Search Result

Surname	Area	information	V. date
CONET International Holding GmbH	Accounting / financial reports	Consolidated financial statements for the financial year from April 1, 2018 to March 31, 2019	11/15/2019

CONET International Holding GmbH

Hennef

Consolidated financial statements for the financial year from April 1, 2018 to March 31, 2019

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, 2019, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated equity statement for the financial year from March 1, 2019. April 2018 to March 31, 2019 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, 2018 to March 31, 2019.

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, 2019 and its earnings position for the financial year from April 1, 2018 to March 31, 2019 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, August 26, 2019

Ernst & Young GmbH
auditing company

Brorhilker, auditor

Rathjen, auditor

Consolidated balance sheet as of March 31, 2019

ASSETS

	specification	03/31/2019 Euro	03/31/2018 Euro
Long-term assets			
Intangible assets	20th	13,223,899.65	16,719,690.39
Usage values	21st	9,943,214.71	0.00
Company Value	23	85,401,810.21	77,138,010.05
Property, plant and equipment	22nd	2,951,717.18	2,337,881.48
Other claims	29	339,129.74	289,698.29
Deferred tax claims	19th	566,240.24	467,804.26
		112,426,011.73	96,953,084.47
Short-term assets			
Finished products and goods	25th	1,898,414.75	2,331,538.94
Contract assets	26th	8,784,658.00	0.00

	specification	03/31/2019 Euro	03/31/2018 Euro
Requests from deliveries and services	27	27,585,829.62	30,713,915.64
Current income tax claims	28	531,658.34	1,137,739.25
Other claims	29	1,158,645.92	1,153,550.68
Means of payment	30th	6,344,681.39	15,352,154.86
Prepaid expenses	31	1,083,728.47	798,332.18
		47,387,616.49	51,487,231.55
Total assets		159,813,628.22	148,440,316.02

LIABILITIES

	specification	03/31/2019 Euro	03/31/2018 Euro
Equity			
Subscribed capital	32	25,000.00	25,000.00
Capital reserve	32	14,333,584.05	24,185,884.05
Other equity components	32	-19,377.71	76,278.53
Group loss carryforward		-2,938,719.57	0.00
Group net profit / loss for the year		682,692.49	-2,938,719.57
		12,083,179.26	21,348,443.01
Debt			
Long term debt			
Provisions for pensions and similar obligations	37	1,694,598.90	1,571,115.00
Financial liabilities	24	95,175,464.17	84,653,746.89
Lease liabilities	36	8,276,651.64	0.00
Deferred tax liabilities	19th	4,929,909.18	5,703,942.54
		110,076,623.89	91,928,804.43
Short term debt			
Other provisions	33	800,933.70	315,633.70
Current income tax liabilities	34	3,347,758.97	5,075,599.88
Financial liabilities	24	3,500,000.00	171,926.57
Lease liabilities	36	1,880,536.38	0.00
Contract liabilities	35	4,016,459.60	0.00
Payments received	35	0.00	5,031,860.13
liabilities from goods and services	38	10,243,337.47	11,975,091.66
Other liabilities	39	13,864,798.95	11,559,807.03
Prepaid expenses	40	0.00	1,033,149.61
		37,653,825.07	35,163,068.58
		147,730,448.96	127,091,873.01
Total assets		159,813,628.22	148,440,316.02

Consolidated statement of comprehensive income for the financial year from April 1, 2018 to March 31, 2019

in EUR	specification	2018/2019		2017/2018	
Sales	5		128,667,391.03		62,245,855.40
Other company income	10		590,897.80		1,031,326.99
Other own work capitalized			1,030,428.13		988,018.00
Material expenses					
Expenses from raw materials and supplies and goods	11	-5,128,810.15		-3,621,200.46	
Expenses for purchased services	12th	-43,890,109.16	-49,018,919.31	-20,299,324.82	-23,920,525.28
Personnel expenses					
Wages and salaries	13	-44,847,098.37		-20,941,724.68	
social security and pension and support expenses	13	-7,904,138.21	-52,751,236.58	-3,845,147.86	-24,786,872.54
Amortization of intangible assets and					
Property, plant and equipment	14th		-8,911,841.97		-4,321,461.07
Impairment of financial assets including reversals			-147,952.41		0.00
Other operating expenses	15th		-12,125,620.53		-10,941,243.26
Other taxes	16		-60,348.20		-123,490.63
Operating profit			7,272,797.96		171,607.61

in EUR	specification	2018/2019		2017/2018	
Other interest and similar income	17th		278,317.40		17,032.85
Interest and similar expenses	18th		-6,750,265.19		-1,568,741.27
Profit / loss before income taxes			800,850.17		-1,380,100.81
Income taxes	19th		-118,157.68		-1,558,618.76
Consolidated net profit / loss for the year			682,692.49		-2,938,719.57
Result for the period according to the income statement			682,692.49		-2,938,719.57
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		-141,818.00		113,089.00	
related deferred taxes		46,161.76	-95,656.24	-36,810.47	76,278.53
Other not to be reclassified in the income statement in subsequent periods					
Result			-95,656.24		76,278.53
Other earnings after taxes			-95,656.24		76,278.53
Total earnings after taxes			587,036.25		-2,862,441.04

Consolidated cash flow statement for the financial year from April 1, 2018 to March 31, 2019

In EUR	specification	2018/2019	2017/2018
Consolidated net profit / loss for the year		682,692.49	-2,938,719.57
Write-downs / write-ups on fixed assets	14th	8,911,841.97	4,321,461.07
plus interest expenses	18th	6,750,265.19	1,568,741.27
less interest income	17th	-278,317.40	-17,032.85
plus tax expense	19th	118,157.68	1,558,618.76
Other non-cash income and expenses		95,656.24	93,498.43
Decrease / increase in working capital		-7,158,235.40	2,583,729.06
Decrease in inventories		433,124.19	-251,322.83
Decrease / increase in trade receivables		-6,799,107.98	2,364,660.40
Decrease / increase in contract assets		1,142,536.00	0.00
Decrease in other assets		-339,922.98	1,725,237.82
Change in provisions		608,783.90	1,787,328.25
Decrease / increase in trade payables		-1,731,754.19	-2,512,336.42
Increase / decrease in other liabilities		-471,894.34	-529,838.16
Taxes paid		-3,512,991.66	-2,403,572.96
Interest Paid		-5,488,144.88	-1,002,461.37
Interest received		278,317.40	17,032.85
Cash generated from operations		399,241.63	3,781,294.69
Net investment from the acquisition of subsidiaries (payments minus cash acquired)	8th	-6,584,227.95	-57,401,904.53
Payments for the purchase of tangible and intangible assets	20, 22	-2,296,582.21	-1,771,733.96
Cash flow from investing activities		-8,880,810.16	-59,173,638.49
Deposits from the issue of Shares		0.00	24,210,884.05
Payments from equity capital reduction to shareholders	32	-9,852,300.00	0.00
Deposits from taking out loans	24.5	11,500,000.00	75,000,000.00
Loan repayment	24.5	-89,952.24	-25,091,826.13
Transaction costs paid	24.5	-246,570.00	-3,374,559.26
Repayment of lease liabilities		-1,837,082.70	0.00
Cash flow from financing activities		-525,904.94	70,744,498.66
Changes in cash funds affecting cash		-9,007,473.47	15,352,154.86
Cash funds at the beginning of the period		15,352,154.86	0.00
Cash funds at the end of the period	30th	6,344,681.39	15,352,154.86

Consolidated statement of changes in equity for the financial year from April 1, 2018 to March 31, 2019

Reserves in EUR	Subscribed capital	Capital reserve	Other equity components
As of 04/11/2017	25,000.00	0.00	0.00
Group net loss for the year	0.00	0.00	0.00

Reserves in EUR	Subscribed capital	Capital reserve	Other equity components
Other comprehensive income	0.00	0.00	76,278.53
Other contributions by the shareholders	0.00	24,185,884.05	0.00
As of March 31, 2018	25,000.00	24,185,884.05	76,278.53
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	Consolidated net loss / profit for the year	Group loss carryforward	total
As of 04/11/2017	0.00	0.00	25,000.00
Group net loss for the year	-2,938,719.57	0.00	-2,938,719.57
Other comprehensive income	0.00	0.00	76,278.53
Other contributions by the shareholders	0.00	0.00	24,185,884.05
As of March 31, 2018	-2,938,719.57	0.00	21,348,443.01
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

Notes to the consolidated financial statements for the financial year from April 1, 2018 to March 31, 2019

content

1. Company information

The consolidated financial statements of CONET International Holding GmbH and its subsidiaries (together “the Group”) for the financial year ended March 31, 2019 were released for publication on August 23, 2019 by a 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 7. Information on other relationships between the Group and related companies and persons can be found in Note 42.

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 in conjunction with paragraph 3 of the German Commercial Code (HGB) to be applied. All IFRS and IFRIC that were adopted by the EU Commission as of March 31, 2019 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, 2019. Control exists if the group is exposed to risk from or has rights 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 4 and 24.3)
- Quantitative information on the measurement of the fair value according to hierarchical levels (Note 9)
- Financial instruments (including those measured at amortized cost) (Note 24.3)
- Contingent consideration (note 24.3)

d) Realization of income / sales realization

Accounting and valuation methods valid until March 31, 2018

Income is recognized when it is probable that the economic benefit will flow to the Group and the amount of the income can be reliably determined, regardless of the time of payment. Income is valued at the fair value of the consideration received or consideration to be claimed, taking into account contractually stipulated payment conditions, with taxes or other levies not being taken into account. The group has come to the conclusion that it acts as the principal in all of its sales transactions, since it is the principal obligor in all sales transactions, has room for maneuver in pricing and bears the inventory and credit risk.

In addition, the realization of income requires the fulfillment of the recognition criteria listed below.

Provision of services

Revenues from major projects with contracts for work and services are recognized as income based on the degree of completion. The degree of completion is determined based on the working hours accrued up to the reporting date as a percentage of the total working hours estimated for the respective project. If the result of an order cannot be reliably estimated, income is only recognized in the amount of the reimbursable expenses incurred.

Sale of goods and products

Income is recognized when the main opportunities and risks associated with ownership of the goods and products sold have passed to the buyer. This usually occurs upon delivery of the goods and products. Income from the sale of goods and products is valued at the fair value of the consideration received or to be claimed after deducting returns, repayments, price reductions and volume discounts.

e) Revenue from contracts with customers

Accounting and valuation methods valid from April 1, 2018

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 4.

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.

f) Realization of expenses and income from leases

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

As explained in Note 2.4, the Group has changed its accounting method for accounting for leases. With the first-time application of IFRS 16, lease liabilities are recognized for leases previously classified as operating leases under IAS 17. These 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.

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.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) Leases

The group rents various properties, vehicles as well as operating and office equipment. 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. As explained in Section 2.4, the Group has changed its accounting policy for accounting for leases. 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.

Up to and including the previous financial year, leasing payments within an operating lease were recognized as an expense in the income statement on a straight-line basis over the term of the leasing contract, unless another systematic basis corresponded to the temporal course of the benefit for the company. Operate leasing existed when the leasing contract did not transfer all significant risks and opportunities to the lessee. The company regularly checked all leasing contracts to determine whether there was an operating or finance lease.

m) 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.

n) 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.

o) 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

Accounting and valuation methods valid until March 31, 2018

First acquisition and evaluation

Financial assets are initially recognized either as financial assets that are measured at fair value through profit or loss, as loans and receivables, as financial investments to be held to maturity, as financial assets available for sale or as derivatives that have been designated as hedging instruments and as effective are classified. All financial assets are measured at fair value upon initial recognition. For financial assets that are not recognized at fair value through profit or loss, transaction costs are also taken into account that are attributable to the acquisition of the financial asset.

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 buy or sell of the asset has been received.

Follow-up evaluation

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

- Financial assets measured at fair value through profit or loss
- Loans and Receivables
- Financial investments to be held to maturity
- available-for-sale financial assets

The Group has classified all financial assets in the loans and receivables category.

Loans and Receivables

Only the category “Loans and receivables” is significant for the consolidated financial statements. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After their initial recognition, such financial assets are subsequently valued at amortized cost using the effective interest method and less any impairment. Amortized cost is calculated taking into account a premium or discount on acquisition and fees or costs that are an integral part of the effective interest rate. The income from amortization using the effective interest method is included in the income statement as part of finance income. Losses from an impairment are recorded under finance costs for loans and under cost of sales or other operating expenses in the income statement for receivables.

This category usually includes trade receivables and other receivables. Further information on receivables can be found in Notes 24 and 27.

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 an agreement that fulfills the conditions in IAS 39.19 (so-called pass-through agreement) and either (a) essentially transferring all opportunities and risks associated with ownership of the financial asset or (b) essentially neither transferring nor withholding all opportunities and risks associated with ownership of the financial asset ,however transfer the power of disposal over 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

On each balance sheet date, the Group determines whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events that have occurred since the asset was initially recognized (a "loss event" that has occurred) have an impact on the expected future cash flows of the financial asset or group of financial assets that can be reliably estimated . Indications of an impairment can be given if there are indications that the debtor or a group of debtors is experiencing significant financial difficulties,

Financial assets that are carried at amortized cost

With regard to financial assets measured at amortized cost, it is first determined whether there is an individual impairment of financial assets that are individually significant and whether there is a joint impairment of financial assets that are not individually significant. If the Group determines that there is no objective evidence of impairment for an individually examined financial asset, be it significant or not, it includes the asset in a group of financial assets with comparable default risk profiles and examines them together for impairment. Financial assets,

The amount of an impairment loss determined is the difference between the book value of the asset and the present value of the expected future cash flows (with the exception of expected future credit losses that have not yet occurred). The present value of the expected future cash flows is discounted using the original effective interest rate of the financial asset.

The book value of the asset is reduced using an allowance account and the impairment loss is recognized in profit or loss. Interest income continues to be recognized on the reduced book value (as part of financial income in the income statement); this is done using the interest rate that was used to discount the future cash flows when determining the impairment loss. Receivables from loans, including the associated value adjustment, are derecognized if they are classified as uncollectible and all collateral has been drawn and realized. If the amount of an estimated impairment loss increases or decreases in a subsequent reporting period due to an event that occurred after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the value adjustment account. If a receivable that has been written off is later classified as recoverable due to an event that occurred after it was written off, the corresponding amount is recognized directly against the financial expenses.

Accounting and valuation methods valid from April 1, 2018

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, contract assets 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 4)
- Financial assets (Note 24)
- Trade accounts receivable (Note 27)

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 24.

