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**CONET International Holding GmbH**

**Hennef (formerly: Hamburg)**

## Consolidated financial statements for the business year from April 11, 2017 to March 31, 2018

### Independent auditor's report

To CONET International Holding GmbH

**Examination Opinions**

We have prepared the consolidated financial statements of CONET International Holding GmbH, Hennef (formerly: Hamburg), and its subsidiaries (the Group) - consisting of the consolidated balance sheet as of March 31, 2018, the consolidated statement of comprehensive income, the consolidated equity statement and the consolidated cash flow statement for the short fiscal year from April 11, 2017 to March 31, 2018 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 short financial year from April 11, 2017 to March 31, 2018.

- 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, 2018 and its earnings position for the short financial year from April 11, 2017 to March 31, 2018 and
- the attached group management report gives an overall accurate picture of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

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

**Basis for the examination results**

We carried out our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the 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 involve fraudulent cooperation, 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 Systems
- We assess the appropriateness of the accounting methods used by the legal representatives and the acceptability of the estimated values presented by the legal representatives and the information related to them
- 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 27, 2018**

**Ernst & Young GmbH**
**auditing company**

***Brorhilker, auditor***

***Rathjen, auditor***

## Consolidated balance sheet as of March 31, 2018

### assets

| | | March 31, 2018 |
|---|---|---|
| | specification | Euro |
| Long-term assets | | |
| Intangible assets | 19th | 3,685,398.39 |
| Company Value | 21st | 87,942,985.05 |
| Property, plant and equipment | 20th | 2,337,881.48 |
| Other claims | 26th | 289,698.29 |
| Deferred tax claims | 18th | 467,804.26 |
| | | 94,723,767.47 |
| Short-term assets | | |
| Finished products and goods | 23 | 2,331,538.94 |
| Requests from deliveries and services | 24 | 30,713,915.64 |
| Current income tax claims | 25th | 1,137,739.25 |
| Other claims | 26th | 1,153,550.68 |
| Means of payment | 27 | 15,352,154.86 |
| Prepaid expenses | 28 | 798,332.18 |
| | | 51,487,231.55 |
| Total assets | | 146,210,999.02 |

| | specification | March 31, 2018 Euro |
|---|---|---|

**LIABILITIES**

| | specification | March 31, 2018 Euro |
|---|---|---|
| Equity | | |
| Subscribed capital | 29 | 25,000.00 |
| Capital reserve | 29 | 24,185,884.05 |
| Other equity components | 29 | 76,278.53 |
| Group net loss for the year | | -918,243.57 |
| | | 23,368,919.01 |
| Debt | | |
| Long term debt | | |
| Provisions for pensions and similar obligations | 32 | 1,571,115.00 |
| Financial liabilities | 22nd | 84,653,746.89 |
| Deferred tax liabilities | 18th | 1,454,149.54 |
| | | 87,679,011.43 |
| Short term debt | | |
| Other provisions | 30th | 315,633.70 |
| Current income tax liabilities | 31 | 5,075,599.88 |
| Financial liabilities | 22nd | 171,926.57 |
| Payments received | 33 | 5,031,860.13 |
| liabilities from goods and services | 34 | 11,975,091.66 |
| Other liabilities | 35 | 11,559,807.03 |
| Prepaid expenses | 36 | 1,033,149.61 |
| | | 35,163,068.58 |
| | | 122,842,080.01 |
| Total assets | | 146,210,999.02 |

