	801
Theoretical tax expense at a tax rate of 32.98% (previous year: 32.63%)	-174	261
Non-tax deductible expenses	869	26th
Trade tax additions	215	0
Tax expense / income for past years	1,057	-105
Deferred taxes	-1,927	-1,107
Offsetting of losses	0	1,325
Effects of different tax rates within the group and changes in tax rates	-13	-17
Deviations from § 60 Paragraph 2 EStDV	1,970	-248
Others	24	-16
Income tax expense according to the consolidated income statement	2,021	118
Tax rate	-383.95%	14.73%

The differences in recognition and valuation determined between the results of the tax and commercial balance sheets and the adjustments of the commercial balance sheets to IFRS of the companies included resulted in deferred taxes in the following amounts:

in EUR thousand	Deferred tax assets March 31, 2020	Deferred tax liabilities March 31, 2020	Deferred tax assets March 31, 2019	Deferred tax liabilities March 31, 2019
Intangible assets	0	3,047	0	4.126
Company Value	0	0	0	92
Stocks	0	317	0	490
Other claims	0	0	15th	0
OCI reserve	37	0	46	0
IAS 19 Pension Obligations	531	0	481	0

in EUR thousand	Deferred tax assets March 31, 2020	Deferred tax liabilities March 31, 2020	Deferred tax assets March 31, 2019	Deferred tax liabilities March 31, 2019
Delimitation of personnel costs	33	0	26th	0
Financial liabilities	0	217	0	222
total	601	3,581	566	4,930

The change in deferred taxes on actuarial gains / losses from defined benefit pension obligations in the amount of EUR 37 thousand (previous year: EUR 46 thousand) was recognized directly in equity. The other changes in deferred tax assets and liabilities were recognized in profit or loss in the year under review and in the previous year.

19. Intangible Assets

In the financial year, the portfolio of intangible assets developed as follows:

in EUR thousand	Self-created software and licenses	Purchased software and licenses	Advance payments made on intangible assets	Order backlog	total
Acquisition / production costs					
Status 1.4.2019	7,961	2,286	0	16,968	27,215
Additions from company acquisitions	0	2	0	1,778	1,780
Accesses	1,039	312	18th	0	1,369
As of March 31, 2020	9,000	2,599	18th	18,746	30,363
Accumulated depreciation					
Status 1.4.2019	4,833	1,779	0	7,379	13,991
Additions from company acquisitions	0	0	0	0	0
Accesses	1,456	277	0	4,839	6,572
As of March 31, 2020	6,289	2,056	0	12,218	20,563
Residual book values March 31, 2020	2.711	543	18th	6,528	9,801
Acquisition / production costs					
Status 1.4.2018	6,931	2,051	0	16,030	25,012
Additions from company acquisitions	0	8th	0	938	946
Accesses	1,030	227	0	0	1,257
As of March 31, 2019	7,961	2,286	0	16,968	27,215
Accumulated depreciation					
Status 1.4.2018	3,745	1,551	0	2,996	8,292
Additions from company acquisitions	0	0	0	0	0
Accesses	1,088	228	0	4,383	5,699
As of March 31, 2019	4,833	1,779	0	7,379	13,991
Residual book values March 31, 2019	3.128	507	0	9,589	13,224

The depreciation was recorded in the income statement under the item Depreciation of intangible assets and property, plant and equipment.

20. Assets for rights of use to leased items and lease liabilities

The first-time application of IFRS 16 was implemented on April 1, 2018. As of March 31, 2020, the following presentations were made in the consolidated balance sheet and the consolidated statement of comprehensive income:

Leasing in the consolidated balance sheet

in EUR thousand	March 31, 2020	March 31, 2019
ASSETS		
Long-term assets		
Rights of use - land and buildings	9,857	7,987
Rights of use - cars	2,359	1,446
Rights of use - other operating and office equipment	73	510
	12,289	9,943
LIABILITIES		
Long term debt		
Lease liabilities	10.125	8,277
Short term debt		
Lease liabilities	2,636	1,881
	12,761	10.158

Leasing in the consolidated statement of comprehensive income

in EUR thousand	2019/2020	2018/2019

in EUR thousand	2019/2020	2018/2019
Depreciation		
Depreciation on rights of use	2,613	2,051
Financial result		
Interest expenses from leasing liabilities	611	473

In the financial year, the value in use from lease liabilities developed as follows:

in EUR thousand	Right of use real estate	Right of use vehicles	Right to use operating and office equipment	total
Acquisition / production costs				
Status 1.4.2019	8,875	2,419	640	11,934
Additions from company acquisitions	2,738	190	0	2,928
Accesses	365	2,072	0	2,437
Departures	42	661	506	1,209
As of March 31, 2020	11,936	4,020	134	16,090
Accumulated depreciation				
Status 1.4.2019	888	973	130	1.991
Accesses	1,233	1,349	31	2,613
Departures	42	661	100	803
As of March 31, 2020	2,079	1,661	61	3,801
Residual book values March 31, 2020	9,857	2,359	73	12,289
Acquisition / production costs				
Status 1.4.2018	0	0	0	0
Additions from company acquisitions	2,590	0	3	2,593
Accesses	6,285	2,476	640	9,401
Departures	0	57	3	60
As of March 31, 2019	8,875	2,419	640	11,934
Accumulated depreciation				
Status 1.4.2018	0	0	0	0
Accesses	888	1,030	133	2,051
Departures	0	57	3	60
As of March 31, 2019	888	973	130	1.991
Residual book values March 31, 2019	7,987	1,446	510	9,943

21. Property, plant and equipment

Property, plant and equipment developed as follows in the financial year:

in EUR thousand	Land and buildings	Operating and office equipment	total
Acquisition / production costs			
Status 1.4.2019	110	11,316	11,427
Additions from company acquisitions	387	920	1,307
Accesses	5	1,396	1,401
Departures	0	18th	18th
As of March 31, 2020	502	13,614	14,116
Accumulated depreciation			
Status 1.4.2019	50	8,424	8,474
Accesses	19th	1,499	1,518
Departures	0	10	10
As of March 31, 2020	69	9,913	9,982
Residual book values March 31, 2020	433	3,701	4.134
Acquisition / production costs			
Status 1.4.2018	49	9,581	9,630
Additions from company acquisitions	0	777	777
Accesses	61	978	1,039
Departures	0	20th	20th
As of March 31, 2019	110	11,316	11,427
Accumulated depreciation			
Status 1.4.2018	43	7,249	7,292
Accesses	7th	1,155	1,162
Departures	0	20th	20th

in EUR thousand	Land and buildings	Operating and office equipment	total
As of March 31, 2019	50	8,424	8,474
Residual book values March 31, 2019	60	2,892	2,952

The depreciation was recorded in the income statement under the item depreciation of intangible assets and property, plant and equipment.

22. Goodwill

Goodwill developed as follows in the financial year:

in EUR thousand	Cash generating unit CONET
acquisition cost	
Status 1.4.2019	85.402
Access	13,738
change	0
Exit	0
As of March 31, 2020	99.140
Cumulative Impairment	
Status 1.4.2019	0
Access	0
Exit	0
As of March 31, 2020	0
Residual book values March 31, 2020	99.140
acquisition cost	
Status 1.4.2018	68,671
Access	8,264
Rebookings	8,467
Exit	0
As of March 31, 2019	85.402
Cumulative Impairment	
Status 1.4.2018	0
Access	0
Exit	0
As of March 31, 2019	0
Residual book values March 31, 2019	85.402

The addition in the 2019/2020 financial year results from the acquisition of PROCON IT AG (EUR 13,738 thousand) and is allocated to the cash-generating unit CONET.

The addition in the 2018/2019 financial year results from the acquisition of the Babiel Group (EUR 7,979 thousand) and an adjustment of the earn-out clause from the acquisition of the ACT Group. The transfer in the amount of EUR 8,467 thousand relates to the ACT Group, which is assigned to the cash-generating unit CONET due to internal restructuring.

The Group reviews the goodwill once a year as part of an impairment test in accordance with IAS 36. The recoverable amount was determined on the basis of the value in use. The Group conducted its annual impairment test for 2018/2019 and 2019/2020 in March of each year.

Cash generating unit CONET

The recoverable amount of the cash-generating unit CONET is determined on the basis of the calculation of a value in use using cash flow forecasts based on financial plans approved by management for a period of five years. The discount rate before personal taxes used for the cash flow forecasts is 6.5% (previous year: 6.4%). Cash flows after the three-year period are extrapolated using a growth rate of 1% (previous year: 1%). This growth rate corresponds to the long-term average growth rate of the industry plus company-specific features. The review showed

Basic assumptions for the calculation of the value in use and sensitivity analysis for assumptions made

The following assumptions on which the calculation of the value in use is based have the greatest estimation uncertainties:

- EBITDA
- Discount rates
- Growth rates that are used as the basis for extrapolating the cash flow projections outside the forecast period

EBITDA

A decline in demand could reduce EBITDA. A decrease in EBITDA by 10.0% would not lead to any impairment requirement for the cash-generating unit CONET.

Discount rates

The discount rates represent the current market assessments with regard to the specific risks to be assigned to the cash-generating units; this takes into account the time value of money and the specific risks of the assets for which the estimated future cash flows have not been adjusted. The calculation of the discount rate takes into account the specific circumstances of the group and its business segments and is based on its weighted average cost of capital (WACC). The weighted average cost of capital takes into account both debt and equity. The cost of equity is derived from the expected return on capital employed by the Group's equity providers. The cost of debt is based on the interest-bearing debt for which the Group has to pay debt. The beta factors are determined annually on the basis of the publicly available market data. An increase in the discount rate before personal taxes by 1% would not lead to any impairment requirement for the cash-generating unit CONET.

Growth rates that are used as the basis for extrapolating the cash flow projections outside the forecast period

The estimated growth rates are based on published industry-specific market studies.

The Group recognizes that the speed of technological change and possible new competitors could significantly influence the assumptions about the growth rate. No negative effects on the forecasts are expected from the entry of new competitors into the market; However, this could lead to a reasonably possible growth rate that is fundamentally possible than the long-term growth rate of 1% (previous year: 1%) for the cash-generating unit CONET. A decrease in the long-term growth rate in the cash-generating unit CONET by 0.5% would not result in any need for impairment.

23. Financial assets and financial liabilities

23.1 Financial Assets

in EUR thousand	March 31, 2020	March 31, 2019
Financial assets measured at amortized cost		
Requests from deliveries and services	32,388	27,586
Contract assets	9,699	8,785
Other claims	1,040	1,498
Means of payment	25,135	6,345
Sum of financial assets	68,262	44.214
Sum short term	68,073	43,875
Sum long term	189	339

The Group only holds financial assets measured at amortized cost.

Debt instruments measured at amortized cost

Debt instruments measured at amortized cost include trade receivables, contract assets, other receivables and cash.

23.2 Financial Liabilities

in EUR thousand	March 31, 2020	March 31, 2019
Long term interest bearing loans		
Senior term loan	94,775	79,805
Loan Tempus Holdings 24 Sarl	16,388	15,311
Employee participation rights	0	59
Sum of long-term interest-bearing loans	111.163	95,175
Short term interest bearing loans		
Revolving credit facility	15,000	3,500
Sum of short-term interest-bearing loans	15,000	3,500
Financial liabilities measured at fair value through profit or loss		
Contingent consideration (item 7)	0	3,685
Total of liabilities measured at fair value	0	3,685
Other financial liabilities at amortized cost except interest-bearing loans		
Contract liabilities	4,481	4.016
liabilities from goods and services	13,294	10,243
Other liabilities	12,801	10,180
Total other financial liabilities	30,576	24,439
Sum short term	30,576	24,439
Sum long term	0	0

Senior Term and Super Senior Revolving Facilities Agreement

A consortium had granted the group a loan facility of originally EUR 90,000 thousand. In the 2018/2019 financial year, the facility increased to EUR 98,000 thousand. In the 2019/2020 financial year, EUR 15,000 thousand (previous year: EUR 8,000 thousand) was drawn from the term loan. As of March 31, 2020, the KEUR 98,000 (previous year: KEUR 83,000) (less transaction costs) is reported as a term loan. A further EUR 15,000 thousand (previous year: EUR 3,500 thousand) was used as a money market loan (revolving facility). Both the term loan and the revolving facility have variable interest rates (margin plus Euribor). The margin depends on the type of loan (term loan or revolving facility) and on the achievement of certain performance indicators. The term of the term loan is 7 years from closing (March 19, 2018) and the term of the revolving facility is 6.75 years from March 19, 2018.