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 .

p) 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.

q) 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 4
- Goodwill Note 23

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 three 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 reversal 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.

r) 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.

s) 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.

t) 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

2.4 Change in accounting policies

New and changed standards and interpretations

The group applied IFRS 15 and IFRS 9 for the first time. In addition, the Group applied IFRS 16 early. Otherwise, the Group did not prematurely apply any further standards, interpretations or changes that have been published but not yet come into force. The nature and effects of the changes resulting from the initial application of these new accounting standards are described below.

Some other changes and interpretations are to be applied for the first time in the 2018/2019 financial year, but have no effect on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Sales Revenue and the associated interpretations and applies, with a few exceptions, to all revenue from contracts with customers. The standard introduces a five-level model for accounting for revenue from contracts with customers. According to IFRS 15, revenue is recognized in the amount of the consideration that a company is likely to receive in exchange for the transfer of promised goods or services to a customer.

IFRS 15 requires companies to use discretion in applying each level of the model to contracts with their customers and to take into account all relevant facts and circumstances. The standard also regulates the accounting for the additional costs for the initiation of a contract and the costs that are directly related to the performance of a contract. Finally, the standard contains extensive disclosure requirements.

When applying IFRS 15 for the first time on April 1, 2018 (date of first-time application), the Group chose the modified retrospective approach. Thereafter, the standard can either be applied to all contracts that exist at the time of initial application or only to contracts that have not yet been fulfilled at this point in time. The Group decided to apply the standard to all contracts as of April 1, 2018.

The cumulative effect of the first-time application of IFRS 15 is recognized at the time of first-time application as an adjustment to the opening balance sheet value of retained earnings. The comparative information has therefore not been adjusted and will continue to be reported in accordance with IAS 11, IAS 18 and the associated interpretations.

The effects of the first-time application of IFRS 15 as of April 1, 2018 were as follows:

in EUR thousand	Increase / decrease
financial assets	
Requests from deliveries and services	-9,927
Contract assets	9,927
Total assets	0
Debt	

in EUR thousand	Increase / decrease
Advance payments received (short term)	-5,032
Contract liabilities (short term)	6,065
Prepaid expenses	-1,033
Total assets	0

Below are the amounts resulting from the first-time application of IFRS 15 as of March 31, 2019 and for the financial year from April 1, 2018 to March 31, 2019 for each individual financial statement item concerned. The first-time application of IFRS 15 did not have any significant effects on the other result or the cash flows from operating, investing and financing activities of the group. The first column shows the amounts determined in accordance with IFRS 15, the second shows the amounts based on the assumption that IFRS 15 would not have been applied.

Consolidated income statement for the financial year from April 1, 2018 to March 31, 2019

	Amounts determined according to		
in EUR thousand	IFRS 15	previously relevant IFRS	Increase / decrease
Sales	128,668	128,668	0
Other company income	591	591	0
Other own work capitalized	1,030	1,030	0
Material expenses	-49,019	-49,019	0
Personnel expenses	-52,751	-52,751	0
Depreciation on intangible assets and property, plant and equipment	-8,912	-8,912	0
Impairment of financial assets including reversals	-148	0	-148
Other operating expenses	-12,126	-12,274	148
Other taxes	-60	-60	0
Operating profit	7,273	7,273	0
Interest and similar expenses	-6,750	-6,750	0
Other interest and similar income	278	278	0
Profit before income taxes	801	801	0
Income taxes	-118	-118	0
Consolidated net income	683	683	0

Consolidated balance sheet as of March 31, 2019

	Amounts determined according to		
in EUR thousand	IFRS 15	previously relevant IFRS	Increase / decrease
Short-term assets			
Requests from deliveries and services	27,586	36,371	-8,785
Contract assets	8,785	0	8,785
Total assets	36,371	36,371	0
Short term debt			
Payments received	0	2,830	-2,830
Contract liabilities	4.016	0	4.016
Prepaid expenses	0	1,186	-1,186
Total assets	4.016	4.016	0

The first-time application of IFRS 15, taking into account practical simplifications for fulfilled contracts, did not lead to any financial effects. With regard to the contract assets and contract liabilities existing as of April 1, 2018, reference is made to the presentation of the opening balance sheet values in Note 3.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and measurement for fiscal years beginning on or after January 1, 2018. The new standard combines all three aspects of accounting for financial instruments: classification and valuation, impairment and accounting for hedging transactions.

The Group applied IFRS 9 prospectively with the initial application date of April 1, 2018. It has not adjusted the comparative information, which continues to be reported in accordance with IAS 39. Any deviations resulting from the initial application of IFRS 9 are recognized directly in retained earnings and other equity components. In the Group, the first-time application of IFRS 9 as of April 1, 2018 did not result in any effects from the revaluation.

(a) Classification and Evaluation

According to IFRS 9, debt instruments are subsequently valued at fair value through profit or loss, at amortized cost or at fair value with no effect on income in other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets and the question of whether the contractual cash flows of the instruments exclusively represent principal and interest payments on the principal amount outstanding.

The Group's business model was assessed on April 1, 2018, when it was first applied. The assessment of whether contractual cash flows from debt instruments exclusively represent principal and interest payments was made on the basis of the facts and circumstances that existed at the time the assets were initially recognized.

The classification and measurement regulations of IFRS 9 did not have any significant effects on the Group. The changes in the classification of the Group's financial assets are explained below:

- Trade accounts receivable and other financial assets classified as loans and receivables as of March 31, 2018 are held to collect contractual cash flows and result in cash flows that are solely interest and principal payments. As of April 1, 2018, these items are classified and valued as debt instruments measured at amortized cost.

There were no changes to the classification or measurement of the Group's financial liabilities.

The following table shows the transition from IAS 39 categories to IFRS 9 categories:

in EUR thousand	Original valuation category according to IAS 39	New measurement category according to IFRS 9	Original book value according to IAS 39
Financial assets			
Requests from deliveries and services	Loans and Receivables	amortized cost	30,714
Contract assets	n / a	amortized cost	0
Other claims	Loans and Receivables	amortized cost	1,443
Means of payment	Loans and Receivables	amortized cost	15,352
Total financial assets			47,509

in EUR thousand	Effect from reclassification	Effect from revaluation	New book value according to IFRS 9
Financial assets			
Requests from deliveries and services	-9,927	0	20,787
Contract assets	9,927	0	9,927
Other claims	0	0	1,443
Means of payment	0	0	15,352
Total financial assets	0	0	47,509

in EUR thousand	Original valuation category according to IAS 39	New measurement category according to IFRS 9	Original book value according to IAS 39
Financial liabilities			
Senior term loan	amortized cost	amortized cost	71,641
Loan Tempus Holdings 24 Sarl	amortized cost	amortized cost	12,484
Employee participation rights	amortized cost	amortized cost	139
Contingent consideration	At fair value through profit or loss	At fair value through profit or loss	4.215
Credit card statements	amortized cost	amortized cost	10
Deferred interest long-term interest-bearing loans	amortized cost	amortized cost	551
Contract manufacturing liabilities	amortized cost	amortized cost	5,032
Contract liabilities	n / a	amortized cost	0
liabilities from goods and services	amortized cost	amortized cost	11,975
Other liabilities	amortized cost	amortized cost	7,345
Total financial liabilities			113.392

in EUR thousand	Effect from reclassification	Effect from revaluation	New book value according to IFRS 9
Financial liabilities			
Senior term loan	0	0	71,641
Loan Tempus Holdings 24 Sarl	0	0	12,484
Employee participation rights	0	0	139
Contingent consideration	0	0	4.215
Credit card statements	0	0	10
Deferred interest long-term interest-bearing loans	0	0	551
Contract manufacturing liabilities	-5,032	0	0
Contract liabilities	5,032	0	5,032
liabilities from goods and services	0	0	11,975
Other liabilities	0	0	7,345
Total financial liabilities	0	0	113.392

(b) Depreciation

The first-time application of IFRS 9 has fundamentally changed the accounting for impairment losses on the Group's financial assets: The model of losses incurred according to IAS 39 has been replaced by a future-oriented model of expected credit losses. According to IFRS 9, the Group must record an allowance for expected credit losses for all debt instruments that are not held at fair value through profit or loss and for contract assets.

When applying IFRS 9 for the first time, the Group did not have to record any additional impairment losses.

IFRS 16 Leases

In January 2016, the IASB published the accounting standard IFRS 16 “Leases”, which was adopted into European law on November 9, 2017. IFRS 16 contains a comprehensive model for identifying leases and accounting for lessors and lessees and replaces the existing guidelines on leases, including IAS 17 “Leases”, IFRIC 4 “Determining whether an arrangement contains a lease”, SIC 15 “Operating Leases - Incentives ”and SIC-27“ Assessing the Substance of Transactions in the Legal Form of Leases ”. The core aspect of the new standard is in the case of the lessee, generally record all leases and the associated contractual rights and obligations in the balance sheet, unless the term is 12 months or less or the asset is of low value. The distinction between finance and operating leases previously required under IAS 17 will no longer apply to the lessee. Instead, IFRS 16 introduces a uniform accounting model, according to which lessees are obliged to account for a liability for leasing agreements for future leasing obligations. A right to use the leased asset is activated accordingly, which basically corresponds to the present value of the future lease payments plus directly attributable costs and is depreciated over the useful life. In the case of the lessor, however, the regulations of the new standard are similar to the previous regulations of IAS 17. The leasing contracts are still classified as either finance or operating leases.

Application of IFRS 16 is mandatory for fiscal years beginning on or after January 1, 2019. CONET International Holding GmbH applied IFRS 16 in accordance with the option in connection with IFRS 15 early on April 1, 2019 using the modified retrospective method. Accordingly, the comparative information for the previous financial year was not adjusted. Instead, the cumulative effect of the first-time application of IFRS 16 was adjusted as an adjustment to the opening balance sheet value of retained earnings at the time of first-time application.

The options in IFRS 16 regarding the treatment of leasing agreements with a term of no more than 12 months and leasing agreements for assets of low value were not exercised.

As part of the initial application, the Group made use of the practical aid of IFRS 16.C3 (a) and did not reassess agreements that were classified as leases under IAS 17 and IFRIC 4 to determine whether a lease exists within the meaning of IFRS 16 .

Instead of the minimum rental payments from operating leases previously stated under other financial obligations, non-current assets are increased due to the accounting for rights of use. The short-term and long-term financial liabilities also increase due to the disclosure of the corresponding leasing liabilities. With regard to the statement of comprehensive income, the depreciation of the rights of use and the interest expenses for the liabilities are shown instead of the previous expenses for operating leases. In the cash flow statement, the operating cash flow improves due to lower payments,

With the help of a newly implemented application of the existing consolidation software for mapping leases in accordance with IFRS 16, the identified contracts for all group companies were recorded and evaluated. In the context of initial application, the present value of the future lease payments is recognized as a financial liability. Lease payments usually consist of fixed and variable payments that can be linked to an index. If the lease includes an extension or purchase option which, in the opinion of the company, will be exercised with sufficient certainty, the costs of the option are included in the lease payments. Renting properties for longer than 10 years is no longer considered to be sufficiently safe. The weighted average incremental borrowing rate for the liability from leasing recognized for the first time as of April 1, 2019 was 6.25%. The incremental borrowing rate will be determined and used as a basis for the first time on April 1, 2018, according to the property and vehicle / operating and office equipment asset classes. The effect of the first-time application is shown in Note 3. The incremental borrowing rate will be determined and used as a basis for the first time on April 1, 2018, according to the property and vehicle / operating and office equipment asset classes. The effect of the first-time application is shown in Note 3. The incremental borrowing rate will be calculated and used as a basis for the first time on April 1, 2018, according to the asset classes real estate and vehicles / operating and office equipment. The effect of the first-time application is shown in Note 3.

The right of use for the leased asset is generally valued and capitalized at the amount of the lease liability plus costs that can be directly allocated for the first time and less any incentives received. The right to use the leased property is amortized over the shorter of the two periods, the term of the lease or the useful life of the underlying asset. The regulations of IAS 36 for the determination and recording of impairment of assets also apply to capitalized rights of use.

The reconciliation of the off-balance sheet leasing obligations as of March 31, 2018 to the leasing obligations recognized as of April 1, 2018 is as follows:

in EUR thousand	March 31, 2018
Off-balance sheet leasing and rental obligations as of March 31, 2018	9,620
Short-term leases with a term of 12 months or less (short-term leases)	0
Leases of low value assets (low value leases)	0
Variable lease payments	0
Operating leasing and rental obligations as of April 1, 2018 (gross amount without discounting)	9,620
Operating leasing and rental obligations as of April 1, 2018 (discounted)	8,682
Sufficiently secure extension and termination options	0
Residual value guarantees	0
Non-lease components	0
Lease liabilities due to first-time application of IFRS 16 on April 1, 2018	8,682

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies how, in the case of derecognition of a non-monetary asset or a non-monetary liability for the consideration rendered or received in advance in a foreign currency, the date of the transaction is to be determined that

the initial recognition of the related asset, expense or income (or any portion thereof). If there are multiple deposits or withdrawals in advance, the company must determine the transaction time for each deposit or withdrawal of a consideration paid in advance. This interpretation has no impact on the consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The changes clarify when a company should move real estate, including real estate under construction or development, to or from its portfolio of investment properties. Under the changes, a change in use occurs when the property meets or no longer meets the definition of investment property and if there is evidence of a change in use. The mere change in management's intentions regarding the use of the property is not evidence of a change in use. These changes have no impact on the consolidated financial statements.

Changes to IFRS 2 Classification and Measurement of Share-Based Payment Transactions

The IASB has published an amendment to IFRS 2 Share-based Payment that affects three main areas:

- the effects of vesting conditions on the valuation of cash-settled share-based payment transactions
- the classification of share-based payment transactions with net settlement for withholding taxes
- accounting for cash-settled share-based payment transactions in the event of a modification to their terms that results in their classification as an equity-settled share-based payment transaction

These changes have no impact on the consolidated financial statements.

Changes to IFRS 4 Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts

The amendments address concerns about the different effective dates of IFRS 9 and IFRS 17, which replaces IFRS 4, when IFRS 9 is applied before IFRS 17 Insurance Contracts. They give companies that issue insurance contracts two options: the option of a temporary exemption from the application of IFRS 9 and an overlay approach. These changes are not relevant for the group.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that the option to measure an investment at fair value through profit or loss is available on the basis of an individual investment

The amendments make it clear that a company that is a venture capital company or another qualifying company can decide upon initial recognition to measure every investment in an associated company or joint venture at fair value through profit or loss. These changes are not relevant for the group.

Changes to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of temporary exceptions for first-time adopters

The temporary exemptions in paragraphs E3-E7 of IFRS 1 have been deleted because they have served their purpose. These changes have no impact on the consolidated financial statements.