**Consolidated statement of comprehensive income for the short financial year from April 11, 2017 to March 31, 2018**

| in EUR | specification | 2017/2018 | |
|---|---|---|---|
| Sales | 8th | | 62,245,855.40 |
| Other company income | 9 | | 1,031,326.99 |
| Other own work capitalized | | | 988,018.00 |
| Material expenses | | | |
| Expenses from raw materials and supplies and goods | 10 | -3,621,200.46 | |
| Expenses for purchased services | 11 | -20,299,324.82 | -23,920,525.28 |
| Personnel expenses | | | |
| Wages and salaries | 12th | -20,941,724.68 | |
| social security and pension and support expenses | 12th | -3,845,147.86 | -24,786,872.54 |
| Amortization of intangible assets and | | | |
| Property, plant and equipment | 13 | | -1,325,570.07 |
| Other operating expenses | 14th | | -10,941,243.26 |
| Other taxes | 15th | | -123,490.63 |
| Operating profit | | | 3,167,498.61 |
| Interest and similar expenses | 17th | | -1,568,741.27 |
| Other interest and similar income | 16 | | 17,032.85 |
| Profit before income taxes | | | 1,615,790.19 |
| Income taxes | 18th | | -2,534,033.76 |
| Group net loss for the year | | | -918,243.57 |
| Result for the period according to the income statement | | | -918,243.57 |
| Other result | | | |
| Other items not to be reclassified in the income statement in subsequent periods | | | |
| Result after taxes): | | | |
| Gains / (losses) on revaluation of defined benefit pension plans | | | |
| Actuarial gains / losses | | 113,089.00 | |
| related deferred taxes | | -36,810.47 | 76,278.53 |
| Other items not to be reclassified in the income statement in subsequent periods | | | |

| in EUR | specification | 2017/2018 |
|---|---|---|
| Result | | 76,278.53 |
| Other earnings after taxes | | 76,278.53 |
| Total earnings after taxes | | -841,965.04 |

**Consolidated cash flow statement for the short financial year from April 11, 2017 to March 31, 2018**

| In EUR | specification | 2017/2018 |
|---|---|---|
| Group net loss for the year | | -918,243.57 |
| Write-downs / write-ups on fixed assets | 13 | 1,325,570.07 |
| plus interest expenses | 17th | 1,568,741.27 |
| less interest income | 16 | -17,032.85 |
| plus tax expense | 18th | 2,534,033.76 |
| Other non-cash income and expenses | | 93,498.43 |
| Decrease / increase in working capital | | 2,583,729.06 |
| Decrease in inventories | | -251,322.83 |
| Decrease / increase in trade receivables | | 2,364,660.40 |
| Decrease in other assets | | 1,725,237.82 |
| Change in provisions | | 1,787,328.25 |
| Decrease / increase in trade payables | | -2,512,336.42 |
| Increase / decrease in other liabilities | | -529,838.16 |
| Taxes paid | | -2,403,572.96 |
| Interest Paid | | -1,002,461.37 |
| Interest received | | 17,032.85 |
| Cash generated from operations | | 3,781,294.69 |
| Net investment from the acquisition of subsidiaries (payments minus cash acquired) | 6th | -57,401,904.53 |
| Payments for the purchase of tangible and intangible assets | 19, 20 | -1,771,733.96 |
| Cash flow from investing activities | | -59,173,638.49 |
| Deposits from the issue of Shares | 29 | 24,210,884.05 |
| Deposits from taking out loans | 22.2 | 75,000,000.00 |
| Loan repayment | 22.2 | -25,091,826.13 |
| Transaction costs paid | 22.2, 22.5 | -3,374,559.26 |
| Cash flow from financing activities | | 70,744,498.66 |
| Changes in cash funds affecting cash | | 15,352,154.86 |
| Cash funds at the beginning of the period | | 0.00 |
| Cash funds at the end of the period | 27 | 15,352,154.86 |

**Consolidated statement of changes in equity for the short financial year from April 11, 2017 to March 31, 2018**

| Reserves in EUR | Subscribed capital | Capital reserve | Other equity components | Group net loss for the year | total |
|---|---|---|---|---|---|
| As of 04/11/2017 | 25,000.00 | 0.00 | 0.00 | 0.00 | 25,000.00 |
| Group net loss for the year | 0.00 | 0.00 | 0.00 | -918,243.57 | -918,243.57 |
| Other income (comprehensive income) | 0.00 | 0.00 | 76,278.53 | 0.00 | 76,278.53 |
| Other contributions by the shareholders | 0.00 | 24,185,884.05 | 0.00 | 0.00 | 24,185,884.05 |
| As of March 31, 2018 | 25,000.00 | 24,185,884.05 | 76,278.53 | -918,243.57 | 23,368,919.01 |

## Notes to the consolidated financial statements for the short financial year from April 11, 2017 to March 31, 2018

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**Notes to the consolidated financial statements**

### 1. Company information

The consolidated financial statements of CONET International Holding GmbH and its subsidiaries (together "the Group") for the financial year ending March 31, 2018 were approved for publication on August 27, 2018 by resolution of the company management. CONET International Holding GmbH ("the company" or "the parent company") is a company founded in Germany with limited liability with its registered office in Germany. The registered office of the company is Humperdinckstrasse 1, 53773 Hennef. CONET International Holding GmbH is in the commercial register at Siegburg Local Court under no. HRB 14821 registered.