Various loans from Tempus Holdings 24 Sarl

As part of the acquisition of CONET Technologies GmbH, the group had, among other things, taken over a loan to the seller of the shares in the amount of EUR 12,484 thousand. As part of an agreement with the seller, Tempus 24 Sarl assumed the obligations towards the seller and at the same time granted the group a loan in the same amount. The loan is unsecured. The interest on the loan is 1.25% up to September 30, 2017, from October 1 to December 31, 2017 5.25% and then 6.75%. The interest is payable in full. The repayment of the loan depends on the repayment of the purchase price liability by Tempus Holdings 24 Sarl, including accrued interest.

As part of the acquisition of Babiel GmbH, the group had, among other things, taken over a loan to the seller of the shares in the amount of EUR 1,445 thousand. As part of an agreement with the sellers, Tempus 24 Sarl assumed the obligations towards the sellers and at the same time granted the group a loan in the same amount. The loan is unsecured. The interest rate on the loan is 5.75%. The interest is payable in full. The repayment of the loan depends on the repayment of the purchase price liability by Tempus Holdings 24 Sarl. Including accrued interest, the loan balance as of March 31, 2020 is EUR 1,591 thousand.

Profit participation rights

ACT IT Holding GmbH had issued subordinate profit participation rights that were only granted to employees. The profit participation rights have a minimum term of 6 years. After the minimum term has expired, they can be terminated by the holders of the profit participation rights with a notice period of 6 months. The interest is based on the ACT subgroup's EBIT in the amount of 6% to 9%. The profit participation rights may participate in the loss of the subgroup's parent company. The profit participation rights do not grant any participation in the assets, the hidden reserves or liquidation proceeds. The participation rights were repaid in full in the 2019/2020 financial year.

Contingent consideration

Acquisition of the ACT Group

As part of the purchase agreement with the previous owners of ACT IT Holding GmbH, a contingent consideration was agreed. This consideration depends on the EBIT of ACT IT Holding GmbH for the 2017 and 2018 financial years. The fair value of the contingent consideration at the time of acquisition was EUR 4,500 thousand. As of March 31, 2018, it decreased to EUR 4,215 thousand due to a deterioration in performance compared to corporate planning. March 31, 2019 was set as the date for the final measurement and due date of the liability from contingent consideration. In the 2018/2019 financial year, EUR 2,515 thousand was paid out and EUR 285 thousand returned. The fair value as of the balance sheet date 31.

Acquisition of the Babiel Group

As part of the purchase agreement with the previous owners of Babiel GmbH, a contingent consideration was agreed. This consideration depends on the EBIT of Babiel GmbH for the financial years 2018/2019 to 2020/2021. The fair value of the contingent consideration at the time of acquisition and the balance sheet date March 31, 2019 was EUR 1,700 thousand and was paid out in full in the 2019/2020 financial year.

23.3 Fair value

The following table shows the book values and fair values of all the Group's financial instruments included in the consolidated financial statements, broken down by category:

in EUR thousand	Book value March 31, 2020	Fair value March 31, 2020	Book value March 31, 2019	Fair value March 31, 2019
Financial assets				
Means of payment	25,135	25,135	6,345	6,345
requirements				
Requests from deliveries and services	32,388	32,388	27,586	27,586
Other receivables and assets	1,040	1,040	1,498	1,498
total	58,563	58,563	35,429	35,429
Financial liabilities				
long-term financial debt				
Floating Rate Loans	94,775	94,775	79,864	79,864
Fixed Rate Loans	16,388	16,388	15,370	15,370
Accrued interest	0	0	0	0
short term financial debt				
Money market credit	15,000	15,000	3,500	3,500
Contingent consideration	0	0	3,685	3,685
Contract liabilities	4,481	4,481	4.016	4.016
liabilities from goods and services	13,294	13,294	10,243	10,243
Other liabilities	12,801	12,801	10,180	10,180
total	156,739	156,739	126,800	126,800

The management has determined that the fair values of cash and short-term deposits, trade receivables, other receivables, short-term financial debts, payables from contract manufacturing, trade payables and other short-term liabilities are close to their book values mainly due to the short terms of these instruments correspond.

With regard to the determination of the fair value of the contingent consideration, we refer to Note 8.

The variable interest loans relate almost exclusively to a senior term loan. The management assumes that the loan was taken out at market conditions (interest margin). The fixed-interest loan relates to a purchase price liability. Here, too, management assumes that no other interest rates would have been agreed upon in the purchase price negotiations as of the balance sheet date. In this respect, the management has determined that the fair values of the long-term financial debts almost correspond to their book values.

23.4 Objectives and methods of risk management for financial instruments

The Group's main financial liabilities include interest-bearing loans, trade payables and other liabilities. The main purpose of these financial liabilities is to finance and maintain the Group's business operations. The Group's most important financial assets are trade receivables, contract assets and other receivables, as well as cash and short-term deposits that result directly from its business activities.

The group is exposed to a number of financial risks in the course of its business activities. These risks include market risk, default risk and liquidity risk. The management of the group is responsible for managing these risks. The management provides the middle management of the group with an appropriate framework for controlling financial risks. Middle management ensures that the Group's activities associated with financial risks are carried out in accordance with the relevant guidelines and procedures and that financial risks are identified, assessed and controlled in accordance with these guidelines and taking into account the Group's risk appetite.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The market risk comprises three types of risk: interest rate risk, currency risk and other price risks such as share price or raw material price risk. Financial instruments exposed to market risk include deposits.

The sensitivity analyzes in the following sections relate to the status as of March 31, 2020 and March 31, 2019.

The sensitivity analyzes were carried out on the premise that net debt, the ratio of fixed and variable interest rates on debt and the proportion of financial instruments denominated in foreign currency remain constant.

The analyzes do not take into account any effects of changes in market variables on the carrying amounts of pension obligations and other post-employment benefits, provisions and non-financial assets. The analysis of debts from contingent consideration is presented in Note 8.

The sensitivity analyzes were carried out under the following assumption:

- The sensitivity of the relevant item in the income statement reflects the effect of the assumed changes in the corresponding market risks. This is based on the financial assets and financial liabilities held as of March 31, 2020 and March 31, 2019, including the effect of any hedging relationship that may exist.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk of fluctuations in market interest rates to which the Group is exposed results primarily from long-term variable-interest loans.

The Group controls its interest rate risk through a balanced portfolio of fixed and variable rate loans. As of March 31, 2020, around 15% (previous year: 16%) of the Group's borrowings were fixed-interest. With the exception of the negligible employee participation rights, the variable-interest loans are linked to the Euribor. This currently has negative values in the relevant fixed interest period, so that the variable interest component for these loans is 0%. If the Euribor exceeds a percentage specified in the loan agreement, an interest rate hedge will be agreed for part of the loan interest.

Interest rate sensitivity analysis

The following table shows the sensitivity to a reasonably possible change in the interest rates on this part of the loan. If all other variables remain constant, the Group's pre-tax profit will be influenced as follows due to the effects on loans with variable interest rates:

	Increase / decrease in basis points	Effects on earnings before taxes
		KEUR
2019/2020	50	-425
2019/2020	-50	425
2018/2019	50	-379
2018/2019	-50	379

The assumed development of the basis points in a sensitivity analysis of the interest rates is based on the currently observable market environment.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will be exposed to fluctuations due to changes in exchange rates. The Group is exposed to exchange rate risks primarily in the course of its operating activities (if sales and / or expenses are denominated in a foreign currency).

Overall, the group is only exposed to very low exchange rate risks, as only a very small part of its operating business is carried out in foreign currencies (these are mainly Norwegian kroner and US dollars).

A sensitivity analysis was dispensed with due to the minor importance of currency risks for the Group.

Failure risk

The risk of default is the risk that a business partner does not meet its obligations under a financial instrument or customer master agreement and this leads to a financial loss. In the course of its operating activities, the Group is exposed to default risks (in particular trade receivables) as well as risks in connection with financing activities, including those from deposits with banks and financial institutions and other financial instruments.

Requests from deliveries and services

The risk of default from receivables from customers is managed by the relevant business unit based on the Group's guidelines, procedures and controls for customer default risk management. The customer's creditworthiness is assessed using a comprehensive credit rating scorecard. The individual credit lines are determined according to this assessment. Outstanding accounts receivable from customers and contract assets are regularly monitored.

The need for value adjustments is analyzed on an individual basis for the main customers on each balance sheet date. In addition, a large number of smaller receivables are grouped homogeneously and jointly assessed for impairment. The calculation is based on actual historical data. The maximum default risk as of the reporting date corresponds to the carrying amount of each class of financial assets shown in Note 23.1. The group does not hold any collateral. He assesses the risk concentration with regard to trade receivables as low because his customers belong to different industries and operate in largely independent markets.

Financial instruments and deposits

The risk of default from balances with banks and financial institutions is managed by the Group's treasury department in accordance with Group guidelines. Investments with excess liquidity are only made with approved business partners and within the credit line allocated to the respective party. The credit lines for business partners are reviewed annually by management and can be updated during the year after approval by the Group's finance committee. They are set in order to minimize the risk concentration and thus to keep financial losses due to a potential default by a business partner as low as possible.

The Group's maximum default risk for the balance sheet items as of March 31, 2020 and March 31, 2019 corresponds to the book values shown in Note 23.1.

Liquidity risk

The group monitors the risk of any liquidity bottleneck using a liquidity planning tool. The aim of the group is to maintain a balance between continuously covering financial resources requirements and ensuring flexibility through the use of overdrafts, bank loans and leasing. According to the provisions of the group's internal guidelines, no more than 30% of the debt capital may fall due within the next twelve months. As of March 31, 2020, around 29% (previous year: 24%) of the book value of the borrowed capital shown in the consolidated financial statements will be due within one year. The Group assessed the concentration of risk related to the refinancing of its debt and came to the conclusion that that it can be judged as low. Sufficient sources of finance are available to the Group.

The Group's financial liabilities have the following due dates. The information is provided on the basis of the contractual, undiscounted payments.

Maturity analysis in EUR thousand	Book value March 31, 2020	Cash flows up to 1 year	Cash flows 1 to 5 years	Cash flows over 5 years
Financial liabilities				
long-term financial debt	111.163	0	111.163	0
short term financial debt	15,000	15,000	0	0
Contract liabilities	4,481	4,481	0	0
liabilities from goods and services	13,294	13,294	0	0
Other liabilities	12,801	12,801	0	0
total	156,739	45,576	111.163	0

Maturity analysis in EUR thousand	Book value March 31, 2019	Cash flows up to 1 year	Cash flows 1 to 5 years	Cash flows over 5 years
Financial liabilities				

Maturity analysis in EUR thousand	Book value March 31, 2019	Cash flows up to 1 year	Cash flows 1 to 5 years	Cash flows over 5 years
long-term financial debt	95,175	0	59	95.116
short term financial debt	3,500	3,500	0	0
Contingent consideration	3,685	3,685	0	0
Contract liabilities	4.016	4.016	0	0
liabilities from goods and services	10,243	10,243	0	0
Other liabilities	10,180	10,180	0	0
total	126,800	31,624	59	95.116

Disproportionately high risk concentration

Concentrations of risk arise when several business partners carry out similar business activities or activities in the same region or have economic characteristics that result in their ability to fulfill their contractual obligations being impaired in the same way in the event of changes in the economic or political situation or other conditions. Concentrations of risk indicate a relative sensitivity of the group result to developments in certain industries.

In order to avoid disproportionately high concentrations of risk, the group guidelines contain special requirements for maintaining a diversified portfolio. Identified default risk concentrations are monitored and managed accordingly.

As of March 31, 2020, two customers had open items valued at over EUR 1 million, which corresponded to just over 26% of the total receivables (excluding contract assets).

As of March 31, 2019, three customers had open items valued at over EUR 1 million, which corresponded to just over 18% of the total receivables (excluding contract assets).

Collateral

All of the Group's means of payment are in a security network to secure the purchase financing. As of March 31, 2020, the fair value of the cash provided as collateral was EUR 25,135 thousand (previous year: EUR 6,344 thousand). The business partners are obliged to return the collateral to the group.

23.5 Changes in Debt from Financing Activities

The liabilities from financing activities changed as follows in the financial year:

	Long-term financial debt	Short-term financial debt	Total liabilities from financing activities
	KEUR	KEUR	KEUR
As of April 1st, 2019	95,175	3,500	98,675
Cash flows			
capital			
Repayments	-59	-5,500	-5,559
admission	15,000	17,000	32,000
Transaction costs	-488		-488
interest			0
Changes not affecting payment			
Transaction costs	459		459
interest	1,076		1,076
As of March 31, 2020	111.163	15,000	126.163

	Long-term financial debt	Short-term financial debt	Total liabilities from financing activities
	KEUR	KEUR	KEUR
As of April 1st, 2018	84,654	172	84,826
Cash flows			
capital			
Repayments	-80	-9	-89
admission	8,000	3,500	11,500
Transaction costs	-247		-247
interest		-163	-163
Changes not affecting payment			0
Purchase price deferral	1,450		1,450
Transaction costs	410		410
interest	988		988
As of March 31, 2019	95,175	3,500	98,675

24. Inventories

Inventories mainly relate to hardware and purchased software.