3. Adjustment of the opening balance sheet values

With the first-time application of the standards IFRS 9, IFRS 15 and IFRS 16 as of April 1, 2018, the following adjustments were made to the opening balance sheet. As part of the changeover, previous year's figures were not adjusted. Effects from the changeover were taken into account in the revenue reserves with no effect on income.

		Adjustment by				
in EUR thousand	As of March 31, 2018	IFRS 9	IFRS 15	IFRS 16	total	As of April 1st, 2018
ASSETS						
Long-term assets						
Usage values	0	0	0	8,682	8,682	8,682
Short-term assets						
Requests from deliveries and services	30,714	0	-9,927	0	-9,927	20,787
Contract assets	0	0	9,927	0	9,927	9,927
	30,714	0	0	8,682	8,682	39,396
LIABILITIES						
Long term debt						
Lease liabilities	0	0	0	6,977	6,977	6,977
Short term debt						
Lease liabilities	0	0	0	1,705	1,705	1,705
Payments received	5,032	0	-5,032	0	-5,032	0
Contract liabilities	0	0	6,065	0	6,065	6,065
Prepaid expenses	1,033	0	-1,033	0	-1,033	0
	6,065	0	0	8,682	8,682	14,747

4. 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 6
- Objectives and methods of risk management for financial instruments Note 24.4
- Details of sensitivity analyzes Notes 23, 24.3 and 37.

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. Note 24 contains information about the expected credit losses on the Group's trade receivables and contract assets.

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.

Allowance for expected credit losses on trade receivables and contract assets

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 19.

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 24.3.

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 of each performance target being met and the discount factor (for further information, see Notes 8 and 24.3).

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. The contingent consideration was valued at EUR 1,985 thousand as of March 31, 2019. Future developments may lead to further adjustments to the reported value. The maximum amount of the consideration to be paid is KEUR 1,985 on the balance sheet date. The contingent consideration is shown in the financial statements as other financial liability (see Note 24.2).

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. The maximum amount of the consideration to be paid on March 31, 2019 is EUR 1,700 thousand. Future developments may lead to further adjustments to the reported value. The contingent consideration is shown in the financial statements as other financial liability (see Note 24.2).

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 2018/2019 financial year, the group incurred research and development costs of EUR 3,185 thousand (previous year: EUR 1 thousand). 594) incurred. Of this, EUR 1,030 thousand (previous year: EUR 988 thousand) were capitalized in the 2018/2019 financial year. The non-capitalizable research and development costs of EUR 2,155 thousand (previous year: EUR 606 thousand) were posted as expenses in the period in which they were incurred. The carrying amount of the total capitalized development costs as of March 31, 2019 was: EUR 3,129 thousand (March 31, 2018: EUR 3,186 thousand).

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

5. Revenue from contracts with customers

5.1. Breakdown of Income

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

in EUR thousand	2018/2019	2017/2018
Advice and service	116,669	54,303

in EUR thousand	2018/2019	2017/2018
Distribution of merchandise including licenses	6.213	5,066
Sales of own software including maintenance	3,373	2,218
Other sales	2,412	658
total	128,667	62,245

Of the total revenue of EUR 128,667 thousand, EUR 16,981 thousand was generated with a customer in the 2018/2019 financial year. This corresponds to 13.2% of sales.

5.2. Contract balances

in EUR thousand	March 31, 2019
Contract assets	8,785
Requests from deliveries and services	27,586
Contract liabilities	4.016

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

In the 2018/2019 financial year, an allowance for expected credit losses on trade receivables was recognized in the amount of EUR 44 thousand.

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	2018/2019
Amounts recognized in contract liabilities at the beginning of the fiscal year	6,065

5.3. 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, 2019 breaks down as follows:

in EUR thousand	2018/2019
Within a year	49,636
In more than a year	116,324

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

6. 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, advance payments received,

	March 31, 2019	March 31, 2018
	KEUR	KEUR
Financial debt	98,675	84,826
Contract liabilities	4.016	0
Payments received	0	5,032
liabilities from goods and services	10,243	11,975
Other liabilities	13,865	11,560
minus cash and short-term deposits	-6,345	-15,352
Net financial debt	120,454	98.041
Equity	12,083	21,348
Sum of capital	12,083	21,348
Capital and net financial debt	132,537	119,389
Leverage	91%	82%

The financial debts contain liabilities to the shareholder of the parent company in the amount of EUR 15,311 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, 2019, no changes were made to the objectives, guidelines or procedures for capital management.

7. 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	Dusseldorf, Germany	Euro	100%	3	25,569.71
12th	Babiel Service GmbH	Dusseldorf, Germany	Euro	100%	3.11	50,000.00

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 2018/2019 financial year

With the merger agreement dated November 6, 2018, CONET Technologies GmbH was merged with CONET Technologies Holding GmbH. The merger was entered in the commercial register of CONET Technologies Holding GmbH on November 12, 2018.

With a merger agreement dated January 11, 2019, ACT IT Holding GmbH was merged with CONET Technologies Holding GmbH. The merger was entered in the commercial register of CONET Technologies Holding GmbH on April 10, 2019.

With the merger agreement dated January 11, 2019, ACT Expert Services GmbH was merged with CONET Services GmbH. The merger was entered in the commercial register of CONET Services GmbH on February 18, 2019.

Spin-offs in the 2018/2019 financial year

With the spin-off plan dated November 6, 2018, the communications division of CONET Solutions GmbH was spun off into the newly founded CONET Communications GmbH. The spin-off was entered in the commercial register of CONET Communications GmbH on December 20, 2018.

8. Business Combinations

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
	KEUR
financial assets	
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	
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

	Fair value at the time of acquisition
	KEUR
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 financial year, the Group's sales would have amounted to EUR 137,629 thousand and the group result before income taxes would have amounted 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 is valued unchanged at EUR 1,700 thousand.

Company acquisitions in 2017/2018

Acquisition of CONET Technologies GmbH (formerly CONET Technologies AG)

On September 6, 2017, the group acquired 97% of the voting shares in CONET Technologies GmbH (formerly CONET Technologies AG). The remaining shares were acquired in a squeeze-out process at the beginning of February 2018. CONET Technologies GmbH 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 build up an IT group.

At the time of the acquisition, CONET Technologies GmbH formed a group of companies with its then 4 subsidiaries.

The initial consolidation was based on the consolidated financial statements of CONET Technologies GmbH.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of CONET Technologies GmbH and its subsidiaries (in short: CONET Technologies Group) are as follows at the time of acquisition:

	Fair value at the time of acquisition
	KEUR
financial assets	
Internally generated intangible assets	2,728
Acquired intangible assets	15,758
Property, plant and equipment	2,283
Stocks	2,080
Requests from deliveries and services	27,851
Other claims	2,854
Other assets	849
Deferred tax assets	475
Cash and cash equivalents	1,680
	56,558
Debt	
Provisions for pensions	1,584
Financial liabilities	5,092
Tax debts	3,888
Contract manufacturing liabilities	7.139
liabilities from goods and services	5,623
Other liabilities	6,998
Remaining debts	964
Deferred tax liabilities	6,381

	Fair value at the time of acquisition
	KEUR
	37,669
Total identifiable net assets at fair value	18,889
Goodwill from the company acquisition	68,671
Consideration Transferred	87,560

In return for the participation in CONET Technologies GmbH, the company paid a cash purchase price of EUR 53,563 thousand and assumed various liabilities totaling EUR 33,997 thousand.

The transaction costs in the amount of EUR 3,083 thousand were booked as an expense and are shown as other operating expenses.

	KEUR
compensation	
Cash purchase price	53,563
Assumed liabilities	33,997
	87,560
Analysis of the cash outflow due to the company acquisition	
Cash purchase price	-53,563
Transaction costs of the acquisition (included in the cash flows from operating activities)	-3,083
Cash acquired with the subsidiary (included in the cash flows from investing activities)	1,680
	-54,966

The net assets recorded in the consolidated financial statements at the time of initial consolidation were only based on a preliminary assessment of the fair value of the intangible assets acquired. The assessment had not yet been completed when the consolidated financial statements for the 2017/2018 financial year were released for publication.

The assessment was completed in August 2018. The fair value of the acquired intangible assets at the time of acquisition therefore amounted to EUR 15,758 thousand and was therefore EUR 15,588 thousand above the provisionally assumed value. The information for 2017/2018 has been adjusted to reflect the correction of the provisional amounts. As a result, the deferred tax liabilities were increased by EUR 5,085 thousand. Furthermore, there was a corresponding reduction in goodwill by EUR 10,503 thousand, which means that the total goodwill from the company acquisition now amounts to EUR 68,671 thousand. The amortization of the acquired intangible assets in the 2017/2018 financial year amounted to EUR 2 thousand.

Acquisition of ACT IT Holding GmbH

The group acquired 100% of the voting shares in ACT IT Holding GmbH on November 22, 2017. ACT IT Holding GmbH 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 expand the IT group.

At the time of the acquisition, ACT IT Holding GmbH and its 3 subsidiaries formed a group of companies.

The initial consolidation was based on the consolidated financial statements of ACT IT Holding GmbH.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of ACT IT Holding GmbH and its subsidiaries (ACT Group for short) are as follows at the time of acquisition:

	Fair value at the time of acquisition
	KEUR
financial assets	
Intangible assets	596
Property, plant and equipment	243
Requests from deliveries and services	5,227
Other claims	289
Other assets	61
Cash and cash equivalents	951
	7,367
Debt	
Financial liabilities	149
Tax debts	172
accruals	20th
liabilities from goods and services	3,019
Other liabilities	1,678
Deferred tax liabilities	140
	5,178
Total identifiable net assets at fair value	2,189
Goodwill from the company acquisition	8,467
Consideration Transferred	10,656

	KEUR
compensation	

	Fair value at the time of acquisition
	KEUR
Cash purchase price	6,441
Liability from contingent consideration	4.215
	10,656

	KEUR
Analysis of the cash outflow due to the company acquisition	
Cash purchase price	-6,441
Transaction costs of the acquisition (included in the cash flows from operating activities)	-213
Cash acquired with the subsidiary (included in the cash flows from investing activities)	951
	-5,703

The transaction costs in the amount of EUR 213 thousand were booked as an expense and reported as other operating expenses.

The net assets recorded in the consolidated financial statements at the time of initial consolidation were only based on a preliminary assessment of the fair value of the intangible assets. The assessment had not yet been completed when the consolidated financial statements for the 2017/2018 financial year were released for publication.

The assessment was completed in August 2018. The fair value of the intangible assets at the time of acquisition therefore amounted to EUR 596 thousand and was thus EUR 442 thousand above the provisionally assumed value. The information for 2017/2018 has been adjusted to reflect the correction of the provisional amounts. As a result, the deferred tax liabilities were increased by EUR 140 thousand. Furthermore, there was a corresponding reduction in goodwill by EUR 302 thousand, which means that the total goodwill from the company acquisition now amounts to EUR 8,467 thousand. The amortization of intangible assets in the 2017/2018 financial year amounted to EUR 190 thousand and the reversal of deferred tax liabilities to EUR 60 thousand.

Contingent consideration

As part of the purchase agreement with the previous owners of ACT IT Holding GmbH, a contingent consideration was agreed. Accordingly, there will be further cash payments to the previous owners of ACT IT Holding GmbH in the amount of

- From EUR 0 to EUR 2,800 thousand, if the company generated earnings before interest and taxes (EBIT) of EUR 1,000 to EUR 1,423 thousand (or more) in the 2017 financial year and additionally
- From EUR 0 to EUR 1,700 thousand if the company generates earnings before interest and taxes (EBIT) of EUR 1,700 to EUR 2,100 thousand (or more) in the 2017 financial year.

At the time of acquisition, the fair value of the contingent consideration was valued at EUR 4,500 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, 2018, the key indicators for the operational success of ACT IT Holding GmbH showed that the target set for the first contingent consideration would most likely not be achieved. The fair value of the contingent consideration determined as of March 31, 2018 was reduced by EUR 285 thousand as a result of this assessment and taking into account other influencing factors. In the 2018/2019 financial year, an amount of EUR 2,515 thousand was paid to the seller. In October 2018, the contingent consideration was revalued and this in turn increased by EUR 285 thousand. The adjustment amount from the revaluation was recognized directly in equity against the goodwill, because the correction was made within a 12-month period after the company was acquired. The fair value is determined using a discounted cash flow method. The reconciliation of the valuation of the liability from contingent consideration at fair value is shown below:

	KEUR
As of April 11, 2017	0
Liability from a business combination	4,500
Changes in fair value recognized directly in equity	-285
As of March 31, 2018	4.215
Purchase price payment	-2,515
Changes in fair value recognized directly in equity	285
As of March 31, 2019	1,985

Acquisition of CONET International GmbH

The parent company had acquired all shares in CONET International GmbH on April 11, 2017 as part of a contribution in kind against issuing own shares in the amount of the subscribed capital of EUR 25 thousand. The company is a holding company.

Assets acquired and liabilities assumed

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

	Fair value at the time of acquisition
	KEUR
financial assets	
Shares in affiliated companies	25th
Cash and cash equivalents	29
	54
Debt	
Other liabilities	2
	2
Total identifiable net assets at fair value	52
Negative difference	-27

	Fair value at the time of acquisition
	KEUR
Consideration Transferred	25th

The negative difference (profit from company acquisition) was recorded in the consolidated income statement under other operating income. The profit from the company acquisition arose because the consideration transferred - in the form of a contribution in kind - was made at the nominal value of the subscribed capital and the total of the acquired assets was significantly higher than the nominal value of the contribution in kind.

	KEUR
compensation	
Contribution in kind	25th
	25th
Analysis of the cash outflow due to the company acquisition	
Cash acquired with the subsidiary (included in the cash flows from investing activities)	29
	29

9. 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, 2018:			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 8)	March 31, 2018	4.215	0	0	4.215

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 8)	March 31, 2019	3,685	0	0	3,685

In the financial year there were no regroupings between level 1 and level 2 of the assessment hierarchy.

10. Other operating income

The other operating income is made up as follows:

in EUR thousand	2018/2019	2017/2018
Income from the release of provisions	547	188
Income from exchange rate differences	14th	2
Insurance refund income	3	753
Income from the reversal of individual value adjustments	2	0
Income from passing on costs	0	9
Income from the reversal of the general bad debt allowance	0	1
Rental and lease income	0	3
Income from first-time consolidation	0	27
Other income	25th	48
total	591	1,031

11. 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	2018/2019	2017/2018
Purchase of merchandise	4,245	2.173
Purchasing software	884	1,448
total	5,129	3,621

12. Expenses for purchased services

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

13. 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	2018/2019	2017/2018
Wages and salaries	44,847	20,942
Social security contributions and expenses for pensions	7,904	3,845
total	52,751	24,787

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.