CONET International Holding GmbH was founded on April 11, 2017. Accordingly, a short financial year from April 11, 2017 to March 31, 2018 ("2017/2018") was formed for the consolidated financial statements. Since the parent company and thus the group were not founded until the 2017/2018 financial year, the previous year's figures are omitted.

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

Information on the group structure is presented in Note 5. Information on other relationships between the Group and related companies and persons can be found in Note 39.

### 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 of the German Commercial Code (HGB) to be applied. All IFRS and IFRIC that were adopted by the EU Commission as of March 31, 2018 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.

### 2.2 Consolidation principles

The consolidated financial statements include the financial statements of CONET International Holding GmbH and its subsidiaries as of March 31, 2018. Control exists if the group is exposed to risk from or has rights to fluctuating returns from its involvement in 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 (ie, based on the rights currently in place, 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 its 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 that result 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 other comprehensive income are attributed to holders of ordinary shares in the parent company and the non-controlling interests, even if this results in 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 in the context of the business combination are recorded as expenses and reported as administrative costs.

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 IAS 39 Financial Instruments: Recognition and Measurement is measured at fair value through profit or loss in accordance with IAS 39. All other contingent considerations that do not fall within the scope of IAS 39 are measured at fair value through profit or loss on each balance sheet 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

● Realization of the asset is expected 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 concerns 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. The fair value measurement is based on the assumption that the transaction in which the asset is sold or the liability is transferred is either

- on the main market for the asset or liability or
- if there is no main market, the most advantageous market for the asset or liability is carried out. 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.

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 overall, is not observable on the market

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

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

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

- Information on valuation methods, significant estimates and assumptions (Notes 3 and 22.3)
- Quantitative information on the measurement of the fair value according to hierarchy levels (Note 7)
- Financial instruments (including those valued at amortized cost (note 22.3)
- Contingent consideration (note 22.3)

### d) Revenue recognition

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.

*Interest income*

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income is recognized 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.

*Dividends*

Income is recognized when the legal claim to payment arises; this is generally when the shareholders decide on the dividend.

### e) Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and that the company will meet the conditions attached to it. Expense-related grants are recognized as income over the period over which the corresponding expenses they are intended to compensate are posted. Grants for an asset are recognized in profit or loss over the estimated useful life of the corresponding asset.

If the Group receives grants in the form of non-monetary assets, the asset and the grant are recognized at their nominal value and released to income in equal annual installments over the estimated useful life of the asset, based on the expected consumption of the future economic benefits of the respective asset.

The Group did not receive any government grants in the reporting period.

### f) 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 which is not a business combination and which at the time of the business transaction does not affect the profit for the period under commercial law 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 be foreseeable Time will not turn back.

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 profit or loss for the period under commercial law or the taxable result, and

● Deferred tax assets from deductible temporary differences in connection with investments in subsidiaries, associated companies and shares in joint arrangements, if it is probable that the temporary differences will not reverse in the foreseeable future or there will be insufficient taxable income 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 stated together with the amount of sales tax included.

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.

### g) 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

### h) cash dividends

The Company recognizes a liability to pay a dividend when the distribution is resolved and is no longer at the Company's discretion. According to the corporate law of Euroland, a distribution is resolved if it has been approved by the shareholders. The corresponding amount is recorded directly in equity.

### i) 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.

### j) Leases

The determination of whether an agreement is or contains a lease is made on the basis of the substance of the agreement at the time the agreement is entered into. An arrangement is or contains a lease if its fulfillment depends on the use of a specific asset (or assets) and it transfers a right to use the asset (or assets), even if that asset (or assets) are in a Agreement is (are) not expressly determined.

*Group as lessee*

A lease is classified as a finance or operating lease at the time the contract is signed. A lease is classified as a finance lease if all of the risks and opportunities associated with ownership are transferred to the Group.