In the financial year, an amount of EUR 6,254 thousand (previous year: EUR 5,129 thousand) from recognized inventories was recorded as an expense. This expense is shown under the cost of raw materials and supplies and for purchased goods.

25. Contract Assets

The following table provides information on contract assets from contracts with customers.

in EUR thousand	March 31, 2020
Short-term contract assets	9,699
Long-term contract assets	0
total	9,699

The contract assets relate to orders in progress in connection with IT projects.

The contract assets were not written down.

26. Accounts receivable from deliveries and services

Trade accounts receivable are not interest-bearing and are usually due between 30 and 90 days.

As of March 31, 2020, trade receivables with an original book value of EUR 188 thousand (previous year: EUR 218 thousand) were written down in full. The development of the value adjustment account is as follows:

in EUR thousand	March 31, 2020	March 31, 2019
As of 04/01	218	74
Additions from company acquisitions	0	0
Expense allocation	23	144
resolution	-53	0
As of March 31	188	218

As part of a portfolio approach, the Group has made a general value adjustment in addition to individual value adjustments. The development of the allowance account is as follows:

in EUR thousand	March 31, 2020	March 31, 2019
As of 04/01	43	27
Additions from company acquisitions	18th	12th
Expense allocation	12th	4th
As of March 31	73	43

As of March 31, 2020 and March 31, 2019, the age structure of the trade receivables is as follows:

				Overdue but not impaired				
in EUR thousand	total	of which impaired	thereof neither impaired nor overdue	<30 days	30 - 60 days	61 - 90 days	91-120 days	> 120 days
March 31, 2020	32,388	188	30,660	857	285	329	69	0

				Overdue but not impaired				
in EUR thousand	total	of which impaired	thereof neither impaired nor overdue	<30 days	30 - 60 days	61 - 90 days	91-120 days	> 120 days
March 31, 2019	27,586	218	25,861	933	322	69	183	0

Please refer to Note 23.4 for the default risk of trade receivables. It explains how the Group assesses and values the recoverability of trade receivables that are neither overdue nor impaired.

27. Current income tax claims

The short-term current income tax claims are made up as follows:

in EUR thousand	March 31, 2020	March 31, 2019
Corporate income tax receivables and solidarity surcharge for the current year	353	240
Receivables corporation tax and solidarity surcharge from previous years	260	115
Trade tax receivables for the current year	114	56
Trade tax receivables from previous years	22nd	121
total	749	532

28. Other claims

The other receivables are composed as follows:

in EUR thousand	March 31, 2020	March 31, 2019
Long-term other receivables		
Claims against personnel	73	70
Security deposits	116	108
Reinsurance	0	161
	189	339
Other short-term claims		
Claims against social security	1	74
Accounts receivable	74	189
Claims against personnel	16	18th
value added tax	154	868
other demands	606	10
	851	1,159
total	1,040	1,498

The other receivables are not overdue and have not been written down. As of March 31, 2020, there were no non-current assets from claims for damages.

29. Means of Payment

The means of payment are made up as follows:

in EUR thousand	March 31, 2020	March 31, 2019
Bank balances (including short and medium term deposits)	25.122	6.336
Cash on hand	13	9
total	25,135	6,345

Credit balances at banks are subject to variable interest rates for credit balances that can be canceled on a daily basis. Short- and medium-term deposits are made for different periods of time, which, depending on the Group's cash requirements, amount to between one day and three months. Short- and medium-term deposits earn interest at the applicable interest rates for short-term deposits.

As of March 31, 2020, the Group had committed, unused credit lines of EUR 0 thousand (previous year: EUR 11,500 thousand).

The Group has provided part of its short-term deposits as collateral. For further explanations, please refer to Note 23.4.

The amount of cash and cash equivalents used for the purpose of the cash flow statement as of March 31, 2020 and March 31, 2019 corresponds to the balance sheet item.

In the 2019/2020 financial year, the consolidated financial statements did not contain any investment or financing transactions for which no cash or cash equivalents were used.

In the 2018/2019 financial year, the following investment and financing transactions, for which no cash or cash equivalents were used, are included in the consolidated financial statements:

- Acquisition of Babiel GmbH against deferral of the purchase price of EUR 1,445 thousand
- Acquisition of Babiel GmbH against assumption of a conditional liability in the amount of EUR 1,700 thousand.

30. Prepaid expenses

The accruals are prepayments by the Group for the service period April 1, 2019 to March 31, 2020 (previous year: April 1, 2018 to March 31, 2019), which will be recognized as an expense in the following year.

31. Subscribed capital and reserves

Subscribed capital

The subscribed capital of the group in the amount of EUR 25 thousand relates to the subscribed capital of the parent company CONET International Holding GmbH. The subscribed capital was raised on April 11, 2017 through a contribution in kind of the participation in CONET International GmbH in the amount of EUR 25 thousand. There were no further changes in the subscribed capital in the financial year.

Capital reserve

The Group's capital reserve of EUR 21,849 thousand (previous year: EUR 14,334 thousand) relates to the capital reserve of the parent company CONET International Holding GmbH. In the 2019/2020 financial year, the capital reserve was increased by EUR 7,515 thousand to EUR 21,849 thousand. This is a capital reserve in accordance with Section 272, Paragraph 2, No. 4 of the German Commercial Code (other additional payments by the shareholders).

OCI reserve

The OCI reserve results from other earnings after taxes. The OCI reserve relates exclusively to retained earnings. In the 2019/2020 financial year, this amount was withdrawn from the remeasurement of defined benefit pension plans (previous year: EUR 96 thousand).

32. Provisions

The provisions cover all recognizable obligations to third parties in accordance with IAS 37. They developed as follows:

	Warranties	Retention requirements	damages	Litigation risks	Price check	total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
As of April 1st, 2019	13	34	174	500	80	801
Acquisition of a subsidiary	23	26th	0	0	0	49
Utilization	0	0	5	0	0	5
resolution	0	0	0	0	0	0
Feed	62	11	0	75	0	148
As of March 31, 2020	98	71	169	575	80	993
Of which in the short term	98	71	169	575	80	993
Of which in the long term	0	0	0	0	0	0
As of April 1st, 2018	78	34	174	0	30th	316
Acquisition of a subsidiary	0	0	0	0	0	0
Utilization	0	0	0	0	0	0
resolution	65	0	0	0	0	65
Feed	0	0	0	500	50	550
As of March 31, 2019	13	34	174	500	80	801
Of which in the short term	13	34	174	500	80	801
Of which in the long term	0	0	0	0	0	0

Warranties

A provision was recognized for warranty obligations from contracts for work and services carried out in previous years. The evaluation is made on the basis of empirical values for complaints in the past. The assumptions on which the calculation of the warranty provision is based are based on the current sales level and the currently available information on complaints for the contracts for work and services carried out within the warranty period.

Retention requirements

The group is obliged to keep its accounting documents and books of account.

damages

The group is the defendant in a damages litigation with a service provider. The provision covers the costs of the legal dispute as well as the possible amount of damages.

Litigation risks

A member of the management board of a subsidiary who has since resigned has sued this company for payment of a bonus. In the 2019/2020 financial year, costs of EUR 75 thousand were added. The provision is offset by an equally high reimbursement claim against the seller of the CONET Group.

Price check

For some public contracts, the group is subject to a state price review. The provision covers the risk that the Group may have to make repayments to public customers as a result of a price review.

33. Current Income Tax Liabilities

Current income tax liabilities have developed as follows:

in EUR thousand	Corporation tax and solidarity surcharge	Business tax	total
As of April 1st, 2019	2,083	1,265	3,348
Acquisition of a subsidiary	32	27	59
Utilization	281	170	451
resolution	0	36	36
Feed	691	1,495	2,186
Compounding and changing the discount rate	0	0	0
As of March 31, 2020	2,525	2,581	5.106
Of which in the short term	2,525	2,581	5.106
Of which in the long term	0	0	0
As of April 1st, 2018	2,241	2,835	5,076
Acquisition of a subsidiary	112	96	208
Utilization	922	2,252	3,174
resolution			0
Feed	652	586	1,238
Compounding and changing the discount rate	0	0	0
As of March 31, 2019	2,083	1,265	3,348
Of which in the short term	2,083	1,265	3,348
Of which in the long term	0	0	0

34. Contract Liabilities

The following table provides information on contractual liabilities from contracts with customers:

in EUR thousand	March 31, 2020	March 31, 2019
Short-term advance payments for IT projects	4,481	4.016
Long-term advance payments for IT projects	0	0
total	4,481	4.016

The contract liabilities mainly relate to prepayments received from customers in connection with IT projects. The amount shown at the beginning of the period was mainly recognized as sales in the 2019/2020 financial year.

35. Lease Liabilities

The following table provides information on lease liabilities:

in EUR thousand	March 31, 2020	March 31, 2019
Short-term lease liabilities	2,636	1,881
Long-term lease liabilities	10.125	8,277
total	12,761	10.158

The term of the lease liabilities is shown in the following table:

As of March 31, 2020

Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments
<1 year		> 1 <5 years		> 5 years
KEUR	KEUR	KEUR	KEUR	KEUR
3,268	2,636	8,269	6,832	3,761

Present value of minimum lease payments	Financial expense not yet realized for the entire duration	Total minimum lease payments
> 5 years		
KEUR	KEUR	KEUR
3,293	2,537	15,298

As of March 31, 2019

Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments

	<1 year		> 1 <5 years		> 5 years
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments
	KEUR	KEUR	KEUR	KEUR	KEUR
	2,428	1,881	6,393	5,071	3,271

> 5 years		
Present value of minimum lease payments	Financial expenses not yet realized for the entire duration	Total minimum lease payments
KEUR	KEUR	KEUR
3,205	1,935	12.092

36. Retirement benefit plans / pension provisions

Defined contribution plans

The group offers employees with permanent and permanent employment the possibility of an employer-financed pension. The Group voluntarily pays a fixed monthly amount with a right of withdrawal into a defined contribution pension scheme of an insurance company (direct insurance). The expenses recorded in the 2019/2020 financial year totaled EUR 430 thousand (previous year: EUR 206 thousand) and represent the Group's contributions to this pension plan.

The employees of the group endow contributions to a support fund as part of a monthly or annual salary conversion. In addition to deferred compensation, top-up amounts are granted by the employer. The pension fund invests the pension contributions in reinsurance. The subsequent benefits are financed exclusively from the income from the reinsurance. The expenses recorded in the 2019/2020 financial year totaled EUR 196 thousand (previous year: EUR 124 thousand) and represent the Group's contributions to this pension plan.

The Group's employees endow contributions to a pension fund as part of a monthly or annual deferred compensation. In addition to deferred compensation, top-up amounts are granted by the employer. The subsequent pension benefits are financed exclusively from the income of the pension fund. The expenses recorded in the 2019/2020 financial year totaled EUR 99 thousand (previous year: EUR 141 thousand) and represent the Group's contributions to this pension plan.

In addition, there is a defined contribution plan for German employees within the framework of the German statutory pension insurance, into which the employer has to pay an unchanged contribution rate of 9.45% (employer's share) of the pensionable remuneration.

Defined benefit plans

The Group has given individual employees direct commitments to a pension plan, which according to IAS 19 is designed as a defined benefit plan and must therefore be shown in the balance sheet. Actuarial gains and losses are recognized directly in equity in other comprehensive income.

The amount of the pension commitments is usually based on fixed commitments.

No material risks associated with the defined benefit commitments are expected.

The projected unit credit method is used as the actuarial valuation method.