On an annual average (on a quarterly basis) there were 799 employees (previous year: 633 employees), plus 85 trainees (previous year: 36 trainees).

On the balance sheet date, the number of employees was 884 (previous year: 670 people). Of these, 876 employees (previous year: 663 employees) worked in Germany and 8 (previous year: 7) in other member states of the European Union.

Personnel expenses include expenses arising from the termination of employment relationships in the amount of EUR 249 thousand (previous year: EUR 230 thousand). As of the balance sheet date, EUR 249 thousand (previous year: EUR 230 thousand) are shown under other liabilities, as these have not yet become cash-effective. In the financial year, there are liabilities from severance payments from previous financial years in the amount of EUR 0 thousand (previous year: EUR 28 thousand).

14. Depreciation

The composition of the depreciation results from the development of the fixed assets, which is shown in notes 20 to 22.

15. Other operating expenses

The other operating expenses are made up as follows:

in EUR thousand	2018/2019	2017/2018
Legal and consulting costs	2.128	4,020
Traveling expenses	1,853	1,144
Other external services	1,302	423
Vehicle costs	1,246	1,128
Other expenses	946	997
Space costs	863	999
Training costs	778	366
Maintenance / servicing	767	394
Advertising / representation costs	703	381
General Administration	524	418
Other staff costs	493	334
insurance	407	230
Software rental costs	95	39
Expenses from exchange rate losses	16	9
Expenses from the sale of fixed assets	5	1
Addition of individual value adjustments	0	58
total	12,126	10,941

16. Other taxes

The other taxes are made up as follows:

in EUR thousand	2018/2019	2017/2018
Vehicle taxes	32	17th
Sales taxes	28	106
total	60	123

17. Interest Income

The total interest income for financial assets mainly relates to interest income from loans to related companies (see Note 42).

18. Interest Expenses

The total interest expenses for financial liabilities, which were measured both at amortized cost and at fair value through profit or loss, are as follows:

in EUR thousand	2018/2019	2017/2018
Interest loans	5,797	1,368
Interest expenses leasing	473	0
Agent fees	411	18th
Interest portion transfer to pension provision	26th	29
Guarantee commission	24	34
Other interest expenses	9	4th
Interest checking account	8th	47
Interest expenses for company taxes	2	1
Loan commissions	0	55
Interest expense from factoring	0	9
Interest profit participation rights	0	4th

in EUR thousand	2018/2019	2017/2018
Total interest expenses	6,750	1,569

19. 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	2018/2019	2017/2018
Ongoing tax expense	1,225	2.405
Change in deferred taxes	-1,107	-846
total	118	1,559

Current tax expenses include out-of-period income in the amount of KEUR 166 (previous year: KEUR 102) and out-of-period expenses in the amount of KEUR 67 (previous year: KEUR 18).

The expected tax burden on the taxable result is 32.63% on the reporting date (previous year: 32.03%) and is calculated as follows:

in %	2018/2019	2017/2018
Trade tax at a rate of 480% (previous year: 463%)	16.80%	16.20%
Corporation tax	15.00%	15.00%
Solidarity surcharge (5.5% of corporate income tax)	0.83%	0.83%
total	32.63%	32.03%

The difference between the actual tax expense and the arithmetical tax expense that would result from a tax rate of 32.63% (previous year: 32.03%) is made up as follows:

in EUR thousand	2018/2019	2017/2018
Profit for the period before taxes	801	-1,380
Theoretical tax expense at a tax rate of		
32.63% (previous year 32.03%)	261	-442
Non-tax deductible expenses	26th	1,043
Tax expense for previous years	-105	-83
Deferred taxes	-1,107	-846
Offsetting of losses	1,325	1,734
Effects of different tax rates within the group and changes in tax rates	-17	-7
Deviations from § 60 Paragraph 2 EStDV	-248	226
Others	-16	-66
Income tax expense according to group income and		
Loss statement	118	1,559
Tax rate	14.73%	-113.00%

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, 2019	Deferred tax liabilities March 31, 2019	Deferred tax assets as of March 31, 2018	Deferred tax liabilities as of March 31, 2018
Intangible assets	0	4.126	0	5,353
Company Value	0	92	0	0
Property, plant and equipment	0	0	0	51
Stocks	0	490	0	214
Other claims	15th	0	0	86
OCI reserve	46	0	0	0
IAS 19 Pension Obligations	481	0	442	0
Delimitation of personnel costs	26th	0	26th	0
Financial liabilities	0	222	0	0
total	566	4,930	468	5,704

The change in deferred taxes on actuarial gains / losses from defined benefit pension obligations in the amount of EUR 46 thousand (previous year: EUR -37 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.

20. 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	Order backlog	total
Acquisition / production costs				
Status 1.4.2018	6,931	2,051	16,030	25,012
Additions from company acquisitions	0	8th	938	946
Accesses	1,030	227	0	1,257
As of March 31, 2019	7,961	2,286	16,968	27,215
Accumulated depreciation				

in EUR thousand	Self-created software and licenses	Purchased software and licenses	Order backlog	total
Status 1.4.2018	3,745	1,551	2,996	8,292
Additions from company acquisitions	0	0	0	0
Accesses	1,088	228	4,383	5,699
As of March 31, 2019	4,833	1,779	7,379	13,991
Residual book values	3.128	507	9,589	13,224
Acquisition / production costs				
As of 04/11/2017	0	0	0	0
Additions from company acquisitions	5,943	1,745	16,030	23,718
Accesses	988	322	0	1.310
Departures	0	-16	0	-16
As of March 31, 2018	6,931	2,051	16,030	25,012
Accumulated depreciation				
As of 04/11/2017	0	0	0	0
Additions from company acquisitions	3.215	1,420	0	4,635
Accesses	530	147	2,996	3,673
Departures	0	-16	0	-16
As of March 31, 2018	3,745	1,551	2,996	8,292
Residual book values	3,186	500	13,034	16,720

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

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

As part of the initial application of IFRS 16, as of April 1, 2018, assets for rights of use to leased objects in the amount of EUR 8,682 thousand and lease liabilities in the amount of EUR 8,682 thousand were recognized. As of March 31, 2019, the following presentations were made in the consolidated balance sheet and the consolidated income statement:

in EUR thousand	March 31, 2019
ASSETS	
Long-term assets	
Rights of use - land and buildings	7,987
Rights of use - cars	1,446
Rights of use - other operating and office equipment	510
	9,943
LIABILITIES	
Long term debt	
Lease liabilities	8,277
Short term debt	
Lease liabilities	1,881
	10.158

Leasing in the consolidated income statement

in EUR thousand	2018/2019
Depreciation	
Depreciation on rights of use	2,051
Financial result	
Interest expenses from leasing liabilities	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 of use operating and office equipment	total
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	7,987	1,446	510	9,943

22. 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 1.4.2018	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
Additions from company acquisitions	0	0	0
Accesses	7th	1,155	1,162
Departures	0	20th	20th
As of March 31, 2019	50	8,424	8,474
Residual book values	60	2,892	2,952
Acquisition / production costs			
As of 04/11/2017	0	0	0
Additions from company acquisitions	49	9,207	9,256
Accesses	0	462	462
Departures	0	-88	-88
As of March 31, 2018	49	9,581	9,630
Accumulated depreciation			
As of 04/11/2017	0	0	0
Additions from company acquisitions	42	6,688	6,730
Accesses	1	648	649
Departures	0	-87	-87
As of March 31, 2018	43	7,249	7,292
Residual book values	6th	2,332	2,338

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

23. Goodwill

In the previous year, the goodwill acquired in the course of business combinations was allocated to the cash-generating units CONET and ACT in order to test for impairment. Due to internal restructuring of the group, the goodwill is now combined into a single cash-generating unit CONET. The goodwill newly acquired in the 2018/2019 financial year from the acquisition of the Babiel Group was also allocated here.

Goodwill developed as follows in the financial year:

in EUR thousand	Cash generating unit CONET	Cash-generating unit ACT	total
acquisition cost			
Status 1.4.2018	68,671	8,467	77,138
Access	8,264	0	8,264
Rebookings	8,467	-8,467	0
Exit	0	0	0
As of March 31, 2019	85.402	0	85.402
Cumulative Impairment			
Status 1.4.2018	0	0	0
Access	0	0	0
Exit	0	0	0
As of March 31, 2019	0	0	0
Residual book values	85.402	0	85.402
acquisition cost			
As of 04/11/2017	0	0	0
Access	68,671	8,467	77,138
Exit	0	0	0
As of March 31, 2018	68,671	8,467	77,138
Cumulative Impairment			
As of 04/11/2017	0	0	0
Access	0	0	0
Exit	0	0	0

in EUR thousand	Cash generating unit CONET	Cash-generating unit ACT	total
As of March 31, 2018	0	0	0
Residual book values	68,671	8,467	77,138

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 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 in 2017/2018 and 2018/2019 in March.

Cash generating unit CONET

The recoverable amount of the cash-generating unit CONET is determined on the basis of the calculation of the value in use using cash flow forecasts based on financial plans approved by management for a period of five years (previous year: three years). The discount rate before personal taxes used for the cash flow forecasts is 6.4% (previous year: between 7.2% and 7.6%). Cash flows after the period of three years are extrapolated using a growth rate of 1% (previous year: 1.12%). This growth rate corresponds to the long-term average growth rate of the industry plus company-specific features. The review showed

Cash-generating unit ACT

In the 2017/2018 financial year, the goodwill from the acquisition of the ACT Group was recorded in a separate cash-generating unit. The recoverable amount was determined on the basis of the calculation of a value in use using cash flow projections based on the financial plan approved by management for a period of one year. The pre-personal tax discount rate used for the cash flow projections was 7.5%. Cash flows after the one year period were extrapolated using a growth rate of 0.75%. This growth rate corresponded to the long-term average growth rate of the industry. 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 growth rate that is fundamentally possible at a reasonable level than the long-term growth rate of 1% (previous year: CONET 1.12% and ACT 0.75%) 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.

24. Financial assets and financial liabilities

24.1 Financial Assets

in EUR thousand	March 31, 2019	March 31, 2018
Financial assets measured at amortized cost		
Requests from deliveries and services	27,586	30,714
Contract assets	8,785	0
Other claims	1,498	1,443
Means of payment	6,345	15,352
Sum of financial assets	44.214	47,509
Sum short term	43,875	47,220
Sum long term	339	289

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.

24.2 Financial Liabilities

in EUR thousand	March 31, 2019	March 31, 2018
Long term interest bearing loans		
Senior term loan	79,805	71,641
Loan Tempus Holdings 24 Sarl	15,311	12,484
Employee participation rights	59	139
Sum of long-term interest-bearing loans	95,175	84.264

in EUR thousand	March 31, 2019	March 31, 2018
Short term interest bearing loans		
Revolving credit facility	3,500	0
Sum of short-term interest-bearing loans	3,500	0
Financial liabilities measured at fair value through profit or loss		
Contingent consideration (item 8)	3,685	4.215
Sum of the valued at fair value		
liabilities	3,685	4.215
Other financial liabilities at amortized cost except interest-bearing loans		
Credit card statements	0	10
Deferred interest long-term interest-bearing loans	0	551
Contract liabilities	4.016	0
Contract manufacturing liabilities	0	5,032
liabilities from goods and services	10,243	11,975
Other liabilities	10,180	7,345
Total other financial liabilities	24,439	24,913
Sum short term	24,439	24,524
Sum long term	0	389

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. Of this, EUR 83,000 thousand (previous year: EUR 75,000 thousand) (less transaction costs) had been drawn on as a term loan as of the balance sheet date. A further EUR 3,500 thousand (previous year: EUR 0 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 (19th

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

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 is dependent on the repayment of the purchase price liability by Tempus Holdings 24 Sarl, including accrued interest, the loan balance as of March 31, 2019 was EUR 1,489 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.

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 on the balance sheet date March 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 of March 31, 2019 was EUR 1,700 thousand.

24.3 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, 2019	Fair value March 31, 2019	Book value March 31, 2018	Fair value March 31, 2018
Financial assets				
Means of payment	6,345	6,345	15,352	15,352
requirements				
Requests from deliveries and services	27,586	27,586	30,714	30,714
Other receivables and assets	1,498	1,498	1,443	1,443
total	35,429	35,429	47,509	47,509
Financial liabilities				

in EUR thousand	Book value March 31, 2019	Fair value March 31, 2019	Book value March 31, 2018	Fair value March 31, 2018
long-term financial debt				
Floating Rate Loans	79,864	79,864	71,780	71,780
Fixed Rate Loans	15,370	15,370	12,484	12,484
Accrued interest	0	0	389	389
short term financial debt				
Money market credit	3,500	3,500	0	0
Accrued interest	0	0	162	162
Credit card statements	0	0	10	10
Contingent consideration	3,685	3,685	4.215	4.215
Contract liabilities	4.016	4.016	0	0
Contract manufacturing liabilities	0	0	5,032	5,032
liabilities from goods and services	10,243	10,243	11,975	11,975
Other liabilities	10,180	10,180	7,345	7,345
total	126,800	126,800	113.392	113.392

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 that was taken out shortly before the balance sheet date. 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.

24.4 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, 2019 and March 31, 2018.

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, 2019 and March 31, 2018, including the effect of any hedging relationship that may exist.

Interest rate risk

The 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, 2019, around 16% (March 31, 2018: 15%) of the Group's debt was 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
2018/2019	50	-379
2018/2019	-50	379
	Increase / decrease in basis points	Effects on earnings before taxes
		KEUR

	Increase / decrease in basis points	Effects on earnings before taxes
		KEUR
2017/2018	50	-4
2017/2018	-50	0

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 24.1. 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, 2019 and March 31, 2018 corresponds to the book values shown in Note 24.1.

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, 2019, around 24% (March 31, 2018: 25%) of the book value of the borrowed capital reported 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, 2019	Cash flows up to 1 year	Cash flows 1 to 5 years	Cash flows over 5 years
Financial liabilities				
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

Maturity analysis in EUR thousand	Book value March 31, 2018	Cash flows up to 1 year	Cash flows 1 to 5 years	Cash flows over 5 years
Financial liabilities				
long-term financial debt	84,654	0	139	84,515
short term financial debt	172	172	0	0
Contingent consideration	4.215	4.215	0	0
Payments received	5,032	5,032	0	0
Liabilities from goods and services	11,975	11,975	0	0
Other liabilities	7,345	7.181	164	0
total	113.393	28,575	303	84,515

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, 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).

As of March 31, 2018, three customers had open items worth more than EUR 1 million, which corresponded to just over 18% of the total receivables (excluding receivables from contract manufacturing).

Collateral

All of the Group's means of payment are in a security network to secure the purchase financing. As of March 31, 2019, the fair value of the cash provided as collateral amounted to EUR 6,344 thousand (previous year: EUR 15,352 thousand). The business partners are obliged to return the collateral to the group.