In finance leases, an asset and a liability are recognized at the beginning of the lease term, in the amount of the fair value of the leased item at the beginning of the lease or at the present value of the minimum lease payments, if this is lower. Lease payments are divided into financing costs and the repayment portion of the remaining debt in such a way that a constant interest rate results on the remaining lease liability. The interest component is recorded in the financial result in the income statement.

Leased objects are depreciated over the useful life of the asset. However, if the transfer of ownership to the Group at the end of the lease term is not sufficiently certain, the leased item is fully depreciated over the shorter of the two periods of expected useful life and term of the lease.

An operating lease is a lease that is not a finance lease. Lease payments for operating leases are recognized as operating expenses in the income statement on a straight-line basis over the term of the lease.

*Group as lessor*

Leases in which not all of the opportunities and risks associated with ownership are essentially transferred from the Group to the lessee are classified as operating leases. Initial direct costs incurred in negotiating and concluding an operating lease are added to the book value of the leased item and recognized as an expense over the term of the lease in the same way as the lease income. Contingent rent payments are recognized as income in the period in which they are generated.

### k) 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.

### l) 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.

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.

**m) 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.

*m 1) Financial assets*

*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.

*Financial assets measured at fair value through profit or loss*

The group of financial assets measured at fair value through profit or loss includes the financial assets held for trading and financial assets that are classified as measured at fair value through profit or loss upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of selling or buying back them in the near future. Derivatives, including embedded derivatives recognized separately, are also classified as held for trading, with the exception of derivatives that have been designated as hedging instruments in accordance with IAS 39 and are effective as such. The Group has not classified any financial assets as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recorded in the balance sheet at fair value, with changes in fair value netted in the income statement under financial expenses (negative net changes in fair value) or financial income (positive net changes in fair value) will.

Derivatives embedded in host contracts are accounted for separately and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading purposes or are not designated as being measured at fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value being recognized in profit or loss. A reassessment only takes place in the event of a change in contractual terms and conditions if this results in a significant change in the cash flows that would otherwise have resulted from the contract,

*Loans and Receivables*

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 22 and 24.

*Available-for-sale financial assets*

Available-for-sale financial assets relate to equity instruments and debt instruments. The group has no financial assets in this category. The equity instruments classified as available for sale are those that are neither classified as held for trading nor measured at fair value through profit or loss. The debt securities in this category are those that are intended to be held for an indefinite period of time and that can be sold in response to liquidity needs or changes in market conditions.

After the initial valuation, available-for-sale financial assets are valued at fair value in the following periods. Unrealized gains or losses are recognized as other comprehensive income in the reserve for available-for-sale financial assets. If such an asset is derecognized, the accumulated gain or loss is reclassified to other operating income. If an asset is impaired, the cumulative loss is reclassified to financial expenses and derecognized from the reserve for available-for-sale financial assets.

The group assesses whether the assumption that the group is in a position and has the intention to sell the financial assets available for sale in the near future is still reasonable. If, in exceptional circumstances, it is unable to trade these financial assets due to inactive markets, it may decide to reclassify those financial assets, provided that management is able and intends to hold them for the foreseeable future or until maturity.

In the case of a financial asset that has been reclassified from the category available for sale, the fair value at the time of reclassification is determined as the new carrying amount of the asset and all previous gains or losses associated with this asset that were recognized directly in equity are recognized through the Remaining term of the financial investment released through profit or loss using the effective interest method. The differences between the new amortized cost and the amount repayable at final maturity are also reversed over the remaining term of the asset using the effective interest method. If an impairment of the asset is subsequently determined,

*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 a contractual obligation to immediately pay the cash flow to a third party as part of an agreement that meets 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 transferring all opportunities and risks associated with ownership of the financial asset retained, but transferred 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 in Note 3

● Financial assets Note 22

● Trade accounts receivable, Note 24

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 occurs when one or more events that have occurred since the asset was initially recognized (a "loss event" that 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 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 an impairment exists for financial assets that are individually significant and for 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. Assets that are individually examined for impairment and for which a value adjustment is new or

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 future cash flows in 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.

*Available-for-sale financial assets*

For available-for-sale financial assets, the Group determines on each balance sheet date whether there is objective evidence that an asset or a group of assets is impaired.