The development of the pension obligation and the fund assets (including excess assets) for the defined benefit plans are as follows:

Change in pension obligation

in EUR thousand	March 31, 2020	March 31, 2019
Present value as of April 1st	3,631	3,536
Subtotal	3,631	3,536
Expenses for pension obligations recognized in profit or loss		
Current service cost	18th	18th
Interest cost on DBO	55	49
Subtotal	73	67
Revaluation gains / losses recognized in other comprehensive income		
Actuarial gains (-) and losses		
from changes in demographic assumptions	0	22nd
from changes in financial assumptions	195	119
Adjustments based on experience	46	27
Subtotal	241	168
Benefits paid	-280	-140
Present value as of March 31	3,665	3,631

Change in plan assets

in EUR thousand	March 31, 2020	March 31, 2019
Fair value as of April 1st	1.937	1,967
Subtotal	1.937	1,967
Income recognized in profit or loss for plan assets		
Interest income	32	23
Subtotal	32	23
Gains / losses (-) from remeasurement recognized in other comprehensive income		
Income from plan assets (excluding amounts included in interest expense)	129	25th
Subtotal	129	25th
Actual pension and capital payments from plan assets	-123	-78
Fair value as of March 31	1,975	1.937

Change in the effect of the asset ceiling

in EUR thousand	March 31, 2020	March 31, 2019
Effect of the asset ceiling on April 1st	1	2
Business combinations		
Subtotal	1	2
Income recognized in profit or loss		
Interest on the effect of the asset ceiling	0	0
Subtotal	0	0
Revaluation gains / losses recognized in other comprehensive income		
Change in the effect of the asset ceiling (excluding amounts included in interest income)	-1	-1
As of March 31	0	1

Net obligation

in EUR thousand	March 31, 2020	March 31, 2019
Present value of the defined benefit obligation.	3,665	3,631
Fair value of plan assets	-1,975	-1,937
Present value of the effect of the asset ceiling	0	1
Net obligation	1,690	1,695

Reimbursements - e.g. B. reinsurance policies that do not constitute plan assets

in EUR thousand	March 31, 2020	March 31, 2019
Value of the reimbursements as of March 31.	0	160

Actuarial gains and losses recognized in other comprehensive income are as follows:

in EUR thousand	March 31, 2020	March 31, 2019
Cumulative amount recognized in retained earnings as of April 1st.	-29	113
Amount recorded in the current year	-111	-142
Cumulative amount recognized in revenue reserves as of March 31.	-140	-29

The basic assumptions for determining the pension obligation are presented below:

Basic assumptions	March 31, 2020	March 31, 2019
	%	%
Discount rate	1.15	1.55
Future pension increases	1.40	1.00

The average term of the pension obligations is 12.7 years (previous year: 13.3 years).

The total expense for the defined benefit pension plans is made up as follows:

in EUR thousand	2019/2020	2018/2019
Expenses for pension entitlements earned in the reporting year	18th	18th
Actuarial gains (-) / losses	111	142
Net interest expense	23	26th
	152	186

For the 2020/2021 financial year, the Group expects contributions to defined benefit pension plans totaling EUR 155 thousand (previous year: EUR 44 thousand).

The maturity of the obligations from the defined benefit plan is as follows:

in EUR thousand	March 31, 2020	March 31, 2019
within the next 12 months (next financial year)	143	143
Between 2 and 5 years	575	704
Between 6 and 10 years	826	798
Over 10 years	2,453	2,486
Total expected payouts	3,997	4.131

The relevant actuarial assumption that was used to determine the defined benefit obligation is the discount rate. The following sensitivity analysis was carried out on the basis of the changes in the respective assumptions that are reasonably possible as of the balance sheet date, with the other assumptions remaining unchanged.

	Effects on the performance-related obligation	
in EUR thousand	March 31, 2020	March 31, 2019
Discount rate		
0.5% increase	-238	-231
0.5% decrease	269	256

37. Trade payables

Trade payables are non-interest-bearing and are usually due within 30 days.

Customary retention of title applies to trade payables.

The trade payables contain accruals in the amount of EUR 3,448 thousand (previous year: EUR 4,519 thousand).

38. Other liabilities

The other liabilities are made up as follows:

in EUR thousand	March 31, 2020	March 31, 2019
Personnel provisions HGB (vacation, bonuses, etc.)	9,056	6,441
Sales tax liabilities	1,445	2.007
Payroll tax liabilities	1,338	1,090
Social Security Liabilities	119	37
Payroll Liabilities	32	89
Other liabilities	811	516
Conditional purchase price liability	0	3,685
total	12,801	13,865

Of the other liabilities, EUR 336 thousand (previous year: EUR 184 thousand) are long-term. These earn interest.

39. Contingent liabilities and other financial obligations

Contingent Liabilities

With the assignment of security for all payment claims against insurance companies and third-party debtors, as well as account pledging of all bank accounts maintained in Germany, the group companies have joined the CONET Group's financing contract as additional security providers.

40. Information on related companies and persons

Information on the group structure, the subsidiaries and the holding company is presented in Note 6.

The following table shows the total amount of transactions with related companies and persons:

in EUR thousand		Interest paid	Interest received	Liabilities to related companies and persons
Companies with significant influence on the group:				
Tempus Holdings 24 Sarl	2018/2019	881	0	13,822
Tempus Holdings 24 Sarl	2018/2019	107	0	1,490
Tempus Holdings 24 Sarl	2018/2019	0	276	0
Companies with significant influence on the group:				
Tempus Holdings 24 Sarl	2019/2020	975	0	14,797
Tempus Holdings 24 Sarl	2019/2020	101	0	1,591

Loan of EUR 12.5 million from Tempus Holdings 24 Sarl

As part of the acquisition of CONET Technologies GmbH, the group had, among other things, taken over a loan to the seller of the shares in the amount of EUR 12,484 thousand. As part of an agreement with the seller, Tempus 24 Sarl assumed the obligations towards the seller and at the same time granted the group a loan in the same amount. The loan is unsecured. The interest on the loan is 1.25% up to September 30, 2017, from October 1 to December 31, 2017 5.25% and thereafter 6.75%. The interest is payable in full. The repayment of the loan depends on the repayment of the purchase price liability by Tempus Holdings 24 Sarl

Loan of EUR 1.5 million from Tempus Holdings 24 Sarl

As part of the acquisition of Babiel GmbH, the group had, among other things, taken over a loan to the seller of the shares amounting to EUR 1,450 thousand. As part of an agreement with the sellers, Tempus 24 Sarl assumed the obligations towards the sellers and at the same time granted the group a loan in the same amount. The loan is unsecured. The interest rate on the loan is 5.75%. The interest is payable in full. The repayment of the loan depends on the repayment of the purchase price liability by Tempus Holdings 24 Sarl

Remuneration of people in key positions

People in key positions are the managing directors of the parent company and the subsidiaries. They received the following remuneration in the financial year:

in EUR thousand	2019/2020	2018/2019
Current payments of a fixed and variable type	3,310	3,263
Provision for (later) retirement benefits	8th	17th
Severance payments	0	309
total	3,318	3,589

The amounts shown in the table were recorded as expenses in the reporting period in connection with people in key positions.

Remuneration of the advisory board

The advisory board received remuneration of EUR 0 thousand in the 2019/2020 financial year (previous year: EUR 20 thousand).

Management holdings

As of the balance sheet date, the executives of various group companies indirectly hold 8.4% of the shares in the parent company via various investment vehicles that hold shares in Tempus Holdings 24 S.à rl, based in Luxembourg. The shares in the associated companies were acquired for the same price that the majority shareholders paid for the acquisition of Tempus Holdings 23 S.à rl, Luxembourg. Accordingly, these correspond to the fair value at the time of acquisition, so that this is not taken into account in the consolidated financial statements.

41. Published standards that are not yet mandatory

Standards and interpretations published by the time the consolidated financial statements were published, but not yet mandatory, are presented below. The Group intends to apply these standards from the time they come into force.

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard that contains principles for recognition, measurement, presentation and disclosure requirements with regard to insurance contracts. With its entry into force, IFRS 17 replaces IFRS 4 Insurance Contracts published in 2005.

IFRS 17 applies to all types of insurance contracts (ie, life, property, direct and reinsurance) and to certain guarantees and financial instruments with discretionary participation regardless of the type of the launching company. With regard to the area of application, individual exceptions apply. The overall objective of IFRS 17 is to create a more useful and uniform accounting model for insurers. In contrast to the regulations of IFRS 4, which largely grant grandfathering for previous local accounting regulations, IFRS 17 represents a comprehensive model for insurance contracts that maps all relevant aspects of accounting. The core of IFRS 17 is the general model, supplemented by

- a specific variant for contracts with direct profit sharing (variable fee approach: variable remuneration approach) and
- a simplified model (premium allocation approach: approach of premium allocation), usually for short-term contracts.

IFRS 17 is to be applied for the first time for fiscal years beginning on or after January 1, 2021. Comparative information is mandatory. Earlier application is permitted if the company is already applying IFRS 9 and IFRS 15 or applying them for the first time at the same time as IFRS 17. IFRS 17 does not apply to the group.

Changes to IFRS 3: Definition of a Business

In October 2018, the IASB published changes to the definition of a business in IFRS 3 Business Combinations, which are designed to help companies decide whether an acquired group of activities and assets constitutes a business. The changes clarify the following: Clarification of the minimum requirements for a business operation; Eliminating the need to assess the ability of a market participant to replace missing elements in order to operate the acquired business; Providing guidelines to assist companies in assessing whether the acquired business process is substantial; A narrower definition of the services provided and the introduction of an optional simplified test for the concentration of the fair value in an asset. In addition to the changes, new explanatory examples were presented.

Since the changes are to be applied prospectively to transactions or other events that take place on or after the date on which the changes are applied for the first time, there will be no effects for the Group at the point of transition.

Amendments to IAS 1 and IAS 8 - Definition of Materiality

In October 2018, the IASB published amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Estimates and Errors. The aim of the changes was to standardize the definition of the term “materiality” in all standards and to clarify certain aspects of the definition. According to the new definition, information is material when it can reasonably be expected that its omission, misrepresentation or obscurity will affect the decisions of primary users of general-purpose financial statements that it provides on the basis of such financial statements, the financial information of a particular entity, meet, influence.

The Group assumes that the changes to the definition of “materiality” will not have any significant effects on the consolidated financial statements.

42. Executive bodies of CONET International Holding GmbH

Managing directors

In the 2019/2020 financial year, the management team included:

Ms. Anke Höfer, CEO, Koenigswinter, Germany

Mr. Josef Ranner, Managing Director (CFO), Bonn, Germany

Advisory Board

In the 2019/2020 financial year, the advisory board included:

Mr. Holger Kleingarn, Managing Director, Hamburg, (Chairman of the Advisory Board)

Christian Kraul-von Renner, Principal, Hamburg, (Deputy Advisory Board)

Mr. Philipp Kalveram, Senior Investment Manager, Hamburg

Mr. Lutz Heuser, Chief Technology Officer, Walldorf until April 1, 2019

43. Auditor's fees

In the reporting period, expenses of EUR 55 thousand were recorded as expenses for the audit of the consolidated financial statements (previous year: EUR 40 thousand).

44. Exemptions for consolidated companies

For the following consolidated subsidiaries, the exemption provision pursuant to Section 264 (3) HGB is used with regard to the disclosure of the annual financial statements:

- CONET International GmbH
- CONET Technologies Holding GmbH
- CONET Solutions GmbH
- CONET Communications GmbH
- CONET Services GmbH
- CONET Business Consultants GmbH
- ACT IT Consulting & Services AG
- ACT Development & Integration GmbH
- Babiel GmbH

For the following consolidated subsidiaries, the exemption provision pursuant to Section 264 (3) HGB with regard to the disclosure of the annual financial statements was used as of March 31, 2019:

- CONET International GmbH
- CONET Technologies Holding GmbH
- CONET Solutions GmbH

- CONET Communications GmbH
- CONET Services GmbH
- CONET Business Consultants GmbH
- ACT IT Consulting & Services AG
- ACT Development & Integration GmbH

45. Post-Period Events

On April 29, 2020, PROCON IT GmbH concluded a domination and profit transfer agreement for the 2020/2021 financial year with CONET Technologies Holding GmbH as the controlling company. The shareholders' meeting approved by resolution of May 20, 2020. The entry in the commercial register took place on July 2, 2020.

With the articles of association or the shareholders' resolution of May 5, 2020 and the entry in the commercial register of May 29, 2020, ACT Development & Integration GmbH was renamed CO-NET Development & Integration GmbH.

With the merger agreement dated May 20, 2020 and the entry in the commercial register dated June 22, 2020, CONET Solutions GmbH, as the legal entity taking over, was merged with ACT IT-Consulting & Services AG.

46. Supplementary report

The corona crisis hits the digital industry hard, but less so than the German economy as a whole. The detailed explanation of the impact of the Corona crisis on the business development of the CONET Group for the first twelve months after the reporting date is presented in the management report under item 3.1 "Forecast report".

Hennef, July 27, 2020

Anke Höfer, managing director

Josef Ranner, managing director

Group management report for the financial year from April 1, 2019 to March 31, 2020

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1 Fundamentals of the group

1.1 business model

CONET International Holding GmbH is the parent company of the CONET Group (relevant scope of consolidation for these consolidated financial statements) and is referred to in this document as the CONET Group.