24.5 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, 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

	Long-term financial debt	Short-term financial debt	Total liabilities from financing activities
	KEUR	KEUR	KEUR
As of 04/11/2017	0	0	0
Cash flows			
capital			
Repayments	-20,000	-5.092	-25.092
admission	75,000	0	75,000
Transaction costs	-3,375	0	-3,375
interest	-1.002	0	-1.002
Changes not affecting payment			
Business combinations	139	5.102	5,241
Assumption of debt	32,484	0	32,484
interest	1,408	162	1,570
As of March 31, 2018	84,654	172	84,826

25. Inventories

Inventories mainly relate to hardware and purchased software.

In the financial year, an amount of EUR 5,129 thousand (previous year: EUR 3,621 thousand) from inventories recognized at net realizable value was recognized as an expense. This expense is shown under the cost of raw materials and supplies and for purchased goods.

26. Contract Assets

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

in EUR thousand	March 31, 2019
Short-term contract assets	8,785
Long-term contract assets	0
total	8,785

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

The contract assets were not written down.

27. 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, 2019, trade receivables with an original book value of EUR 218 thousand (March 31, 2018: EUR 74 thousand) were written down in full. The development of the allowance account is as follows:

in EUR thousand	March 31, 2019	March 31, 2018

in EUR thousand	March 31, 2019	March 31, 2018
As of 04/01	74	0
Additions from company acquisitions	0	89
Expense allocation	144	58
resolution	0	-73
As of March 31	218	74

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, 2019	March 31, 2018
As of 04/01	27	0
Additions from company acquisitions	12th	28
Expense allocation	4th	0
resolution	0	-1
As of March 31	43	27

As of March 31, 2019 and March 31, 2018, 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, 2019	27,586	218	25,861	933	322	69	183	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, 2018	30,714	74	28,509	1,810	194	17th	110	0

Please refer to Note 24.4 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.

28. Current income tax claims

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

in EUR thousand	March 31, 2019	March 31, 2018
Corporate income tax receivables and solidarity surcharge for the current year	240	130
Claims corporation tax and solidarity surcharge		
Previous years	115	881
Trade tax receivables for the current year	56	127
Trade tax receivables from previous years	121	0
total	532	1,138

29. Other claims

The other receivables are composed as follows:

in EUR thousand	March 31, 2019	March 31, 2018
Long-term other receivables		
Claims against personnel	70	44
Security deposits	108	107
Reinsurance	161	139
	339	290
Other short-term claims		
Claims against social security	74	52
Accounts receivable	189	23
Claims against personnel	18th	38
Claims against insurance companies	0	801
value added tax	868	185
other demands	10	55
	1,159	1,154
total	1,498	1,444

The other receivables are not overdue and have not been written down. As of March 31, 2019, there were no non-current assets from claims for damages.

30. Means of payment

The means of payment are made up as follows:

in EUR thousand	March 31, 2019	March 31, 2018
Bank balances (including short and medium term deposits)	6.336	15,348
Cash on hand	9	4th
total	6,345	15,352

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, 2019, the Group had committed, unused credit lines of EUR 11,500 thousand (March 31, 2018: EUR 15,000 thousand).

The Group has provided part of its short-term deposits as collateral. For further explanations, please refer to Note 24.3.

The cash and cash equivalents used for the purposes of the cash flow statement as of March 31, 2019 and March 31, 2018 correspond to the balance sheet item.

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 1,450 thousand
- Acquisition of Babiel GmbH against assumption of a conditional liability in the amount of EUR 1,700 thousand.

The following investment and financing transactions, for which no cash or cash equivalents were used, are included in the consolidated financial statements in the 2017/2018 financial year:

- Acquisition of CONET Technologies GmbH and its subsidiaries against assumption of liabilities in the amount of EUR 33,997 thousand
- Acquisition of ACT IT Holding GmbH and its subsidiaries against assumption of a conditional liability in the amount of EUR 4,215 thousand.

31. 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.

32. 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 14,334 thousand (March 31, 2018: EUR 24,186 thousand) relates to the capital reserve of the parent company CONET International Holding GmbH. 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). The capital reserve was provided in the amount of EUR 100 thousand in cash and the remainder (EUR 24,086 thousand) through contributions in kind from receivables from subsidiaries. In the 2018/2019 financial year, a total of EUR 9,852 thousand was repaid from the capital reserve.

OCI reserve

The OCI reserve results from other earnings after taxes. The OCI reserve relates exclusively to retained earnings. In the 2018/2019 financial year, this was withdrawn from the remeasurement of defined benefit pension plans in the amount of EUR 96 thousand (2017/2018: EUR 76 thousand added).

33. 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, 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
As of 04/11/2017	0	0	0	0	0	0
Acquisition of a subsidiary	78	34	180	0	30th	322
Utilization	0	0	-6	0	0	-6
resolution	0	0	0	0	0	0
Feed	0	0	0	0	0	0
As of March 31, 2018	78	34	174	0	30th	316
Of which in the short term	78	34	174	0	30th	316
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. 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.

34. 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, 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
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
As of 04/11/2017	0	0	0
Acquisition of a subsidiary	1,799	2,261	4,060
Utilization	-217	-435	-652
resolution	0	0	0
Feed	659	1.009	1,668
As of March 31, 2018	2,241	2,835	5,076
Of which in the short term	2,241	2,835	5,076
Of which in the long term	0	0	0

35. Contract Liabilities

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

in EUR thousand	March 31, 2019
Short-term advance payments for IT projects	4.016
Long-term advance payments for IT projects	0
total	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 revenue in the 2018/2019 financial year.

36. Lease Liabilities

The following table provides information on lease liabilities:

in EUR thousand	March 31, 2019
Short-term lease liabilities	1,881
Long-term lease liabilities	8,277
total	10.158

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

As of March 31, 2019

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

Minimum lease payments	Present value of minimum lease payments	Financial expense not yet realized for the entire duration	Total minimum lease payments
> 5 years			
KEUR	KEUR	KEUR	KEUR
3,271	3,205	1,935	12.092

37. 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 2018/2019 financial year totaled EUR 206 thousand (2017/2018: EUR 157 thousand) and represent the Group's contributions to this pension plan.

The Group employees endow 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 2018/2019 financial year totaled EUR 124 thousand (2017/2018: EUR 143 thousand) and represent the Group's contributions to this pension plan.

The Group employees endow 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 2018/2019 financial year totaled EUR 141 thousand (2017/2018: EUR 51 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, 2019	March 31, 2018
Present value of the defined benefit obligation as of April 1st.	3,536	0
Business combinations	0	3.814
Subtotal	3,536	3.814
Expenses for pension obligations recognized in profit or loss		
Current service cost	18th	1
Interest cost on DBO	49	42
Subtotal	67	43
Revaluation gains / losses recognized in other comprehensive income		
Actuarial gains (-) and losses from changes in demographic assumptions	22nd	0
from changes in financial assumptions	119	-66
Adjustments based on experience	27	-89
Subtotal	168	-155
Benefits paid	-140	-155
Past service cost	0	-11
Exchange rate-related change		0
Present value of the defined benefit obligation as of March 31	3,631	3,536

Change in plan assets

in EUR thousand	March 31, 2019	March 31, 2018
Fair value at the beginning of FY	1,967	0
Business combinations	0	2,084
Subtotal	1,967	2,084
Income recognized in profit or loss for plan assets		
Interest income	23	20th
Subtotal	23	20th
Gains / losses (-) from remeasurement recognized in other comprehensive income		
Income from plan assets (excluding amounts included in interest expense)	25th	-42
Subtotal	25th	-42
Actual pension and capital payments from plan assets	-78	-95
Fair value of plan assets as of March 31.	1.937	1,967

Change in the effect of the asset ceiling

in EUR thousand	March 31, 2019	March 31, 2018
Effect of the asset ceiling at the beginning of FY	2	0
Business combinations	0	4th
Subtotal	2	4th
Income recognized in profit or loss		
Interest on the effect of the asset ceiling	0	-2
Subtotal	0	-2
Revaluation gains / losses recognized in other comprehensive income		
Change in the effect of the asset ceiling (excluding amounts included in interest income)	-1	0
Present value of the effect of the asset ceiling on March 31.	1	2

Net obligation

in EUR thousand	March 31, 2019	March 31, 2018
Present value of the defined benefit obligation as of March 31	3,631	3,536
Fair value of plan assets as of March 31.	-1,937	-1,967
Present value of the effect of the asset ceiling on March 31.	1	2
Net obligation as of March 31	1,695	1,571

The plan assets essentially consist of reinsurance policies.

The pension obligations are also linked to reimbursement claims in the amount of EUR 160 thousand (March 31, 2018: EUR 139 thousand) from other reinsurance policies that do not qualify as plan assets.

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

in EUR thousand	March 31, 2019	March 31, 2018
Cumulative amount recognized in revenue reserves as of April 1st.	113	0
Amount recorded in the current year	-142	113
Cumulative amount recognized in revenue reserves as of March 31.	-29	113

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

Basic assumptions	March 31, 2019	March 31, 2018
	%	%
Discount rate	1.55	1.80
Future pension increases	1.00	1.00

The average term of the pension obligations is 13.3 years (2017/2018: 13.2 years).

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

in EUR thousand	2018/2019	2017/2018
Expenses for pension entitlements earned in the reporting year	18th	1
Actuarial gains (-) / losses	142	-113
Net interest expense	26th	20th
	186	-92

For the 2019/2020 financial year, the Group expects contributions to defined benefit pension plans totaling EUR 44 thousand (2018/2019: EUR 38 thousand).

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

in EUR thousand	March 31, 2019	March 31, 2018
within the next 12 months (next financial year)	143	141
Between 2 and 5 years	704	701
Between 6 and 10 years	798	751
Over 10 years	2,486	2,528
Total expected payouts	4.131	4.121

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.

Quantitative sensitivity analysis	Effects on the performance-related obligation	Effects on the performance-related obligation
in EUR thousand	March 31, 2019	March 31, 2018
Discount rate		
0.5% increase	-231	-226
0.5% decrease	256	251

38. 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 4,519 thousand (previous year: EUR 4,284 thousand).

39. Other liabilities

The other liabilities are made up as follows:

in EUR thousand	March 31, 2019	March 31, 2018
Personnel provisions HGB (vacation, bonuses, etc.)	6,441	4,960
Sales tax liabilities	2.007	1,026
Payroll tax liabilities	1,090	721
Social Security Liabilities	37	23
Payroll Liabilities	89	123
Other liabilities	516	492
Conditional purchase price liability	3,685	4.215
total	13,865	11,560

Of the other liabilities, EUR 184 thousand (March 31, 2018: EUR 276 thousand) are long-term. These earn interest.

40. Prepaid expenses

In the prior-year period, the accruals related to prepayments received by the Group for the service period from April 1, 2018 to March 31, 2019, which were recognized in income in the following year.

41. 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.

42. Information on related companies and persons

Information on the group structure, the subsidiaries and the holding company is provided in Note 7.

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	2017/2018	922	0	12,873
Tempus Holdings 23 Sarl	2017/2018	266	0	0
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

Loan of EUR 20.0 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 20,000 thousand. As part of an agreement with the seller, Tempus 24 Sarl had now assumed the obligations towards the seller and at the same time granted the group a loan in the same amount. The loan was unsecured. The interest on the loan was 1.25% up to October 1, 2017 and 5.25% thereafter. The interest was payable in full. The loan was repaid in March 2018.

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

Various loans Tempus Holdings 23 Sarl

Tempus granted 23 Sarl group companies various loans totaling EUR 39,639 thousand to finance the acquisition of CONET Technologies GmbH and ACT IT Holding GmbH. The loans were unsecured and were fully repaid in the first quarter of 2018. The interest rate was 1.3%.

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	2018/2019	2017/2018
Current payments of a fixed and variable type	3,263	1,595
Provision for (later) retirement benefits	17th	15th
Severance payments	309	230
total	3,589	1,840

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 20 thousand in the 2018/2019 financial year.

Management holdings

As of the balance sheet date, the executives of various group companies indirectly hold 9.0% 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 24 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.

43. 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. The new standard has no impact on the Group, as it does not act as an insurer.

IFRIC interpretation 23

Uncertainty regarding income tax treatment

The interpretation is to be applied to the accounting of income taxes according to IAS 12 if there are uncertainties regarding the income tax treatment. It does not apply to any tax or duty that is outside the scope of IAS 12 and does not contain provisions on interest and late payment penalties in connection with uncertain tax treatment. The interpretation deals in particular with the following topics:

- Decide whether a company should assess unsafe tax treatments individually

- Assumptions a business makes in relation to the tax authorities review of tax treatment
- Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- Taking into account changes in facts and circumstances

A company must determine whether to assess each unsafe tax treatment separately or in conjunction with one or more other unsafe tax treatments. In doing so, the approach should be chosen that enables the better prediction with regard to the resolution of the uncertainty. The interpretation is effective for reporting periods beginning on or after January 1, 2019. However, certain transition relief options can be used. The Group will apply IFRIC 23 from the date it comes into force. Since he works in an environment with complex tax framework conditions, the application of the interpretation could have effects on the consolidated financial statements and the required information.

Changes to IFRS 9: early repayment features that result in negative compensation

According to IFRS 9, a debt instrument can be measured at amortized cost or at fair value with no effect on income in other comprehensive income if the contractually agreed cash flows exclusively represent redemption and interest payments on the outstanding capital amount (so-called SPPI criterion) and the debt instrument is held as part of a business model that corresponds to this classification. The amendments to IFRS 9 clarify that a financial asset fulfills the SPPI criterion regardless of which event or circumstance causes the early termination of the contract and which contracting party pays or receives the appropriate remuneration for the early termination of the contract.

The changes are to be applied retrospectively for the first time on January 1, 2019. Earlier application is permitted. These changes have no effect on the consolidated financial statements.

Changes to IFRS 10 and IAS 28: Sale or contribution of assets by an investor to or in an associate or joint venture

The amendments address the inconsistency between the provisions of IFRS 10 and IAS 28 in connection with the loss of control over a subsidiary that is sold to or contributed to an associate or joint venture. The amendments clarify that the profit or loss from the sale or contribution of assets is to be recognized in full in such cases, provided that the assets represent a business operation within the meaning of IFRS 3. Any gain or loss from the sale or contribution of assets that do not constitute a business, are only to be recorded up to the amount of the share of the unaffiliated other investors in the associated company or joint venture. The IASB has postponed the initial application of these amendments indefinitely. In the event of early application, these changes must be applied prospectively. The Group will apply these changes as soon as they come into effect.