In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the instrument below its acquisition cost would constitute objective evidence. The criterion "significant" is to be assessed on the basis of the original acquisition costs of the financial investment and the criterion "longer lasting" on the basis of the period in which the fair value was below the original acquisition costs. If there are indications of impairment, the cumulative loss - which is the difference between the acquisition costs and the current fair value less any impairment loss on this instrument that was previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Value adjustments for equity instruments are not reversed through profit or loss; a subsequent increase in the fair value is recognized in other comprehensive income.

The decision on what "significant" or "longer lasting" means is a discretionary choice. As part of this discretionary decision, the Group assesses, among other factors, the duration and extent to which the fair value of a financial investment is below its cost.

When determining the impairment of debt instruments classified as available for sale, the same criteria are used as for financial assets measured at amortized cost. However, the amount recognized for impairment is the cumulative loss resulting from the difference between the amortized cost and the current fair value less any impairment loss previously recognized in profit or loss for this instrument.

Future interest income continues to be recorded on the reduced book value of the asset; the calculation is made using the interest rate that was used to discount the future cash flows when determining the impairment loss. The interest income is recorded as part of the financial income. If the fair value of a debt instrument increases in a subsequent reporting period and the increase can be objectively attributed to an event that occurred after the impairment was recognized in profit or loss, the amount of the reversal is recognized in profit or loss.

*m 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 and other payables, loans including overdrafts, financial guarantees and derivative financial instruments.

*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.

Financial liabilities are classified as held for trading if they were incurred for the purpose of repurchasing them in the near future. This category also includes derivative financial instruments concluded by the Group that are not designated as hedging instruments in hedging relationships in accordance with IAS 39. Embedded derivatives recorded separately are also classified as held for trading, with the exception of derivatives that have been designated as hedging instruments and are effective as such.

Gains or losses from financial liabilities held for trading are recognized in profit or loss.

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 IAS 39 are met. The Group has not classified any financial liabilities as measured at fair value through profit or loss.

*loan*

The "loan" category is of the greatest importance for the consolidated financial statements. After initial recognition, interest-bearing loans are valued at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as 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 22.

*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.

*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 .

**n) supplies**

Inventories are valued at the lower of the cost of acquisition or manufacture and the net realizable value.

Costs that have been incurred to bring inventories to their current location and to put them in their current condition are accounted for as follows:

● Raw materials and supplies: first-in-first-out procedure (FIFO)

● Finished and unfinished goods or services: directly allocable material and manufacturing costs as well as appropriate parts of the production overheads based on the normal capacity of the production facilities without taking borrowing costs into account

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.

**o) 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 in Note 3

● Goodwill and intangible assets with unlimited useful lives Note 21

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.

Intangible assets with an indefinite useful life are tested for impairment at least once a year on March 31. It is carried out at the level of the cash-generating unit. A review also takes place if circumstances indicate that the value could be reduced.

**p) means of payment**

The item "means of payment" in the balance sheet includes cash in 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.

**q) 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.

**r) 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 type and effects of the individual changes are described below:

*Amendment to IAS 7 Cash Flow Statements: Disclosure Initiative*

The change requires companies to disclose changes in their liabilities from financing activities that include both cash and non-cash changes (for example, gains or losses from currency translation). The Group has provided the information required for the reporting period and the comparative period in Note 22.5.

*Amendment to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealized losses*

The amendment clarifies that, with regard to the deductibility of a future reversing deductible difference resulting from unrealized losses, a company must consider whether tax laws limit the sources of future taxable income from which that deductible temporary difference could be deducted . Furthermore, the change contains guidelines on how a company has to determine future taxable income and to what extent the realization of assets above their book value can be taken into account.

The group applied the change retrospectively. However, their application has no impact on the Group's net assets, results of operations and financial position, as it has no deductible temporary differences or tax claims that fall within the scope of the amendments.

*Improvements to IFRS 2014-2016*

Amendment to IFRS 12 Disclosures on Interests in Other Entities: Clarification of the scope of the disclosure requirements according to IFRS 12

This amendment clarifies that the disclosure requirements in IFRS 12, with the exception of IFRS 12.B10— B16, also apply to shares of a company in a subsidiary, joint venture or associate (or parts of its shares in a joint venture or associate) that are considered to be Classified as held for sale (or belonging to a disposal group classified as held for sale).

**3. Material judgments, estimates and assumptions**

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

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

● Capital management in Note 4

● Objectives and methods of risk management for financial instruments Note 22.4

● Disclosures of sensitivity analyzes in Notes 21, 22.3 and 32.