CONET International Holding GmbH is based in Hennef. The company is entered in the commercial register of Siegburg District Court, Section B, under number 14821.

CONET International Holding GmbH forms a group of the intermediate holding company (CONET International GmbH) and the operative intermediate holding company (CONET Technologies Holding GmbH).

The business activities of the CONET Group essentially consist of IT services and IT solutions, which are provided in the service areas SAP, Infrastructure, Communications, Software and Consulting.

With the bundling of thematically related solution areas in the subsidiaries of the CONET Group and the establishment of regional and service companies, the group has maintained its position among the top 25 medium-sized German IT system and consulting companies in recent years. The CONET Group is thus able to handle both individual support in special solution fields and large-volume project orders for customers from a single source.

CONET Technologies Holding GmbH controls the operative CONET companies. It defines the CONET group strategy, is responsible for the further development of the CONET group and supports the operating companies.

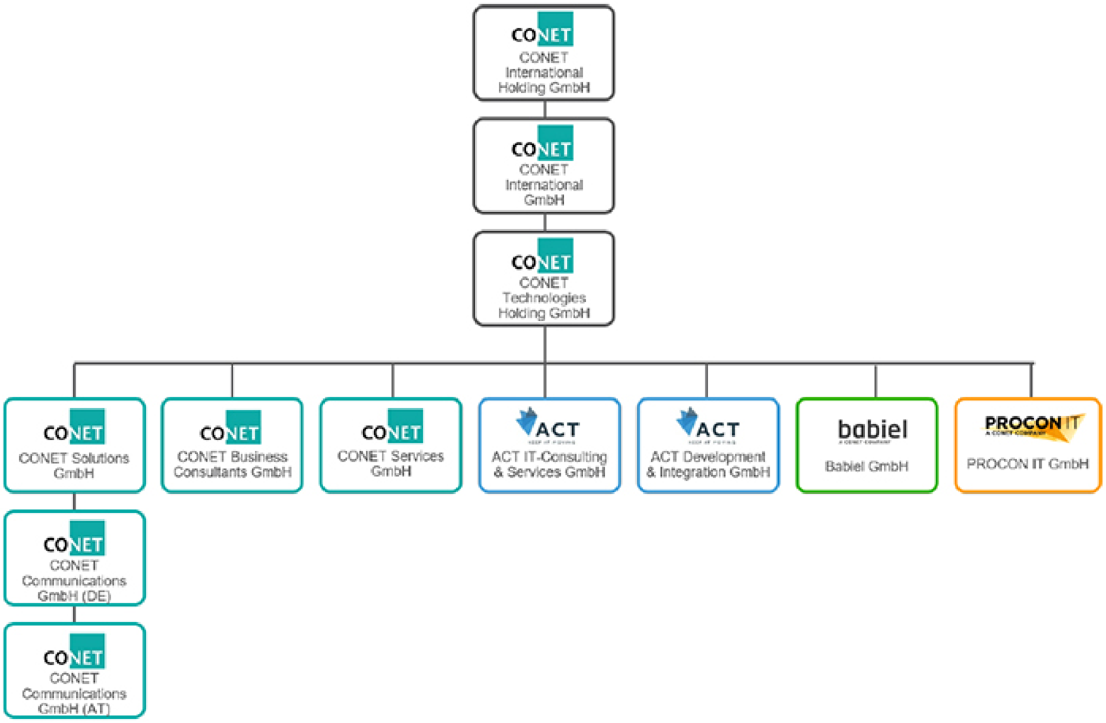
The main areas of activity in the past financial year were as follows:

- Strategy review and further development of the group based on value-based corporate development
- Acquisition of new investments and their integration into the CONET group
- Operational support of the subsidiaries in administrative tasks through the centralization of supporting processes such as accounting, personnel administration, marketing and purchasing
- Optimization of cooperation within the group (e.g. development of overarching sales strategies)
- Support of the management of the subsidiaries with operational issues
- Further development of operational controlling and group planning
- Reporting to our investors

In addition to the parent company CONET International Holding GmbH, the scope of consolidation includes the following subsidiaries:

- CONET International GmbH (100%)
- CONET Technologies Holding GmbH (100%) - parent company of the following companies:
  - CONET Solutions GmbH (100%)
  - CONET Communications GmbH (100%)
  - CONET Communications GmbH (100%)
  - CONET Business Consultants GmbH (100%)
  - CONET Services GmbH (100%)
  - ACT IT-Consulting & Services GmbH (100%)
  - ACT Development & Integration GmbH (100%)
  - Babiel GmbH (100%)
  - PROCON IT GmbH (100%)

Individual companies and service portfolio of the CONET Group:



CONET Solutions GmbH

CONET has been offering management and information technology solutions to its customers in the fields of industry and trade, the public sector and defense & public security since 1987. The range of services of the medium-sized IT system and consulting company includes SAP, infrastructure, communications, software and consulting in the key areas of cyber security, cloud, mobility and big data. CONET solutions for enterprise content management, critical communications, contact centers and business process management are in use worldwide.

As a subsidiary, the German CONET Communications GmbH offers comprehensive services and solutions in the field of modern communication systems and has its own Austrian subsidiary, CONET Communications GmbH in Vienna. The service portfolio includes the control center communication solution UC Radio Suite (UCRS) including its modules for mobile operational support as well as contact center solutions and expansion solutions for IP telephony.

CONET Business Consultants GmbH

As management and IT consultancy, CONET Business Consultants GmbH offers value-adding IT solutions for well-known commercial enterprises and public sector organizations. As one of the top 10 German service providers for SAP in the public sector, the company offers services for everything to do with SAP consulting, process optimization and the development, implementation and administration of SAP-based solutions from a single source.

CONET Services GmbH

CONET Services GmbH offers a broad portfolio of IT operating services and managed services for customers from the financial sector, the public sector, the defense & security sector and the private sector. In addition to data center operation and related consulting, the range of services includes in particular the conception and installation of IT systems, migration projects, ITIL-compliant support and remote maintenance, backup and disaster recovery. Special solutions for the financial sector such as direct market access and proximity solutions as well as secure and highly available offers for cloud computing and hosting support daily business operations and help

ACT Development & Integration GmbH

ACT Development & Integration GmbH supports its customers in the age of digital transformation in modernizing their traditional document processes.

With the introduction of modern solutions for Customer Communication Management (CCM) for the central management of customer communication, a uniform, personalized and interactive customer experience is ensured across all accessible media and channels. Based on a project experience of over 50,000 migrated document templates, the services at the interface from the business requirement to IT are provided and range from support in the selection of a new CCM platform to document analysis, the integration and migration of the new CCM solution into existing IT Environments up to document creation and maintenance of customer-specific document templates in the ACT FormCenter.

ACT IT Consulting & Services GmbH

ACT IT-Consulting & Services GmbH advises companies and organizations on the implementation of their IT with individual solutions.

The consultation focuses on:

- the management of IT operating and information processes
- the quality control of company data
- professional project management
- the implementation of IT training seminars
- customized services in the defense sector and for public clients

Babiel GmbH

Babiel is an agency and management consultancy specializing in online communication and B2B e-commerce. The company advises, develops, implements and coordinates the creation of websites, online portals, apps and online shops. Babiel has been active in the digital market for over 25 years and has a wide range of experience, which has received numerous awards such as the reddot design award and several awards from the Mobile World Summit. Babiel currently employs over 90 specialists and has its headquarters in Düsseldorf and other locations in Berlin and Vienna.

PROCON IT GmbH

PROCON IT GmbH, with its headquarters in Garching near Munich and a branch in Augsburg, is a quality provider for big data & visual analytics, web & cloud engineering, SAP engineering and mainframe app engineering. A tailor-made management & business consulting completes the company's service portfolio. Well-known customers from the automotive, financial services and aerospace sectors have trusted the services of PROCON IT for more than 20 years. The company with its more than 200 employees stands for the highest quality standards, reliability as well as a consistent customer and solution orientation.

The CONET portfolio

We are constantly developing our solution portfolio. Our customers can rely on CONET to provide them with the best possible support for overcoming their IT challenges and for utilizing the added value and synergies of modern IT solutions.

On the basis of its corporate constitution, CONET concentrates on the strategic performance fields of SAP, Infrastructure, Communications and Software.

In constant comparison with the requirements of the market, new developments, best practices and trends in the IT industry, cyber security, cloud, mobility and big data are developing as current focus areas of digitization, which we strategically focus on over their entire life cycle from conception to operation , technical and process-oriented advice.

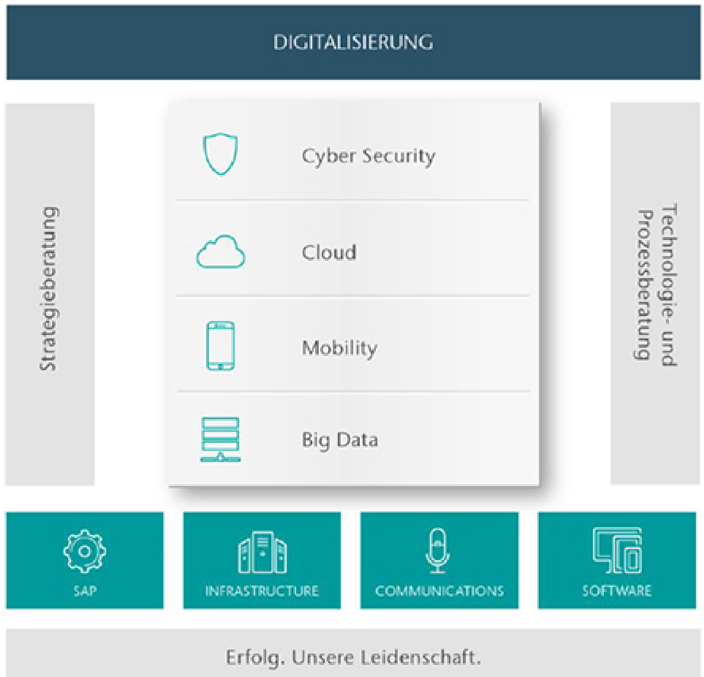


Abbildung 1: CONET-Portfolio: Dafür stehen wir

1.2 Organization

CONET International Holding GmbH is a German company with limited liability and is therefore subject to German GmbH law. According to the GmbH Act, the management of the company is the responsibility of the management. At the operative intermediate holding company CONET Technologies Holding GmbH, another voluntary corporate body was established in the form of an advisory board in accordance with Sections 52 (1) and 82 (2) no. 2 GmbHG.

organs

Managing directors

As of March 31, 2020, the CONET Group will be led by two managing directors. The office of the chairman of the management is carried out by Ms. Anke Höfer. In the role of Managing Director Finance, Mr. Josef Ranner is responsible for managing the service areas of finance, accounting & controlling, purchasing and marketing.

The central topics CONET strategy and CONET LIFE (our corporate constitution) are jointly supervised and developed by both managing directors.

Advisory Board

The three-person advisory board of CONET Technologies Holding GmbH consists of Holger Kleingarn, Christian Kraul-von Renner and Philipp Kalveram. All three advisory boards come from HIG

Advisory board meetings are usually held every four weeks. There are no separate advisory committees. Important topics are also dealt with outside of the meetings between the management and the advisory board in short-term meetings or telephone conferences.

1.3 Internal control system

The basis of the strategic corporate planning is an annually updated three-year plan with profit and loss account, balance sheet and liquidity plan. Based on these considerations, the budget plans of the individual companies for the following financial year are derived using a top-down method. These are then verified bottom-up and then distributed over the individual months. The group is controlled as part of the monthly plan / actual deviation analysis. Based on an established self-service system, the management has up-to-date figures for corporate management. The management is in the context of the monthly reporting on all essential items of profit and loss.

In the CONET Group, key figures based on liquidity and company value are in the foreground. In particular, the following variables are involved, all of which are compared with the actual, plan (budget) and previous year:

- sales
- Total output (sales including changes in inventory and own work capitalized)
- Gross profit I and II (operational added value before and after own personnel expenses)
- EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization - represents the operating result for us)

1.4 Research and Development Report

The market for professional IT products and services is characterized by growing customer requirements, increasing technological complexity and short innovation cycles.

The product and advisory portfolio therefore requires constant further development and continuous improvement in order to continue to meet market developments and customer requirements in the future. The following is an excerpt from important research projects:

• CONET Solutions GmbH participates in the large-scale cooperation project "Block4Log" under the leadership of GS1 together with many other well-known companies in the logistics sector. As part of the nationwide first cross-company blockchain project in load carrier management, a blockchain-based, market-ready solution is to be jointly developed for the first time within 2 years, with which the exchange of different load carriers can be managed digitally, transparently and efficiently. We take on essential parts of software development in the area of mobile apps, front-end and microservice architecture.