Changes to IAS 19: plan adjustments, plan curtailments or plan settlements

The changes to IAS 19 concern the accounting for plan adjustments, reductions or settlements that are made during a reporting period. They specify that a company has to determine the following after a plan adjustment, curtailment or settlement in the course of a financial year:

- the current service cost for the part of the reporting period remaining after the plan adjustment, curtailment or settlement, using the actuarial assumptions used to revalue the net debt (net assets) from defined benefit plans. The net debt (or net assets) shows the benefits granted under the plan and the plan assets after the time the event occurred.
- the net interest expense for the portion of the reporting period remaining after the plan adjustment, curtailment or settlement, using the net debt (net assets) from defined benefit plans that corresponds to the benefits granted under the plan and the plan assets after the occurrence of the event, and the discount rate that will be used in revaluing that net debt (assets)

The changes also make it clear that any past service cost or profit / loss from a plan settlement must first be determined without taking into account the effects of the asset ceiling. The amount determined in this way is to be recognized in profit or loss. The next step is to determine the effects of the asset ceiling after the plan has been adjusted, reduced or settled. Any discrepancies in relation to these effects must be recognized in other comprehensive income, minus the amounts included in net interest.

The amendments to IAS 19 are to be applied to plan adjustments, curtailments or settlements that take place at or after the beginning of the first financial year, which begins on or after January 1, 2019. Early application is permitted. They only apply to plan adjustments, reductions or settlements that will be made by the Group in the future.

Changes to IAS 28: Long-term Investments in Associates and Joint Ventures

The changes specify that a company has to apply IFRS 9 to long-term shares in an associate or joint venture to which the equity method is not applied, but which are de facto part of the net investment in the associate or joint venture (long-term shares). This clarification is relevant as it implies that the model provided for in IFRS 9 in relation to expected credit losses is applicable to such long-term interests.

The amendments also specify that when applying IFRS 9, an entity does not take into account losses of the associate or joint venture or impairment losses on the net investment that are recognized as adjustments to the net investment in the associate or joint venture resulting from the application of IAS 28 Investments to associated companies and joint ventures.

The changes are to be applied retrospectively for the first time on January 1, 2019. Earlier application is permitted. As the Group does not have such long-term shares in associated companies and joint ventures, the changes will not have any effect on the consolidated financial statements.

Annual improvements (2015-2017 cycle; published in December 2017)

The improvements relate to the following standards:

- IFRS 3 Business Combinations

The amendments specify that a company that gains control over a business operation that constitutes a joint operation must apply the rules for a successive business combination, including the revaluation of previously held shares in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer reassesses his entire previously held share in the joint operation.

A company applies these amendments to business combinations where the acquisition date falls on or after the beginning of a fiscal year beginning on or after January 1, 2019. Early application is permitted. These changes will affect future business combinations of the Group.

- IFRS 11 Joint Arrangements

A party that is involved in a joint operation, but not in its joint control, could acquire joint control of such a joint operation, the activity of which constitutes a business operation within the meaning of IFRS 3. The amendments specify that the previously held shares in this joint operation are not to be revalued.

A company must apply these changes to transactions in which it acquires joint control at the beginning of the first financial year beginning on or after January 1, 2019, or thereafter. Early application is permitted. These changes do not currently apply to the Group, but may apply to transactions in the future.

- IAS 12 Income Taxes

The amendments specify that the income tax consequences of dividends are more directly linked to past transactions or business transactions that generated distributable profits than to distributions to shareholders. A company therefore accounts for the income tax consequences of dividends in the income statement, in other comprehensive income or in equity, depending on where the company originally recorded these past transactions or business transactions.

These changes are to be applied for fiscal years beginning on or after January 1, 2019, but earlier application is permitted. For the first time, a company is applying these changes to the income tax consequences of dividends recognized at or after the beginning of the earliest comparison period shown. As the Group's current approach is in line with these changes, the Group does not expect any effects on its consolidated financial statements.

- IAS 23 Borrowing Costs

The amendments clarify that an entity should treat debt capital originally raised to develop a qualifying asset as part of general debt if all of the activities required to prepare that asset for its intended use or sale are in Essentially complete

A company must apply these changes to borrowing costs that occur on or after the beginning of the fiscal year in which the company first applies the changes. The changes apply to fiscal years beginning on or after January 1, 2019, but earlier application is permitted. Since the Group's current approach is in line with these changes, it does not expect any effects on its consolidated financial statements.

44. Executive bodies of CONET International Holding GmbH

Managing directors

In the 2018/2019 financial year, the management team included:

Ms. Anke Höfer, CEO, Koenigswinter, Germany

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

Advisory Board

In the 2018/2019 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

45. Auditor's fees

In the reporting period, expenses of EUR 40 thousand were recorded as expenses for the audit of the consolidated financial statements.

in EUR thousand	2018/2019	2017/2018
Audit services	40	40
Other certification services	0	0
Tax advisory services	0	0
Other services	0	361
total	40	401

46. 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

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, 2018:

- CONET International GmbH
- CONET Technologies Holding GmbH
- CONET Technologies GmbH
- CONET Solutions GmbH
- CONET Services GmbH
- CONET Business Consultants GmbH

47. Events after the reporting period

Up until the release of the consolidated financial statements in the new financial year, there have been no special events that need to be reported.

Hennef, August 23, 2019

Anke Höfer, managing director

Josef Ranner, managing director

Group management report for the financial year from April 1, 2018 to March 31, 2019

Table of Contents

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 therefore optimally able to handle both individual support in special solution fields and large-volume project orders for customers from a single source.

The object of CONET Technologies Holding GmbH is the acquisition, integration and management of investments in the CONET Group.

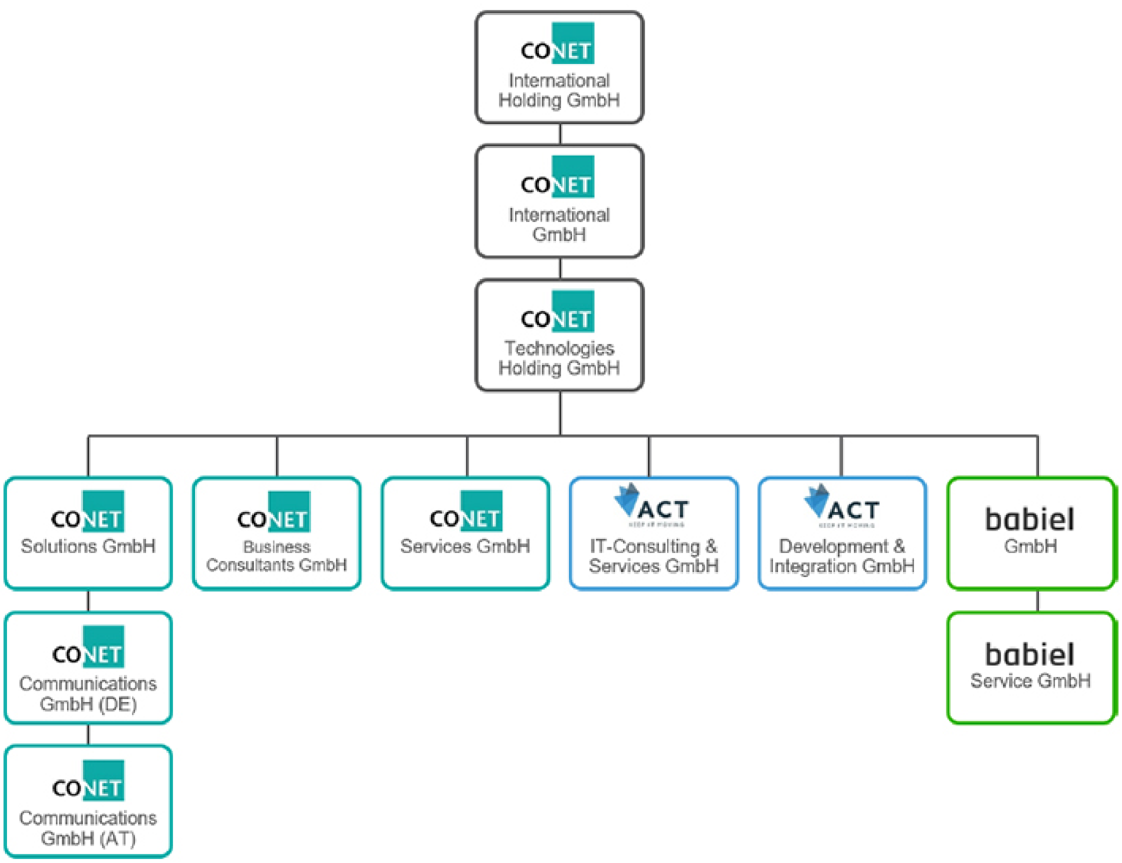
The main areas of activity in the past financial year were as follows:

- Operational support of the subsidiaries in administrative tasks through the centralization of supporting processes such as accounting, personnel administration, marketing and purchasing
- Strategy review and further development of the group based on value-based corporate development
- further optimization of cooperation within the group
- 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 AG (100%)
    - ACT Development & Integration GmbH (100%)
    - Babiel GmbH (100%)
    - Babiel Service GmbH (100%)

Individual companies and service portfolio of the CONET Group:



CONET Solutions GmbH

CONET has been successfully 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 optimally 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 innovative, secure and economical IT with individual solutions and qualified services.

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 100 specialists and has its headquarters in Düsseldorf as well as further locations in Berlin and Vienna.

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.

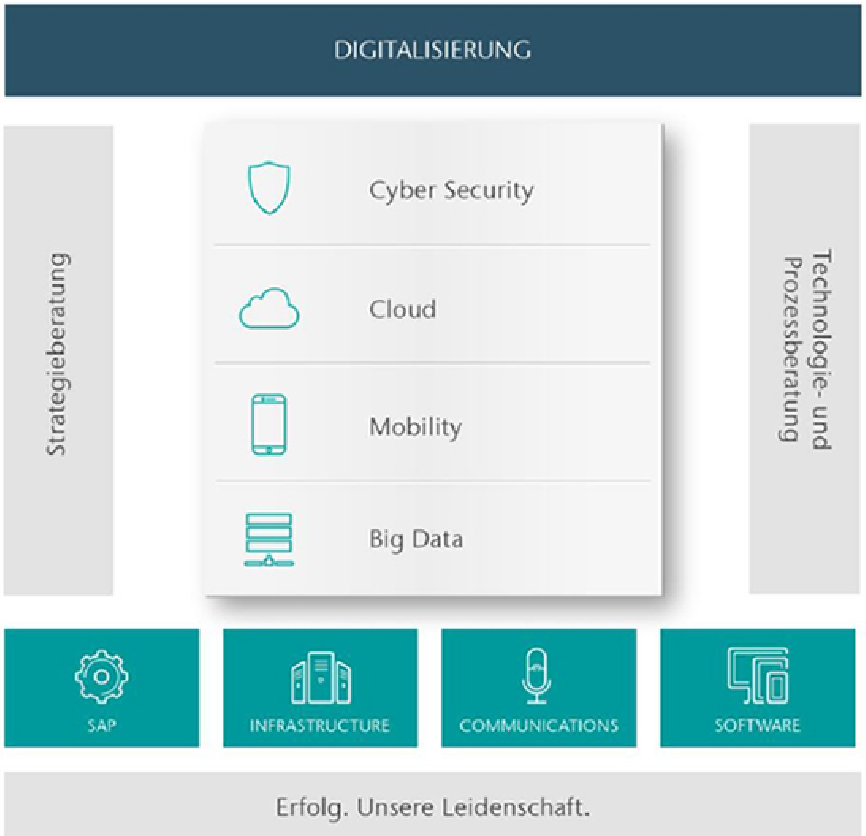


Figure 1: CONET portfolio: This is what we stand for

Cyber security

CONET accompanies you on the way to secure digital transformation! Comprehensive IT security consulting, strong solutions for operational IT security and reliable managed security ensure your long-term business success.

The cyber security portfolio from CONET at a glance:

- Security Operations Center (SOC)
- Secure IT Infrastructures
- Cloud security
- Identity & Access Management (IAM)
- Privileged User Management (PUM)
- Information Security Management System (ISMS)
- IT governance
- IT Security Consulting, Operational IT Security & Managed Security

An integrated cyber security strategy secures your valuable resources from data and applications to systems and architectures!

Every effective strategy begins with vendor-neutral and solution-oriented advice. IT Security Consulting from CONET already takes into account the requirements and possibilities of the customer environment, best practices, industry specifications and legal obligations when identifying and designing suitable solutions, but does not lose sight of practicality and user experience.

The best concept, however, cannot improve your IT security if its implementation in the processes and systems is not consistently pursued and accompanied. We understand operational IT security as the sum of our realization and implementation services for more security in your organization - from the introduction and configuration of appropriate standard tools or special solutions to documentation and continuous optimization of your security architecture.

In view of the increasing complexity and criticality of cyber threats as well as protective measures and security tools, despite the support of external experts, many organizations find it increasingly difficult to guarantee adequate protection or the necessary responsiveness on their own. Especially for medium-sized or official customers, CONET takes over the operation of your security as Managed Security - whether with our own employees on site or as a service within our own Security Operations Center.

Cloud

CONET works with you on answers that really advance your IT management, because if understood correctly, cloud computing can reduce costs, increase flexibility and availability and at the same time conserve internal and external resources.

Together with our customers, we develop suitable cloud computing strategies. We advise independent of the manufacturer and select the suitable components that are best suited for your company, especially with regard to security aspects and compliance. Through the interaction of the existing IT infrastructure, including already virtualized services and automated processes, CONET creates the ideal basis for utilizing the full potential of cloud computing.

CONET offers the following cloud computing services:

- manufacturer-independent advice
- Development of cloud infrastructures: public, private and hybrid
- Integration of cloud services
- Provision of cloud services

CONET's cloud computing services include the following:

- Advice and planning for building cloud infrastructures (Microsoft, Microsoft Office 365, Novell, SUSE OpenStack Cloud, VMware, Citrix)
- Drafting of specifications for setting up multi-tenant cloud data centers
- Automation of data center infrastructures
- Integration of cloud services into company processes
- Expansion of on-premise solutions through integrated cloud services
- Interface management between companies and cloud service providers

CONET has extensive experience in creating cloud computing concepts based on ITIL. For setting up and operating secure virtual environments, CONET offers individual solutions for process optimization and needs-based and energy-efficient use of IT resources.

Mobility

The digital transformation is changing the world of life and work. Working is becoming increasingly mobile, independent of location, time and media. But mobility does not arise in everyday business at the push of a button - it arises from the right strategy, suitable processes, powerful infrastructures and mobile apps.