**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:

**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.

### 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 for goodwill and other intangible assets recognized by the Group with indefinite useful lives.

### Taxes

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

Further details on taxes are provided in Note 18.

### Defined benefit pension plans (pension benefits)

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

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

The death rate is based on publicly available mortality tables for Germany. These mortality tables usually only change if there are also demographic changes. Future wage and salary and pension increases are based on expected future inflation rates for the respective country.

Further details on pension obligations are provided in Note 32.

### 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 22.3.

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 more information, see Notes 6 and 22.3).

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. Future developments may lead to further adjustments to the reported value. The maximum amount of the consideration to be paid was EUR 4,215 thousand on the balance sheet date. The contingent consideration is shown in the financial statements as other financial liability (see Note 22.2).

### 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. Research and development costs of EUR 1,594 thousand were incurred in the group in the 2017/2018 financial year. Of this, EUR 988 thousand was capitalized in the 2017/2018 financial year. The non-capitalizable research and development costs amounting to EUR 606 thousand were booked as expenses in the period in which they were incurred. The book value of the total capitalized development costs as of March 31, 2018 was EUR 3,186 thousand.

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

### 4. 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 dividend payments to the shareholders or make a capital repayment to the shareholders or issue new shares. 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 85%. Net financial debt includes financial debt, advance payments received,

| | March 31, 2018 |
|---|---|
| | KEUR |
| Financial debt | 84,826 |
| Payments received | 5,032 |
| liabilities from goods and services | 11,975 |
| Other liabilities | 11,560 |
| minus cash and short-term deposits | -15,352 |
| Net financial debt | 98.041 |

| | March 31, 2018 |
|---|---|
| | KEUR |
| Equity | 23,369 |
| Sum of capital | 23,369 |
| Capital and net financial debt | 121,410 |
| Leverage | 81% |

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, 2018, no changes were made to the objectives, guidelines or procedures for capital management.

### 5. 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 Technologies GmbH (formerly: CONET Technologies AG) | Hennef / Germany | Euro | 100 | 3 | 3,030,000.00 |
| 5 | CONET Solutions GmbH | Hennef / Germany | Euro | 100 | 4th | 386,000.00 |
| 6th | CONET Communications GmbH | Vienna / Austria | Euro | 100 | 5 | 35,000.00 |
| 7th | CONET Business Consultants GmbH | Ludwigsburg / Germany | Euro | 100 | 4th | 833,334.00 |
| 8th | CONET Services GmbH | Hennef / Germany | Euro | 100 | 4th | 325,000.00 |
| 9 | ACT Holding GmbH | Niederkassel / Germany | Euro | 100 | 3 | 127,550.00 |
| 10 | ACT IT-Consulting & Services GmbH (formerly: ACT IT-Consulting & Services AG) | Niederkassel / Germany | Euro | 100 | 9 | 155,000.00 |
| 11 | ACT Development & Integration GmbH | Niederkassel / Germany | Euro | 100 | 9 | 155,000.00 |
| 12th | ACT Expert Services GmbH | Niederkassel / Germany | Euro | 100 | 9 | 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.

### 6. Business Combinations

### 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.

CONET Technologies GmbH forms a group with its 4 subsidiaries.

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

*Assets acquired and liabilities assumed*

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

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 | 170 |
| Company Value | 864 |
| 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 |
| | 41,834 |
| Debt | |

| | Fair value at the time of acquisition |
|---|---|
| | KEUR |
| 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 | 1,296 |
| | 32,584 |
| Total identifiable net assets at fair value | 9,250 |
| Goodwill from the company acquisition | 78.310 |
| Consideration Transferred | 87,560 |

The fair value of the trade receivables is EUR 27,851 thousand, the gross amount of the trade receivables is EUR 27,954 thousand. The receivables are impaired by EUR 103 thousand.

The receivables are expected to be collectible in the amount shown of EUR 27,851 thousand.

The deferred tax receivables mainly comprise the effects of the higher provisions for pension obligations compared to the tax balance sheet according to IFRS.

The deferred tax liabilities mainly relate to the accounting treatment of receivables from contract manufacturing based on the percentage-of-completion method and differences in the valuation of pension provisions.