In addition, the development of application examples for field service activities (e.g. maintenance, IT service, remote maintenance) with the help of virtual and extended realities based on Microsoft HoloLens is being advanced. The aim is to carry out maintenance and repair processes more efficiently and with a lower error rate through the combination of detailed process steps and the use of holograms. Especially in the field of remote maintenance, this solution enables the use of less trained personnel. In order to map the broadest possible spectrum, both cloud-based solutions and completely self-sufficient solutions are mapped. A transfer to other areas, e.g. B.

• The digital kicker was developed at PROCON IT AG. The targeted use of sensors and a camera breathes life into a simple foosball table and forms a neural network, which makes it a "smart kicker". This results in game data such as ball position, shot speed or player pulse in various formats, which are visualized in real time in dashboards with selected front-end tools. The aim of our project is to combine as many technologies as possible in one project and to integrate the data from various sensors into a comprehensive game analysis. In the LEOSS initiative, PROCON IT AG has set itself the task of establishing a Europe-wide case register, to collect detailed patient data from COVID-19 infected people. The data basis should help to better understand the virus and its effects and also to predict them. PROCON IT AG actively supports the LEOSS team in the analysis and transformation of the data. In this context, we are developing two dashboards in direct cooperation with the doctors. With the help of these visualizations, doctors can analyze their uploaded data according to parameters such as length of stay of the patient in the hospital, length of stay in intensive care or the required ventilation time. Furthermore, a machine learning workshop for image recognition and processing was developed using the YOLO (You Only Look Once) algorithm in Python. A convolutional neural network was implemented here for exemplary image recognition of video and live stream image data, thereby preparing the theoretical basics in the field of artificial intelligence, machine learning and data science.

• CONET Business Consultants GmbH deals with the upcoming wave of modernization of our customers' existing systems on the new SAP S / 4 HANA platform. Here it is necessary to further develop existing know-how in the context of R&D measures. With roles such as a SAP Transformation Manager, a SAP Security Manager or a SAP Automation Consultant, we develop completely new roles for future SAP implementation and migration projects. The aim of these activities is an increased project quality through increased integration and process hardening and refinement.

A significant part of the research and development efforts relate to our software development in the communications environment.

In the field of public security, CONET's UC Radio Suite (UCRS), developed on the basis of Cisco technology, experienced further successful productive implementations in the energy sector and public control center environment, which can largely be attributed to our innovative solutions. Our radio integration and conference solution ensures seamless and efficient communication between analog and digital radio systems. Only then enables the smooth coordination and control of all forces involved in regular operations and during emergency operations.

In particular, the scope of the integration options and connectors offered gives the CONET UC Radio Suite in the current expansion stage a unique selling point that noticeably increases international demand. Using the connector concept, which is deeply rooted in the core of the solution, the UCRS combines a wide variety of communication systems and communication channels through technical normalization and standardization on a common platform and thus allows the entire communication process to be controlled from the workstation of the control center employee without media discontinuity. Simple, modern and intuitive operation is an essential key to success here.

The geo-information service was expanded in the past financial year. A new service automatically collects geo-information from entities in various infrastructures and stores this historized and retrievable. The geographic information is enriched with any additional information, which enables value-added inquiries. A gateway component was developed for the connection of 3rd party voice recording systems, which enables the cost-effective expansion of the solution with standard recording systems. A newly developed voice recording system has been deeply integrated into the product and enables areas of application that go far beyond the possibilities of 3rd party systems.

In total, the CONET Group invested 3.9 million euros or 2.6% of sales in research and product development in the period from April 2019 to March 2020. In total, just over 1.0 million euros in development costs were capitalized. This corresponds to an activation rate of 27%. In the past financial year, 1.5 million euros were amortized on capitalized development costs.

2 Economic report

2.1 Macroeconomic and industry-specific framework conditions

General economic conditions

Before the outbreak of the corona pandemic, the federal government expected an increase in price-adjusted gross domestic product of 1.1 percent in 2020. The prognoses were based on a two-part development of the economy: A robust domestic economy - supported by rising incomes, tax relief and dynamic government spending - contrasted with the economic weakness of the export-oriented industry.

The Corona crisis is an extraordinary burden for the German economy. Accordingly, the price, seasonally and calendar adjusted gross domestic product (GDP) in the 1st quarter of 2020 was 2.2% below the level of the previous quarter. There were losses in both domestic demand and foreign trade. Private consumer spending and investments in equipment fell significantly. Against the background of the Corona crisis, the federal government is assuming a significant decline in real GDP this year in its spring projection published on April 29 (-6.3%). The first half of 2020 is likely to be particularly hard hit, while a recovery will set in in the second half. The digitization of the economy and society is currently of paramount importance. In view of the unclear course of the pandemic, however, there are still high risks for economic development.

In the wake of the corona pandemic, the demand for labor also fell massively in April. The BA's job index (BA-X), which shows the development of labor demand, collapsed in April. The number of registered jobs and the number of new jobs also fell significantly in April.

Industry-specific framework conditions

According to BITKOM, the overall information and telecommunications technology (ICT) market increased in 2019 from around 157.0 billion euros to 161.0 billion euros. For 2020, growth of 2.0% compared to the already good previous year is forecast (forecast before the corona outbreak).

In the “software” and “IT services” segments, which are particularly relevant for the CONET Group, the increases amounted to 1.6 billion euros (+6.3%) and 1.0 billion euros (+2.4%), respectively EUR 26.0 billion and EUR 40.9 billion respectively, an above-average increase compared to the previous year.

As in previous years, the business of pure consulting services also developed positively across Germany. The German economy, but also the public sector, are reacting with a higher demand for support from external specialists to the diverse change requirements at the economic and administrative level, which continues to be largely determined by the ongoing digital transformation. Many companies have reacted to the positive framework conditions with additional investments. The profound, digital change means that all business models are being scrutinized. Management consultancies support their clients in make the necessary adjustments and recognize and use the new possibilities. Processes, organizational structures and employee development are all affected. Against this background, the demand from companies and organizations for support in digital transformation has increased. In 2019, the industry turnover of strategy, process, IT and HR consultants increased by 5.7%. The total turnover in the industry rose to 35.7 billion euros by the end of 2019 (2018: 33.8 billion euros). For the current year 2020, the branch association expects another increase in sales of approx. 5.8% to 37.8 billion euros. More current forecasts including the corona pandemic are not available.

The consulting area “organization and process consulting”, which is particularly relevant for the CONET Group, was slightly below the industry average (5.6%) compared to the previous year, while the consulting area “IT consulting” developed in line with the industry average (5.8%) .

The second highest growth in 2019 was recorded by the consulting field “IT consulting”, which is relevant for CONET, with 8.4%. The share of the consulting field “IT consulting” in the overall market remained constant at 21.8% (2018: 21.8%); In absolute figures, this corresponds to a sales volume of 7.78 billion euros (2018: 7.37 billion euros). A good half of this turnover is accounted for by consulting services in IT applications & infrastructure (10.9%) and other IT consulting (7.6%) in the client companies.

There was also good demand from clients from business, industry and administration in 2019 in the field of "organizational and process consulting". The segment growth was 5.6%. With a percentage share of 43.7% of the total market, a total of 15.60 billion euros were turned over (2018: 14.8 billion euros). Around half of the segment's sales were attributable to projects with the topic of "project management".

CONET confirms its top 10 position among medium-sized German IT consulting firms with a 9th place in the ranking "The 20 leading German medium-sized IT consulting and system integration companies". In this industry overview, the market researchers from Lünendonk & Hossenfelder GmbH list IT consultancies with headquarters in Germany and sales of up to 500 million euros. With an annual turnover of EUR 128.7 million and 799 employees, CONET is currently in 9th place in the ranking.

2.2 Course of business / earnings situation

The following presentation of the earnings situation for the last two financial years provides an insight into the development of the group during this period. The presentation is a reproduction of the profit and loss account (BWA), structured according to business aspects.

Consolidated Group BWA for the period	2019/20	2018/19	change
	in € thousand	in € thousand	in € thousand
Sales	148.291	128,667	19,624
Other own work capitalized	1,040	1,030	10
Overall performance	149,331	129,697	19,634
other income	773	591	182
Use of materials	-53,767	-49,019	-4,748
Gross profit I	96,337	81,269	15,067
Personnel costs	-65,693	-52,751	-12,942
Gross profit II	30,644	28,518	2.125
Other operating expenses	-12,260	-12,125	-134
Impairment of financial assets including reversals	-177	-148	-29
Other taxes	-62	-60	-1
EBITDA (earnings before interest, income taxes and AFA)	18,146	16,185	1.961
Depreciation	-10,702	-8,912	-1,791
EBIT (earnings before interest and income taxes)	7,443	7,273	170
Financial result	-8,049	-6,472	-1,577
EBT (earnings before income taxes)	-606	801	-1,407
Taxes on income and earnings	-2,021	-118	-1,902
Annual net income / loss	-2,627	683	-3,309

The following comment refers to the representations evaluated from a business point of view.

2.2.1 Sales and total output

In the past financial year, the CONET Group achieved consolidated sales of EUR 148,291 thousand (previous year: EUR 128,667 thousand). The total output in the group amounts to EUR 149,331 thousand (previous year: EUR 129,698 thousand). Our operational business is growing in two areas: Business through directly billable services and long-term projects with a work contract character. In addition, sales result from the sale of third-party software / hardware and our own software products.

The own work capitalized in the group BWA shown of around EUR 1,040 thousand (previous year: EUR 1,030 thousand) results exclusively from the further development of our successful software product CONET UC Radio Suite within CONET Communications GmbH (see: 1.4 Research and Development Report).

2.2.2 Gross profit I

The gross profit I represents our added value from the operative business before our own personnel costs and thus functions as an important indicator for the basic business volume and the external margins achieved.

The gross profit I achieved in the 2019/2020 financial year was EUR 96,337 thousand (previous year: EUR 81,270 thousand).

2.2.3 Gross profit II

The gross profit II represents our added value from the operative business after all personnel costs and thus gives information about the contribution margin before the general material costs.

Personnel expenses amount to EUR 65,693 thousand (previous year: EUR 52,751 thousand).

Gross profit II amounts to EUR 30,644 thousand (previous year: EUR 28,519 thousand).

In the 2019/2020 financial year, the CONET Group generated a share of 20.52% (previous year: 21.99%) gross profit II from the total output achieved.

2.2.4 EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) are one of the key business management indicators in the CONET Group.

After deducting the other operating expenses, the EBITDA in the group amounted to EUR 18,146 thousand (previous year: EUR 16,185 thousand). A large part of the increase in earnings is due to the fact that Babiel GmbH was consolidated for the entire 2019/2020 financial year. A result of EUR 17,300 thousand was expected for the 2019/2020 financial year. The positive deviation resulted from a fundamentally more positive business development across all subsidiaries.

2.2.5 Annual surplus / deficit

Depreciation amounts to EUR 10,702 thousand (previous year: EUR 8,912 thousand). About 86% (previous year: 83%) of depreciation consisted of depreciation on internally generated and acquired intangible assets and 14% (previous year 17%) of depreciation on property, plant and equipment. Property, plant and equipment mainly relate to factory and office equipment. The comparatively high depreciation of intangible assets in both financial years mainly relates to order backlogs capitalized as part of the initial consolidation of the CONET Group.

The financial result mainly relates to interest expenses in connection with the financing of the acquisition of Babiel and interest expenses due to the application of IFRS 16 (Leases).

The earnings before taxes (EBT) amount to EUR -606 thousand (previous year: EUR 801 thousand).

The taxes on income in the amount of EUR 2,021 thousand result from a balance of EUR 3,948 thousand in current tax expenses less income from the reversal of deferred taxes in the amount of EUR 1,927 thousand.

Overall, this results in a net loss for the year of EUR -2,627 thousand (previous year: annual surplus of EUR 683 thousand).

2.3 Financial position

2.3.1 Asset structure

The following overview shows the asset accumulation that has been developed by summarizing similar items in the respective balance sheets:

	March 31, 2020		March 31, 2019		
assets	in € thousand	%	in € thousand	%	change
Intangible assets	121,230	61.3%	108,569	67.9%	12,661
Property, plant and equipment	4.134	2.1%	2,952	1.8%	1,182
Other claims	189	0.1%	339	0.2%	-150
Deferred taxes	601	0.3%	566	0.4%	35
Long-term tied assets	126.153	63.8%	112,426	70.3%	13,727
Stocks	1.010	0.5%	1,898	1.2%	-888
Receivables and other assets	45,470	23.0%	39,145	24.5%	6.325
Short-term assets	46,480	23.5%	41,043	25.7%	5,437
Liquid funds	25,135	12.7%	6,345	4.0%	18,790
	197,768	100.0%	159.814	100.0%	37,954

The long-term assets of the CONET Group amount to a total of EUR 126,153 thousand (previous year: EUR 112,426 thousand) and thus correspond to a share of the total assets of 63.8% (previous year: 70.3%).