In a special cross-departmental and cross-technology team of experts, CONET develops contemporary strategies and solutions for your mobility challenges:

- Business process consulting with conception, evaluation and optimization of mobile business processes
- Consulting, selection, introduction and operation of suitable infrastructure components, platforms, interfaces and management tools
- Individual development and advice on the use of apps, for example for collaboration, sales / field service, personnel, logistics, real estate management and controlling
- Security and network solutions for the management and control of mobile access while ensuring compliance and IT security

Big data

Companies and organizations today have vast amounts of data at their disposal. They can be used to assess developments, initiate measures and improve processes - if it is possible to process, filter and evaluate them accordingly!

Often, however, the right approach is already missing - which information sources and data are really relevant, how should they be recorded and processed and how can added value really be made tangible and realized? Here CONET offers you a structured approach that first identifies potential use cases, accompanies manageable pilot projects and derives further meaningful steps from this in order to master the data chaos.

CONET supports you in determining strategic goals and measures for your data management and in identifying and integrating the right tools. With targeted preparation, analysis and reporting, we turn your data into information.

Based on many years of experience in the storage, management and preparation of data flows, business analytics & business intelligence and the integration of information systems into business processes and specialist applications, we are your ideal partner for big data management and big data analytics.

Consulting

Holistic IT consulting and business consulting from CONET do not end at technology, system or departmental boundaries. Our cross-sectional competence teams for business consulting and IT consulting - consisting of CONET experts with different backgrounds, technical expertise and industry experience - take on these challenges and advise companies and organizations not only technically, but also from a technical, procedural and strategic perspective and instead of individual solutions keep an eye on the big picture:

- strategy
- architecture
- method
- technology

CONET advises vendor-neutral, solution-oriented and flexible according to your requirements and customer wishes. As experts for all leading process models, methods and architectures such as BPMN, ITIL, TOGAF or NAF, the CONET consulting specialists ensure efficiency, consistently high service and compliance with all relevant quality and procedural standards.

Analysis, evaluation & conception

CONET follows a proven methodology for every fundamental analysis and evaluation of existing IT and process landscapes.

Based on the existing solutions and the technical requirements, our specialists create concepts and studies that explain in a nutshell what is important in a future IT solution, which features you actually need and which expansion options are available.

If necessary, this is followed by the evaluation of different technologies, which makes it easier for you to decide between expanding your existing IT infrastructure or a complete reorientation and supports the selection of suitable hardware and software in a targeted and provider-neutral manner. Our services at a glance:

- Analysis of the existing infrastructure
- Analysis and definition of the requirements
- Conception and implementation of study projects

- manufacturer-independent evaluation of solutions and products
- Support in the selection and acquisition of software and hardware

Tender management

As an IT systems and consulting company, we know the challenges and pitfalls that European law and national requirements hold in store from our own experience in numerous bidding processes. As an IT partner for the public administration, we set ourselves the goal of making this know-how available to our customers at an early stage.

Use our experience for your projects:

- Which aspects are of particular importance in IT project tenders?
- How do you put your requirements together in a specification sheet so that you ultimately get the solution that you actually need?
- How should a conclusive evaluation of the offers take place within the framework of the award?
- Which work packages, technical components and customary conditions are hidden behind the selected formulations?

Project management

Tight budget constraints, limited human resources and the often difficult to understand technical know-how that is required for IT projects present project managers with ever new challenges.

In day-to-day work, these factors can mean that instead of the actual tasks, complex planning and routine activities make targeted control in the project more difficult. External partners can provide effective support here. For us, project management is a central part of daily business. We are happy to make our wealth of experience available to you and offer you:

- Approach models that have proven themselves in practice
- structured approach based on tried and tested process descriptions
- flexible processes and individual advice tailored to the needs and requirements of each individual project
- Planning and organization of personnel capacities, technical expertise and all other aspects of "daily doing" in the project

Training center

In our training center, you will learn how to professionally manage projects of all sizes, plan and implement management systems sensibly, and improve the quality of your company data quickly and efficiently. With our qualified training in the areas of ITIL, PRINCE2 and PMI, we provide you with the necessary know-how for the success of your projects and your day-to-day IT business. In addition, we hold individual workshops on all aspects of IT operations. Whether for beginners or advanced, compact weekend seminars or a workshop combined according to your needs in an in-house format - with us you will find the right training and further education opportunity.

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.

1.2.1 Organs

Managing directors

As of March 31, 2019, 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 four-member advisory board of CONET Technologies Holding GmbH consists of Mr. Holger Kleingarn, Christian Kraul-von Renner, Philipp Kalveram and Lutz Heuser.

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. In addition, it is planned that Mr. Heuser will not take part in all advisory board meetings, but as a rule in four meetings a year in which the strategic, technological orientation of the CONET Group is the focus of the respective meeting.

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 the 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 consulting portfolio therefore requires constant development and continuous improvement in order to continue to meet market developments and customer requirements in the future.

By investing in the establishment of a "Security Operations Center", customers are to be offered a high-performance security managed service in the future in order to counter the increased IT security challenges and the existing shortage of skilled workers in this field.

In addition, investments in the field of artificial intelligence are planned, for example, in order to be able to meet customer requirements in the context of Industry 4.0, digitization and security.

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

In the area 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 solution approaches. 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 networking of the most diverse communication media and end devices, which is additionally fueled by demographic developments, requires such an implementation so that the control center employees can control the variety of possibilities for communication with the emergency services and those seeking help. In the past financial year, this was precisely the focus in the further development of the UCRS.

This focus was flanked with the extensions in the area of the core of the solution by increasing the availability. For example, n-by-m availability with multi-level fall-back levels was further developed, which allows the user to meet his requirements

to meet the so-called five-nines (99.999%) or higher availabilities. Other peripheral disciplines such as security and mobility are also heavily taken into account in the solution design and seamlessly integrated into the UCRS via the connector concept.

In total, the CONET Group invested 3.2 million euros or 2.5% of sales in research and product development between April 2018 and March 2019. In total, just over 1.0 million euros in development costs were capitalized. This corresponds to an activation rate of 31%. In the past financial year, EUR 1.1 million on capitalized development costs was amortized as planned.

1.5 Corporate governance guidelines

CONET has its own, unmistakable identity, which is laid down in the corporate constitution.

It defines our guiding principles, our mission, our vision and sets common rules for working together at CONET - our culture.

Für eine detaillierte Beschreibung verweisen wir auf die Ausführungen auf unserer Internetseite: www.conet.de.

2 Wirtschaftsbericht

2.1 Gesamtwirtschaftliche und branchenbezogene Rahmenbedingungen

Gesamtwirtschaftliche Rahmenbedingungen

Die deutsche Wirtschaft befindet sich weiterhin in einem kräftigen Aufschwung. Mit dem erneut deutlichen Wachstum in diesem Jahr nimmt das Bruttoinlandsprodukt bereits das zehnte Jahr in Folge zu. Der Aufschwung stützt sich mittlerweile auf eine breite binnen- und außenwirtschaftlich fundierte Basis, wobei der aktuelle außenwirtschaftliche Gegenwind die konjunkturelle Grunddynamik nur verlangsamt. Die Beschäftigung, die Einkommen und damit die Konsummöglichkeiten der Bürgerinnen und Bürger nehmen spürbar zu. Die Unternehmen exportieren lebhafter und investieren weiterhin stark. Trotz Fachkräfteengpässen in einzelnen Berufsfeldern ist derzeit kein Ende des Aufschwungs absehbar. Für das Jahr 2019 erwartet die Bundesregierung eine Zunahme des preisbereinigten Bruttoinlandsprodukts in Höhe von 1,0 Prozent. Damit setzt sich der Aufschwung weiterhin fort.

Der Beschäftigungsaufbau dürfte durch das knapper werdende Arbeitskräfteangebot weiterhin weniger schwungvoll verlaufen. Für Arbeitgeber ist es in vielen Branchen und Regionen schwieriger, die offenen Stellen in ihren Unternehmen erfolgreich zu besetzen. Die gesamtwirtschaftliche Entwicklung bleibt jedoch robust. Bei allen Erfolgen der Vergangenheit ist zu beachten, dass sich die wirtschaftlichen Chancen und Risiken im Laufe der Zeit geändert haben. Gegenwärtig kommt der Digitalisierung von Wirtschaft und Gesellschaft eine herausragende Bedeutung zu.

Branchenbezogene Rahmenbedingungen

Der Gesamtmarkt der Informations- und Telekommunikationstechnologie (ITK) hat sich nach Angaben des BITKOM im Jahr 2018 von rund 152,7 Mrd. Euro auf 156,5 Mrd. Euro gesteigert. Für das Jahr 2019 ist nochmals ein Wachstum von 1,9 % zum bereits guten Vorjahr prognostiziert.

In den für die CONET-Gruppe besonders relevanten Segmenten „Software“ und „IT-Dienstleistungen“ betrugen die Zuwächse 1,4 Mrd. Euro (+6,3 %) beziehungsweise 0,9 Mrd. Euro (+2,3 %) auf 24,4 Mrd. Euro beziehungsweise 39,9 Mrd. Euro und legen damit im Vergleich zum Vorjahr überdurchschnittlich zu.

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. As in previous years, sales in the German management consulting industry increased again by 7.3% in 2018. The sector of strategy, organization, IT and human resources consultants increased total sales to EUR 33.8 billion by the end of 2018 (2017: EUR 31.5 billion). For the current year 2019, the branch association is expecting another increase in sales of approx. 7.1% to 36.2 billion euros.

The consulting field "organization and process consulting", which is particularly relevant for the CONET Group, was slightly below the industry average (6.8%) compared to the previous year, while "IT consulting" developed better than the industry average (8, 4%).

The second highest growth in 2018 was recorded by the consulting field “IT consulting”, which is relevant for CONET, with 8.4 percent. The share remained almost constant at 21.8% (2017: 21.6%), which corresponds in absolute terms to a sales volume of 7.37 billion euros (2017: 6.8 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 2018 in the field of "organizational and process consulting". The segment growth was 6.8%. With a percentage share of 43.8% of the total market, a total of 14.80 billion euros were turned over (2017: 13.9 billion euros). Around half of the segment's sales were attributable to projects with the topic of "project management".

ChannelPartner, a company of the media and analyst house IDG Business Media, which also publishes leading IT specialist magazines such as Computerwoche and CIO, again identified the best system houses in 2018. In the current Computerwoche system house survey, around 1,000 customers rated the performance of their IT service providers in more than 3,500 individual projects. With a grade of 1.35, CONET achieved second place in the category "Medium-sized system houses with income of 50 to 250 million euros per annum" after a large jump from 10th place in the previous year.

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.

The figures for the 2019/18 financial year are not comparable with those of the previous year due to the acquisition of the CONET subgroup during the year and the ACT subgroup in the 2017/2018 financial year.

	2019/18	2017/18	change
Consolidated Group BWA for the period	in € thousand	in € thousand	in € thousand
Sales	128,667	62,246	66,421
Other own work capitalized	1,030	988	42
Overall performance	129,697	63.234	66,463
other income	591	1,031	-440
Use of materials	-49,019	-23,921	-25,098
Gross profit I	81,269	40,344	40,925
Personnel costs	-52,751	-24,787	-27,964
Gross profit II	28,518	15,557	12,961
Other operating expenses	-12,125	-10,941	-1,184
Impairment of financial assets including reversals	-148	0	-148
Other taxes	-60	-123	63
EBITDA (earnings before interest, taxes, depreciation and amortization)	16,185	4,493	11,692
Depreciation	-8,912	-4,321	-4,591
EBIT (earnings before interest and income taxes)	7,273	172	7.101
Financial result	-6,472	-1,552	-4,920
EBT (earnings before income taxes)	801	-1,380	2,181
Taxes on income and earnings	-118	-1,559	1,441
Annual net income / loss	683	-2,939	3,622

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

2.2.1 Sales and total output

The CONET Group achieved consolidated sales of EUR 128,667 thousand in the past financial year (previous year: EUR 62,246 thousand). The increase over the previous year is only of limited information due to the acquisition of the CONET Group and the ACT Group in the previous year. The total output in the group amounts to KEUR 129,697 (KEUR 63,234). 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 1,030 thousand (previous year: EUR 988 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 2018/2019 financial year was EUR 81,269 thousand (previous year: EUR 40,345 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 52,751 thousand (previous year: EUR 24,787 thousand). Gross profit II amounts to EUR 28,518 thousand (previous year: EUR 15,558 thousand).

In the 2018/2019 financial year, the CONET Group generated a share of 21.99% (previous year: 24.60%) gross profit II from the total output achieved.

2.2.4 EBITDA

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

The comparatively high other operating expenses result to a not inconsiderable part from legal and consulting costs in connection with restructuring within the CONET Group.

After deducting other operating expenses, EBITDA in the group was EUR 16,185 thousand (previous year: EUR 4,493 thousand). The significant improvement in EBITDA compared to the previous year results in part from the first-time application of IFRS 16 (Leases) in financial year 2018/19 and from the acquisition of the CONET subgroup and the ACT subgroup in the previous year. As a result of the first-time application, there is an elimination of rental and leasing expenses. In return, depreciation and interest expenses increased considerably.

2.2.5 Annual surplus / deficit

The depreciation of EUR 8,912 thousand (previous year: 4,321) relates to an amount of EUR 2,051 thousand in depreciation on values in use due to the first-time application of IFRS 16 (leases). The remaining depreciation consists of around 83% (previous year: 85%) from depreciation on self-created and acquired intangible assets and 17% (previous year 15%) from depreciation on property, plant and equipment. Property, plant and equipment mainly relate to factory and office equipment. The comparatively high amortization 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 the CONET Group as well as interest expenses due to the first-time application of IFRS 16 (leases).

Earnings before taxes (EBT) of EUR 801 thousand (previous year: EUR -1,380 thousand) are largely characterized by legal and consulting costs of the holding companies, which, as a result, show negative results before income taxes, while the operating companies have clearly positive results before income taxes have earned.

Taxes on income and earnings of EUR 118 thousand result from a balance of EUR 1,225 thousand current tax expenses less income from the reversal of deferred taxes in the amount of EUR 1,107 thousand. The current tax expenses take into account the good annual results of the operating companies in the 2018/2019 financial year.

Overall, the result at the group level was an annual surplus of EUR 683 thousand (previous year: net loss of EUR -2,939 thousand), which in both years was characterized by expenses from the acquisition of the CONET Group.