As in the previous year, the majority of the long-term assets are intangible assets. The intangible assets in the amount of EUR 121,230 thousand (previous year: EUR 108,569 thousand) mainly relate to goodwill with EUR 99,140 thousand (previous year: EUR 85,402 thousand) and value in use from leases with EUR 12,289 thousand (previous year: EUR 9,943 thousand). In addition, the intangible assets relate to internally generated software and licenses (EUR 2,712 thousand; previous year: EUR 3,128 thousand), order backlogs recognized in the context of company acquisitions (EUR 6,528 thousand; previous year: EUR 9,589 thousand), software and licenses acquired for payment (EUR 544 thousand; previous year: EUR 507 thousand)) and payments on account for intangible assets (EUR 18 thousand;

The goodwill arose from the consolidation of the CONET subgroup, the ACT subgroup, Babiel GmbH and PROCON IT. In accordance with IFRS rules, there is no scheduled depreciation. An impairment test carried out on the balance sheet date did not reveal any indications of impairment losses.

The self-created software and licenses represent self-created software in CONET Communications GmbH (product UC Radio Suite) on the reporting date. Additions of EUR 1,040 thousand were offset by scheduled depreciation of EUR 1,456 thousand.

The property, plant and equipment relates almost exclusively to operating and office equipment. Investments in operating and office equipment in the amount of EUR 2,316 thousand were offset by depreciation of EUR 1,499 thousand. There were additions of EUR 392 thousand to land and buildings, which were offset by depreciation of EUR 19 thousand.

The other (long-term) receivables of EUR 189 thousand mainly relate to reinsurance policies and deposits that are not qualified as plan assets.

The short-term assets of EUR 46,480 thousand relate to receivables and other assets as well as inventories.

The inventories mainly relate to software and hardware.

The receivables and other assets in the amount of EUR 45,470 thousand contain mostly trade receivables with EUR 32,388 thousand and contract assets with EUR 9,699 thousand. The latter relate to unfinished work from contracts for work and services which, according to the IFRS rules, are to be reported as contract assets. In addition, the receivables and other assets relate to other receivables (EUR 851 thousand), current income tax claims (EUR 749 thousand) and prepaid expenses (EUR 1,783 thousand).

With regard to the analysis of cash and cash equivalents, we refer to section 2.4.1 Financing analysis.

2.3.2 Capital structure

The following overview shows the capital structure that has been developed by summarizing similar items in the respective balance sheets:

	March 31, 2020		March 31, 2019		
liabilities	in € thousand	%	in € thousand	%	change
Equity	16,897	8.5%	12,083	7.6%	4,814
accruals	1,690	0.9%	1,695	1.0%	-5
Financial liabilities	111.163	56.2%	95,175	59.5%	15,988

	March 31, 2020		March 31, 2019		
liabilities	in € thousand	%	in € thousand	%	change
Lease liabilities	10.125	5.1%	8,277	5.2%	1,848
Deferred taxes	3,581	1.8%	4,930	3.1%	-1,349
Long-term liabilities	126,559	64.0%	110,077	68.8%	16,482
accruals	993	0.5%	801	0.5%	192
Financial liabilities	15,000	7.6%	3,500	2.2%	11,500
Lease liabilities	2,636	1.3%	1,881	1.2%	755
Trade payables	13,294	6.7%	10,243	6.4%	3,051
Remaining debts	22,388	11.3%	21,229	13.3%	1,159
short-term borrowed capital	54,311	27.5%	37,654	23.6%	16,657
	197,768	100.0%	159.814	100.0%	37,954

(Table contains rounding differences due to the presentation of the values in EUR thousand)

Equity amounts to 8.5% (previous year: 7.6%) of the balance sheet total. The increase in equity by EUR 4,814 thousand compared to the previous year results mainly from a capital increase in the amount of EUR 7,515 thousand and from the net loss for the year of EUR 2,627 thousand as well as from the negative change in the OCI reserve of EUR 74 thousand.

The long-term debt in the amount of EUR 126,559 thousand mainly relates to financial liabilities and leasing liabilities.

The long-term financial liabilities represent 56.2% (previous year: 59.5%) of the balance sheet total. They essentially relate to various loans that finance the acquisition of the CONET subgroup, the ACT subgroup, Babiel GmbH and PROCON IT GmbH serve. The loans are bullet and have a remaining term of more than five years.

In addition to trade payables (EUR 13,294 thousand), short-term borrowings essentially include other liabilities (EUR 12,801 thousand), current income tax liabilities (EUR 5,106 thousand) and financial liabilities (EUR 15,000 thousand).

In addition to goods and services invoiced by third parties (EUR 9,772 thousand), the trade payables also include accruals of EUR 3,448 thousand.

The other debts essentially relate to current income tax liabilities (EUR 5,106 thousand) as well as accruals from the personnel area (EUR 10,545 thousand).

2.4 Financial position

2.4.1 Financing Analysis

As of March 31, 2020, long-term and short-term financial liabilities amounted to EUR 126,163 thousand. They result almost exclusively from the financing of company acquisitions.

The liquid funds of the CONET Group amounted to EUR 25,135 thousand on the reporting date and amount to 12.7% (previous year: 4.0%) of the assets.

As a result, net debt (interest-bearing liabilities less cash and cash equivalents) at the end of the financial year was EUR 100,949 thousand.

The financial liabilities of KEUR 126,163 consist of 88.1% (KEUR 111,163) from long-term and 11.9% (KEUR 15,000) from short-term liabilities. The short-term liabilities result from a money market loan. The long-term liabilities relate to acquisition financing.

The external funds provided are secured via a collateral pool.

There is no significant off-balance sheet financing.

2.4.2 Liquidity position

As of March 31, 2020, the cash and bank balance was EUR 25,135 thousand.

The change in liquid funds can be shown using the following cash flow statement:

	March 31, 2020	March 31, 2019	change
	in € thousand	in € thousand	in € thousand
Cash generated from operations	6,033	399	5,634
Cash flow from investing activities	-18,364	-8,880	-9,483
Cash flow from financing activities	31,122	-526	31,647
cash changes in financial resources	18,790	-9.007	27,798
Cash funds at the beginning of the period	6,345	15,352	-9.007
Cash funds at the end of the period	25,135	6,345	18,790

The CONET Group was solvent at all times in the 2019/2020 financial year.

2.5 General statement on the economic situation

Despite the diverse events in the 2019/2020 financial year

- Acquisition of PROCON IT GmbH
- Merger of Babiel Service GmbH into Babiel GmbH
- Integration of Babiel GmbH

and the associated financial and capacity burdens, the management looks back on an economically very successful business year. The group was able to significantly improve its EBITDA and sufficient liquidity was available at all times. The management sees the current situation as a good and solid basis for the further development of the CONET Group.

2.6 Non-Financial Performance Indicators

Non-financial performance indicators

Employee

Our employees are our most valuable capital. Your know-how and your motivation drive our business forward. That is why we have to be sufficiently attractive in the competition for new employees. Combining diverse needs continues to require a high level of intelligent and flexible organization. Accordingly, the further development of existing employees and the acquisition of new employees are essential success factors for the future development of the CONET Group, which is also expressed in our employer branding:

Success. Our passion.

For this success, we design the working environment together with our employees. Appreciation in the CONET Group means that commitment also pays off in special employer contributions. And fairness in the CONET Group means that the company's success must go hand in hand with the successful professional and personal development of every employee.

Corporate Health Management

In addition to professional development and a pleasant working environment, we also see the physical and mental health of our employees as our employer responsibility. For this purpose, the CONET Group has established a company health management system that aims to promote the health of every individual.

In addition to company sports groups such as soccer, beach volleyball, swimming or badminton, various gymnastics and aerobics taster courses as well as exercises at work and in the elevator ensure physical balance.

154 employees are currently taking advantage of the so-called job wheel.

There are also special campaigns throughout the year. In the past fiscal year, many employees took part in driver safety training.

In addition, we sponsor a running event in the region every year, such as the European Week Run in Hennef or the HRS Business Run in Cologne.

In addition to the exercise offers, free fruit, flexible working hours and regular reviews of workplace ergonomics round off the health offerings in the group.

In order to prevent additional stress and to deal with it in a health-friendly way, the CONET Group, in cooperation with statutory health insurance companies and regional providers in the health sector, holds an annual health day on which numerous offers encourage participation. In addition to workshops and lectures on healthy eating, relaxation and physiotherapeutic measures, employees have the opportunity to carry out a vision or hearing test or to find out more about their offers from the local city sports association and a fitness studio. The aim is to inform employees about the latest trends relating to exercise and healthy nutrition every year at such an event.

Customer survey

The satisfaction of the customers of the CONET Group is of decisive importance for the long-term success of our business activities. For some years now, CONET has been conducting customer satisfaction surveys at regular intervals. The last surveys were carried out in summer 2018 (financial year 2018/2019) and - as in previous years - produced very good results. Customers are asked to answer the question, Would you recommend CONET? 1 on a scale of 0-10, with 10 (yes, unreserved) being the best and 0 (no, definitely not) being the worst. The group of so-called effective sponsors is determined from the difference between sponsors and critics. This value was 47% in the 2018 survey and is therefore an excellent value. The comparative values for 2012 and 2015 were 36% and 39%, respectively. The steady increase in the meantime shows that we are successful with our goal of getting the best out of our joint projects for our customers.

System house survey "The best system houses"

Another indicator that confirms the success of our measures to maintain and increase customer satisfaction is the “The best system houses” survey conducted by Computerwoche. ChannelPartner, a company of the media and analyst house IDG Business Media, which also publishes leading IT magazines such as Computerwoche and CIO, presents the best system houses every year after a customer survey. Around 4,000 customers rate the performance of their IT service providers in several thousand individual projects in this Computerwoche system house survey.

Diamond Award from SAP as "Partner of the Year Public Services"

As part of the SAP Diamond Initiative, CONET was named “Partner of the Year Public Services” for the second time in a row in 2020. The prize awarded by SAP Deutschland SE & Co. KG is based on a SAP evaluation matrix known as the diamond model. Five performance dimensions are taken into account: innovation, expertise, solutions, demand generation and supported sales in corresponding industry projects. Only companies that have shown outstanding performance in all categories and are particularly successful in customer projects compared to their competitors receive the award.

Awards and qualifications of this kind, as we have already received from Cisco and other partners such as the Achilles procurement network, on the one hand confirm the strong position of CONET in the respective market and on the other hand prove the position that CONET has consistently developed and maintained since its foundation as a central one Partner of leading manufacturers and industry experts.

Innovation circles and innovation workshops

This strong positioning as an employer, valued consultant in customer industries as well as a long-term partner of central technology companies and a member of leading industry and thematic associations such as BITKOM, the D21 initiative or the Cyber Security Cluster Bonn enables CONET to develop innovative solutions that have their finger on the pulse to use for the benefit of its customers. The company actively promotes this idea of innovation - both internally in appropriate innovation teams and in customer contact.

In its open-ended and largely technology-neutral innovation workshops, for example, CONET works with its customers to create a productive environment specifically tailored to their company-specific needs in order to get to know and evaluate new approaches to working methods and processes of the future.

Aside from procurement pressure and performance criteria, CONET shows ways to stay ahead in the digital transformation. We want to discuss and develop together whether these methods and technologies can form a viable business case for our customers.

Customers benefit from our extensive experience of many years of customer relationships. We know and understand business models and processes as well as the technical basis in software applications and hardware products. At the same time, we attach particular importance to giving our specialists the opportunity and the claim to keep their finger on the pulse of current developments, trends and innovations. As an IT systems and consulting company, we aim for viable, sustainable solutions in our projects. The success of our projects for the customer is the yardstick by which we align our actions.

The CONET Innovation Workshops also follow this basic idea. A new technical solution that does not create any tangible benefit in the customer's business environment burns up budget and only costs time. We help our customers to really get to know all potential areas of application, advantages and disadvantages.

In the events of our Innovation Circle, our customers meet innovation leaders and exchange ideas with us and other user companies in a pleasant networking atmosphere about innovative methodological and technological approaches.

In short presentations and keynote speeches by our process specialists, IT specialists and guest speakers, our Innovation Circles offer fascinating insights into the future of work and business in the age of digitization.

The focus of the event series is on discussion and exchange between experts, user companies and participants - without ostensible pressure to produce results and evaluation constraints.

Our customers are stimulated to reflect by promising visions of the digital future and convinced by successful digital best practices and thus become an active part of our innovation network in order to be and remain successful together on the path of digital transformation.

3 Forecast, opportunities and risk report

3.1 Forecast report

According to the BDU (Federal Association of German Management Consultants), the consulting companies are also forecasting growth of 5.8% for the overall market in 2020, because the management consultancy industry remains optimistic about its business expectations for 2020. In the market study “Facts & Figures on the Consultant Market 2019/2020”, the prognosis, which arithmetically based on the estimates of around 400 survey participants, shows an increase of 5.8%, a slightly lower value compared to the previous year.

The share of 68% who gave a positive growth forecast for 2020 in the market survey illustrates the broad level of confidence that management consultancies have.

In the opinion of the consulting companies surveyed, the forecast market growth of 5.8 percent will be largely due to above-average demand for IT consulting projects (+6.7 percent). In a quick survey on March 9, 2020, the BDU highlighted the effects of the corona pandemic on the consulting industry. 72% see no need to adjust their sales. On average, the participants assumed a decline in sales of -4.1 percent.

The corona crisis hits the digital industry hard, but less so than the German economy as a whole. This is the result of a special evaluation of the Bitkom-ifo digital index for the month of April 2020. According to this, the IT and telecommunications companies rate the effect of the corona pandemic on a scale from -3 to +3 with an average of -1.1, while the Overall economy is -1.6. Three out of four ICT companies (74 percent) expect sales to decline in the course of the year due to the pandemic, which means that sales will be lower than originally expected (overall economy: 84 percent). After all, 8 percent expect positive effects on their sales (overall economy: 4 percent). Six out of ten ICT companies (62 percent) who expect losses assume that the decline in sales can be partially (54 percent) or completely (8 percent) made up in the further course. In the economy as a whole, half of the companies (49 percent) expect to be able to partially (45 percent) or fully (4 percent) compensate for declines in sales. “The digital industry assumes that the restrictions on public life will continue until after the summer break. Nevertheless, the majority are confident that things will soon pick up again, ”says Bitkom President Achim Berg. “The corona crisis is a digital turning point.

These forecasts in the industries that are relevant to us are also reflected in our order backlog and the current capacity utilization situation. The order backlog (as of June 22, 2020) within the CONET Group shows that 61.1% (previous year: 69.7%) of the planned gross profit I (for the 2020/2021 financial year) is under contract and 2.9% % (Previous year: 9.7%) are in the rated offer status. In this case we are talking about a coverage rate of 64.0% (previous year: 79.4%). For these reasons, we are starting the coming 2020/2021 financial year with optimism and are certain that we will continue to position ourselves as a reliable service provider and solution provider in the market.

In line with the positive industry developments described above, the management expects the CONET Group to continue growing in the coming year. We are assuming consolidated sales or total output of EUR 170.5 million and gross profit I of a good EUR 121.2 million. At gross profit II level, we are planning EUR 34.0 million. The management expects EBITDA to be EUR 19.8 million. We anticipate earnings before taxes of around EUR 4.2 million. We want to continue on the good path and further strengthen the group.

A major reason for the increase in sales and EBITDA is that PROCON IT is included in the planning for twelve months.

With regard to the Corona crisis, we expect a noticeable but no significant impact on our business results. In principle, we expect stronger corona effects in the first half of the financial year than in the second half of the financial year. Our assessment of the effects of the Corona crisis has been taken into account in the planning for the 2021 financial year.

3.2 Risk report

The CONET Group's risk strategy regulates the principles of risk policy and the requirements (core components, roles, responsibilities and processes) for proper, group-wide, uniform and future-oriented risk management and its embedding in the corporate strategy. The risk strategy is adapted annually to the changed environmental conditions. For this purpose, economic fluctuations, technological changes and the development of individual industries and customer segments are viewed as relevant influencing factors, assessed and incorporated into the corporate strategy and risk strategy.

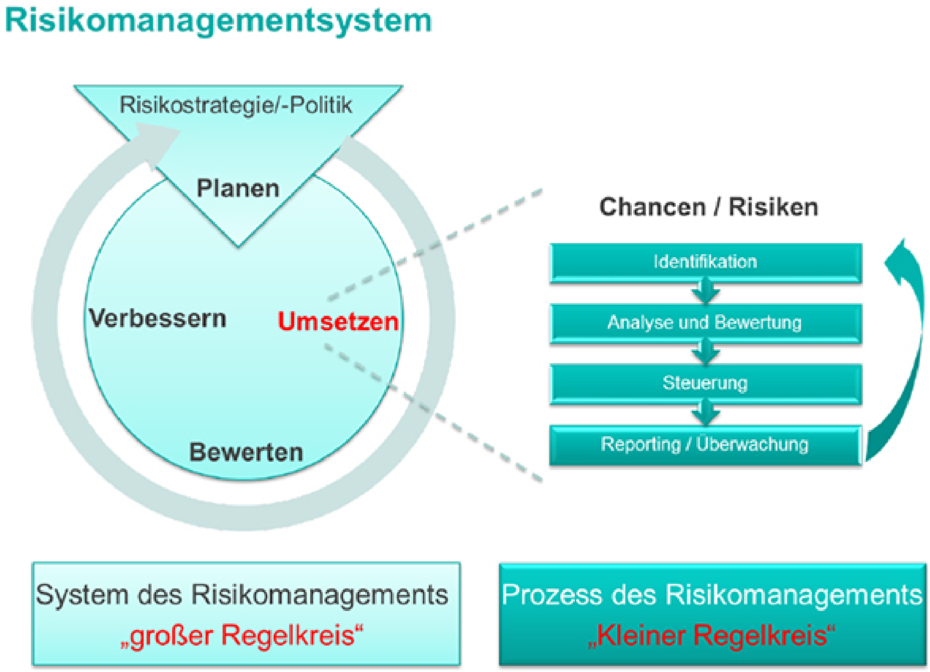
The organizational anchoring of risk management in the operationally and strategically oriented controlling enables an active and holistic alignment of the group risk management that is integrated with the planning and reporting processes.

The aim of risk management at CONET is to increase risk awareness at all company levels and to establish a value-oriented risk culture in order to achieve the medium-term financial targets and thus support the systematic and continuous increase in company value.

3.2.1 Risk Management System

The task of risk management is to implement the requirements of the risk strategy, to evaluate them regularly, to continuously develop the risk management system towards best practice and, if necessary, to adapt it to new findings and requirements.

The implementation mainly focuses on the early identification of opportunities and risks, their analysis and evaluation as well as the control of targeted measures. This is done on a quarterly basis by the management of the subsidiaries, who can optionally incorporate further hierarchical levels, and ultimately by the management of the holding company. Opportunities and risks can also be reported ad hoc at any time.



Risikomanagementsystem
in Anlehnung an „ONR 49000:2004 ff. Risikomanagement für Organisationen und Systeme“

The long-term view of corporate finances is integrated into the management's strategy process. The endowment with sufficient equity capital, daily cash management, the integrated planning of success and liquidity as well as the monthly financial statements ensure the holistic financial monitoring of the group.

From the entirety of the identified risks, those risk categories or individual risks are explained below which, from today's perspective, can significantly influence the asset, financial and earnings position of the CONET Group.

3.2.2 Risks

Market risks

Due to the traditionally large sales volume with the customer Bundeswehr, the CONET Group is subject to a high level of revenue sensitivity in this segment.

In order to keep the customer Bundeswehr as a strong partner, CONET adapts with its services to the changing challenges of the armed forces and continuously expands its activities in this environment with innovative technological solutions that have already proven themselves in other sectors and its own product developments. In this way, it should increasingly be possible to win over parts of the armed forces that have not previously belonged to the customer spectrum as potential customers for CONET solutions and services.

At the same time, CONET is expanding the range of topics in the Bundeswehr to include customers from international armed forces and alliances as well as the area of public security already mentioned in connection with the development of the CONET UC Radio Suite. With its high demands on the availability of information, the stability of the IT systems used and the reliability of communication routes, this offers a multitude of specific points of contact for the CONET core services, which have already been proven in successful productive installations.

A solid availability of budget funds can be observed in the “public sector”. Fortunately, long-term framework agreements were acquired as part of securing and expanding the existing business.

In the private sector, summarized under the term “private” at CONET, it is important to avoid excessive dependency on individual customers. We try to further reduce existing dependencies through the targeted development of new customer business.

A risk of default for our customers due to poor creditworthiness cannot be completely ruled out. In view of our customer structure, this risk is currently still rated as low. Nevertheless, this fact is taken into account in the balance sheet through the formation of individual and general value adjustments.

In addition, the problem is dealt with in a targeted manner through weekly receivables management. Customers are classified according to their past payment history. The classification is checked and adjusted at regular times. Depending on this classification, customers are actively approached and appropriate measures initiated. This customer-specific receivables management has proven successful in the past.

In general, the creditworthiness of our customers and their payment behavior in the past financial years can be rated as good and sometimes very good.

Risks of service provision (economic performance risks)

The risks involved in creating and processing project services, such as non-compliance with the project budget or deadlines as well as poor quality of project services and products, are continuously monitored by the project managers in accordance with the requirements from quality management.

The projects are categorized in advance and on this basis the management is informed about the important projects by the project managers, so that a constant observation of the project risks is achieved. Status reports are regularly prepared for major projects. The focus here is on the earned value analysis, which, based on the actual costs and the current planning, allows a detailed progress evaluation down to the work package level in relation to the deadline and budget situation. This means that deadline and budget deviations can be recognized and communicated more quickly. With these measures we can enormously reduce the risks from project execution.

A persistent, very low workload of the project staff also harbors a significant risk for the economic success of the company. An adequate order backlog is required to fundamentally counteract this risk. As can be read in the forecast report, we are anticipating a good order situation for the 2021 financial year and are therefore in a very comfortable situation. Further measures to reduce this risk are implemented in the operating units in the form of resource planning. Here the assignments of the individual consultants are optimized with regard to the lowest possible idle times.

Warranty / liability risk

In the course of its business operations, the CONET Group takes on guarantee and liability risks on a daily basis. This risk is taken into account in the balance sheet by creating provisions.

Should the CONET Group be held liable due to product defects or other service disruptions, this would have negative effects on the company's financial position and results of operations. Appropriate liability insurance has been taken out to limit the financial impact.

Liquidity risk

Liquidity risks or risks from cash flow fluctuations cannot be ruled out. The aim is to recognize this as early as possible and to be able to take countermeasures. The risks are continuously monitored for the next 12 weeks on the basis of a weekly updated liquidity plan.

In connection with active receivables management, the volumes of payment obligations are continuously compared with the existing liquidity.

The pre-financing of projects will continue to be a challenge for us in the years to come and can temporarily burden liquidity. As a result, fluctuations during the year can mean that the current account credit lines must be used. We are not assuming that we will have to make full use of the Group's current account credit lines in the course of the year. Rather, we will always have a sufficient liquidity buffer.

Income risk

If the business plan does not materialize, the Group's earnings position may be negatively impacted in the future. In principle, it should be noted that estimates are based on experience and other premises. The actual values can deviate from these estimates. We counteract this risk with our internal control system (see point 1.3). We are certain that we will be able to identify significant deviations immediately and respond to them.

Overall, the overall view of the main risk factors has improved compared to the previous year. From today's perspective, there are no recognizable risks that could jeopardize the company's continued existence.

3.3 Opportunity report

Opportunities through positive market development

The fundamental opportunities for IT system houses lie in the growth opportunities in the IT industry in general and in the willingness of companies to invest in modernizing their IT landscape, automating processes and installing new applications that offer additional added value. Furthermore, the increasing trend in IT security challenges and increasing digitization in almost all industries should be mentioned in this context. We see the basis for such growth (see 4.1 Forecast report) and this is included in the existing budget figures. However, if we manage to grow faster than planned, there will be an opportunity for profit.

In the course of the past, successful project implementations, the CONET Group has proven itself as a reliable solution partner or service provider. Our high level of customer satisfaction is derived from this and therefore offers the ideal platform for future project business to further expand existing business relationships. If we succeed in this faster or more extensively than planned, there is also an opportunity for income.

Opportunities through increased efficiency

We are continuously working on improving internal processes and control mechanisms in order to improve the efficiency of our organization. We always try to optimally coordinate the existing know-how of our employees, the established processes and the IT systems used such as Navision, Perbit, SalesForce in order to detect inefficiencies and avoid them in the future.

Hennef, July 27, 2020

Anke Höfer, managing director

Josef Ranner, managing director