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:

	2018/2019		2017/2018		
assets	in € thousand	%	in € thousand	%	change
Intangible assets	98,626	61.7%	93,858	63.2%	4,768
Usage values	9,943	6.2%	0	0.0%	9,943
Property, plant and equipment	2,952	1.8%	2,338	1.6%	614
Other claims	339	0.2%	289	0.2%	50
Deferred taxes	566	0.4%	468	0.3%	98
Long-term tied assets	112,426	70.3%	96,953	65.3%	15,473
Stocks	1,898	1.2%	2,332	1.6%	-434
Receivables and other assets	39,145	24.5%	33,803	22.8%	5,342
Short-term assets	41,043	25.7%	36,135	24.4%	4,908
Liquid funds	6,345	4.0%	15,352	10.3%	-9.007
	159.814	100.0%	148,440	100.0%	11,374

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

The long-term assets of the CONET Group amount to a total of KEUR 112,426 (previous year: KEUR 96,953) and thus correspond to a share of the total assets of 70.3% (previous year: 65.3%). The year-on-year increase of EUR 15,473 thousand results primarily from the acquisition of Babiel GmbH and the accounting for values in use from leases in accordance with IFRS 16.

As in the previous year, the majority of the long-term assets are intangible assets. The intangible assets in the amount of KEUR 98,626 (previous year: KEUR 93,858) relate to KEUR 85,402 (previous year: KEUR 77,138) mainly to goodwill. In addition, the intangible assets relate to internally generated software and licenses (EUR 3,128 thousand), order backlogs recognized as part of company acquisitions (EUR 9,589 thousand) and software and licenses acquired against payment (EUR 507 thousand). As part of the first-time application of IFRS 16, values in use from leases in the amount of EUR 9,943 thousand were recognized as of March 31, 2019.

The goodwill arose from the consolidation of the CONET subgroup, the ACT subgroup and Babiel GmbH. 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 1,030 thousand were offset by scheduled depreciation of EUR 1,088 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 978 thousand were offset by depreciation of EUR 1,155 thousand.

The other (long-term) receivables of EUR 339 thousand mainly relate to reinsurance policies and deposits not qualified as plan assets.

The short-term assets amounting to EUR 41,043 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 KEUR 39,145 contain mostly trade accounts receivable at KEUR 27,586 and contract assets at KEUR 8,785. 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 1,159 thousand), current income tax claims (EUR 532 thousand) and prepaid expenses (EUR 1,083 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:

	2018/2019		2017/2018		
liabilities	in Ts €	%	in € thousand	%	change
Equity	12,083	7.6%	21,348	14.4%	-9,265
accruals	1,695	1.0%	1,571	1.1%	124
Financial liabilities	95,175	59.5%	84,654	57.0%	10,521
Lease liabilities	8,277	5.2%	0	0.0%	8,277
Deferred taxes	4,930	3.1%	5,704	3.8%	-774
Long-term liabilities	110,077	68.8%	91,929	61.9%	18,148
accruals	801	0.5%	316	0.2%	485
Financial liabilities	3,500	2.2%	172	0.1%	3,328
Lease liabilities	1,881	1.2%	0	0.0%	1,881
Trade payables	10,243	6.4%	11,975	8.1%	-1,732

	2018/2019		2017/2018		
liabilities	in Ts €	%	in € thousand	%	change
Remaining debts	21,229	13.3%	22,700	15.3%	-1,471
short-term borrowed capital	37,654	23.6%	35.163	23.7%	2,491
	159.814	100.0%	148,440	100.0%	11,374

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

Equity amounts to 7.6% (previous year: 14.4%) of the balance sheet total. The reduction in equity by EUR 9,265 thousand compared to the previous year results mainly from a repayment of capital reserves to the shareholder of the parent company in the financial year.

The long-term debt in the amount of EUR 110,077 thousand mainly relates to financial liabilities and leasing liabilities. Due to the first-time application of IFRS 16 (Leases), these were accounted for for the first time.

The long-term financial liabilities represent 68.8% (61.9%) of the balance sheet total. They essentially relate to various loans that are used to finance the acquisition of the CONET subgroup, the ACT subgroup and Babiel GmbH. The loans are bullet and have a remaining term of more than five years.

In addition to trade payables (EUR 10,243 thousand), short-term borrowings essentially include other liabilities (EUR 13,865 thousand), contract liabilities (EUR 4,016 thousand), current income tax liabilities (EUR 3,348 thousand) and financial liabilities (EUR 3,500 thousand).

In addition to goods and services invoiced by third parties (EUR 5,724 thousand), the trade payables also include accruals of (EUR 4,519 thousand).

The other liabilities essentially relate to contingent purchase price liabilities from company acquisitions (EUR 3,685 thousand) as well as accruals from the personnel area (EUR 6,441 thousand).

2.4 Financial position

2.4.1 Financing Analysis

As of March 31, 2019, long-term and short-term financial liabilities amounted to EUR 98,675 thousand. They result almost exclusively from the financing of company acquisitions.

The liquid funds of the CONET Group amounted to EUR 6,345 thousand as of the reporting date and amount to 4.0% (previous year: 10.3%) of the assets.

The net debt (interest-bearing liabilities less cash and cash equivalents) at the end of the financial year was EUR 92,330 thousand.

The financial liabilities of EUR 98,675 thousand consist of 96.5% (EUR 95,175 thousand) of long-term liabilities and 3.5% (EUR 3,500 thousand) of 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, 2019, the cash and bank balance was EUR 6,345 thousand.

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

	2019/18	2017/18	change
	in € thousand	in € thousand	in € thousand
Cash generated from operations	399	3,781	-3,382
Cash flow from investing activities	-8,880	-59,174	50.294
Cash flow from financing activities	-526	70,744	-71,271
cash changes in financial resources	-9.007	15,352	-24,359
Cash funds at the beginning of the period	15,352	0	15,352
Cash funds at the end of the period	6,345	15,352	-9.007

The CONET Group was solvent at all times in the 2018/2019 financial year. The CONET Group has a further credit line of around EUR 11,500 thousand.

2.5 General statement on the economic situation

Despite the diverse events in the 2018/2019 financial year

- Merger of CONET Technologies Holding GmbH into CONET Technologies Holding GmbH
- Merger of ACT IT Holding with CONET Technologies Holding GmbH
- Merger of ACT Expert Services GmbH with CONET Services GmbH
- Acquisition of Babiel GmbH
- Outsourcing of the “Communications” division from CONET Solutions GmbH to CONET Communications GmbH.
- Integration of the new ACT companies

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

Employee

Our employees are our most valuable capital. Your know-how and your motivation drive our business forward. They are the ones that our customers trust. 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.

Together with our employees, we create the right working environment for this success. Appreciation in the CONET Group means that commitment also pays off in special employer contributions. We show trust by giving each other a lot of freedom in their daily work. 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.

70 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.

TOP JOB / innovation award - with customers

"Top Job" seal for outstanding employer qualities

External surveys and awards also confirm the excellent employee orientation, promotion and loyalty: In February 2019, CONET was recognized as the best employer in its size category nationwide in the “Top Job” employer competition and received the corresponding seal on February 22nd in Berlin of the former Federal Minister of Economics, Wolfgang Clement. The “Top Job” mentor particularly praised CONET for its strategic focus on securing skilled workers and the continuous development of its qualities as an employer. For CONET, after 2010, 2013 and 2016, it is already the fourth award as a top employer among medium-sized companies.

With the “Top Job” seal of quality, the Center for Employer Attractiveness zeag GmbH awards companies that have made a remarkable contribution to a healthy workplace culture. This is reflected in the quality of management work and the associated high level of job satisfaction within the workforce.

In the nationwide employer comparison "Top Job", which has been carried out since 2002, CONET was particularly impressive in the areas of leadership, a culture of trust and communication. The work-life balance also makes a strong impression on the IT service provider. Individually agreed working time models, for example, make it easier to get work and family under one roof, flexible working hours, home office or time off create space for individual life plans. The health management system, which has been successfully established for five years, shows that the focus at CONET is on people.

Customers

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. When asked, 'Would you recommend CONET to others?' to answer 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 extremely 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. CONET has always achieved good places in category 2 "Medium-sized system houses with income of 50 to 250 million euros per annum" in recent years

TOP CONSULTANT company award

Also on the basis of a targeted customer satisfaction survey, the consultant comparison TOP CONSULTANT distinguishes the quality and performance of a customer-oriented, medium-sized consultancy service by consulting companies. In 2018, CONET took part in this company comparison for the first time and immediately achieved a place among the excellent top consultants. Which companies are awarded the TOP CONSULTANT seal is decided solely by the scientific management of the competition: Prof. Dr. Dietmar Fink and Bianka Knoblach, as managing directors of the Scientific Society for Management and Consulting (WGMB) in Bonn, interview reference customers of the participating consulting companies. The results of this customer survey are then evaluated together with other company data. The TOP CONSULTANT seal is only awarded to consulting firms that achieve a very good or good result.

IDG Digital Innovation Award

With its Innovation Circles and innovation topics, CONET has also applied for the Digital Innovation Award of the IDG Verlag with its magazines Computerwoche and ChannelPartner this year and in April 2019 reached the corresponding jury list of the currently ongoing competition.

In its open-ended and largely technology-neutral innovation workshops, 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

The IT industry association BITKOM anticipates growth of 1.5 percent to EUR 168.5 billion for the current year 2019 in its forecasts from January 2019 in the overall information technology & telecommunications (ITC) market due to the continued good economic situation, in the “software” sub-areas relevant for CONET even grew by 6.3% (to EUR 26.0 billion) and “IT services” with a plus of 2.3% (to EUR 40.8 billion). Euro).

In addition to the statements made by BITKOM, according to the BDU (Federal Association of German Management Consultants), the consulting companies are also forecasting growth of 7.1% for the overall market in 2019, because the management consultancy sector remains optimistic about its business expectations for 2019. In the market study “Facts & Figures on the Consultant Market 2018/2019”, the prognosis, which arithmetically results from the estimates of around 450 survey participants, shows an increase of 7.1%, a slightly lower value compared to the previous year. Assuming that this development occurs,

The share of 65% that gave a positive growth forecast for 2018 in the market survey illustrates the broad level of confidence that management consultancies have. Only 15% of consulting firms express skeptical economic expectations and expect a decline in sales.

The growth drivers for the current year are the consulting fields change management (+ 9.0%), IT data protection & data security (+ 8.8%) and CRM and sales (+ 8.4%) due to the extensive and in-depth transformation requirements of clients.

The growth drivers among the client industries for the current year are the areas "Healthcare" (forecast 2019: + 8.9%), "TIMES" (forecast 2019: + 8.5%) and "Professional Services" (forecast 2019: + 8, 0%).

These positive 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 July 4, 2019) within the CONET Group shows that 69.7% of the planned gross profit I (for the 2019/2020 financial year) is under contract and 9.7% is in the assessed offer status. In this case we are talking about a coverage rate of 79.4%. Furthermore, the positive overall situation can also be seen in the excellent capacity utilization of all of our individual companies. For these reasons, we are starting the coming 2019/2020 financial year, which has already started successfully, with great optimism, and we are certain that

In line with the positive industry development described above and the good start to the current financial year, the management of the CONET Group also expects further growth for the 2019/2020 financial year. We are assuming consolidated sales or total output of EUR 144.0 million and gross profit I of a good EUR 93.4 million. At the level of gross profit II, we are planning EUR 29.5 million. The management expects EBITDA to be EUR 19.7 million. We anticipate consolidated earnings before taxes of around EUR 2.3 million. We want to continue on the good path and further strengthen the group.

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.

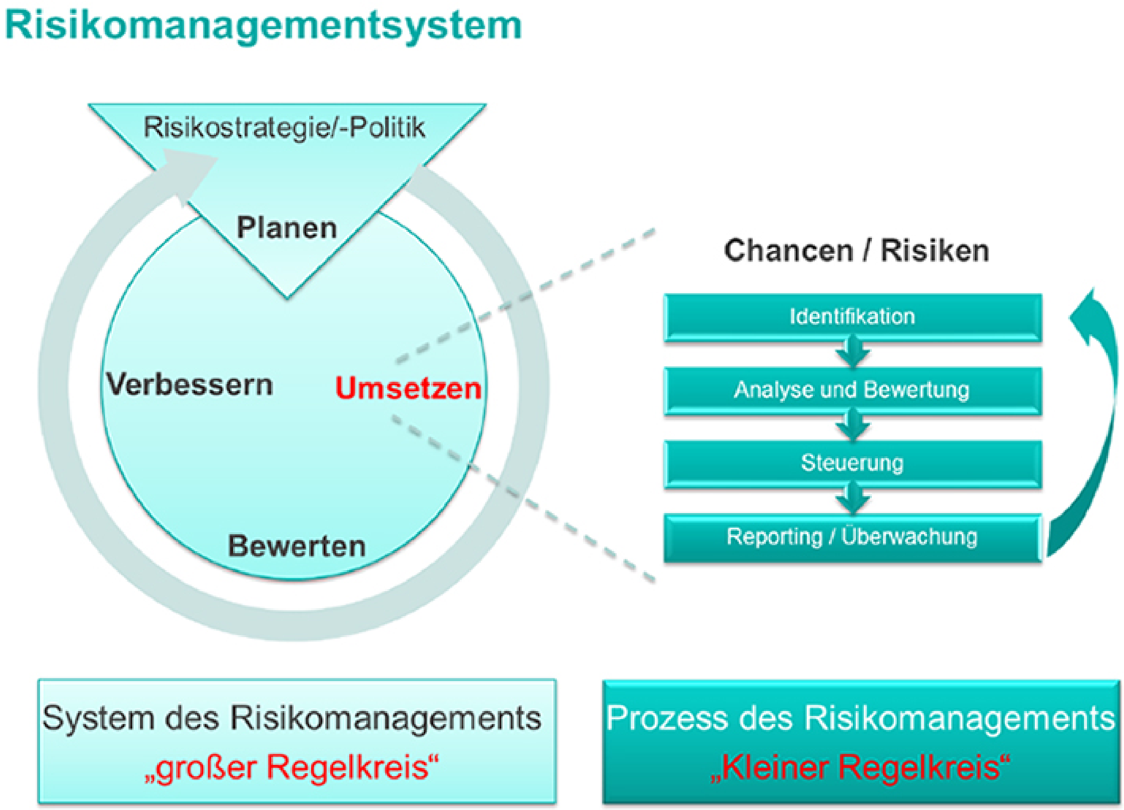
The organizational anchoring of risk management in the operationally and strategically oriented controlling enables an active and holistic alignment of the group risk management that is integrated with the planning and reporting processes.

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.



Risk management system

based on "ONR 49000: 2004 ff. Risk management for organizations and systems"

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 high sales volume with the customer Bundeswehr, the CONET Group is subject to high revenue sensitivity in this segment. Disadvantages, in the form of price reductions, could be cushioned through long-term contracts with extensive allotment commitments.

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 operating projects were acquired in the context 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 again anticipating an excellent order situation for the 2019 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 6 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 (see 2.1: 2nd place in the survey “The best system houses 2018”) 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, August 23, 2019

Anke Höfer, managing director

Josef Ranner, managing director