Since the time of acquisition, the CONET Technologies Group has contributed EUR 52,558 thousand to the group's sales revenues and EUR 6,288 thousand to the group result from continuing operations before income taxes.

| | 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 |

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.

### 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, which specializes in the provision of IT services and the development of IT solutions. The company acquisition serves to further expand the IT group.

ACT IT Holding GmbH forms a group of companies with its 3 subsidiaries.

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

*Assets acquired and liabilities assumed*

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

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 | 154 |
| Property, plant and equipment | 243 |
| Requests from deliveries and services | 5,227 |
| Other claims | 289 |
| Other assets | 61 |
| Cash and cash equivalents | 951 |
| | 6,925 |
| Debt | |
| Financial liabilities | 149 |
| Tax debts | 172 |

| | Fair value at the time of acquisition |
|---|---|
| | KEUR |
| accruals | 20th |
| liabilities from goods and services | 3,019 |
| Other liabilities | 1,678 |
| | 5,038 |
| Total identifiable net assets at fair value | 1,887 |
| Goodwill from the company acquisition | 8,769 |
| Consideration Transferred | 10,656 |

The fair value of the trade receivables is EUR 5,227 thousand, the gross amount of the trade receivables is EUR 5,227 thousand. None of the trade accounts receivable was impaired and the entire contractually agreed amounts are expected to be recoverable.

Since the time of acquisition, the ACT Group has contributed EUR 9,977 thousand to the Group's sales revenues and EUR 573 thousand to the group result from continuing operations before income taxes.

| | KEUR |
|---|---|
| compensation | |
| Cash purchase price | 6,441 |
| Liability from contingent consideration | 4.215 |
| | 10,656 |
| 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 are shown as other operating expenses.

*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 more

● From EUR 0 to EUR 1,700 thousand, if the company generated earnings before interest and taxes (EBIT) of EUR 1,700 thousand 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, as 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 figures for the operational success of ACT IT Holding GmbH show that the target set for the first contingent consideration will most likely not be achieved. The fair value of the contingent consideration determined as of March 31, 2018 was adjusted as a result of this assessment and taking into account other influencing factors. The adjustment amount from the revaluation was recognized directly against the goodwill, as 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.

| | 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 |

The fair value of the liability from contingent consideration decreased due to a lower performance by ACT IT Holding GmbH compared to the plan. March 31, 2019 was set as the date for the final measurement and due date of the liability from contingent consideration.

### Acquisition of CONET International GmbH

The parent company 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 |

| | Fair value at the time of acquisition |
|---|---|
| | KEUR |
| Total identifiable net assets at fair value | 52 |
| Negative difference | -27 |
| 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 |

### Effects of business combinations on the consolidated financial statements

If the three business combinations had taken place at the beginning of the year, the Group's sales would have amounted to EUR 120,096 thousand and the group result before income taxes would have amounted to EUR 4,035 thousand.

### 7. 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 | | quoted prices in active markets | significant observable input factors | significant unobservable input factors |
| | | total | (Step 1) | (Level 2) | (Level 3) |
| | | KEUR | KEUR | KEUR | KEUR |
| Debt measured at fair value | | | | | |
| Liabilities from contingent consideration (Note 6) | March 31, 2018 | 4.215 | 0 | 0 | 4.215 |

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

### 8. Sales

The calculated sales result from normal business activity.

The sales revenues consist of the main income items as follows:

| in EUR thousand | 2017/2018 |
|---|---|
| Advice and service | 54,303 |
| Distribution of merchandise including licenses | 5,066 |
| Sales of own software including maintenance | 2,218 |
| Other sales | 659 |
| total | 62,246 |

### 9. Other operating income

The other operating income is made up as follows:

| in EUR thousand | 2017/2018 |
|---|---|
| Income from passing on costs | 9 |
| Insurance refund income | 753 |
| Income from exchange rate differences | 2 |
| Income from the release of provisions | 188 |
| Income from the reversal of general bad debt allowances | 1 |
| Rental and lease income | 3 |
| Income from first-time consolidation | 27 |
| Other income | 48 |
| total | 1,031 |

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

Essentially, this is the expense of purchased hardware and third-party software.

### 11. Expenses for purchased services

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

### 12. Personnel expenses

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

| in EUR thousand | 2017/2018 |
|---|---|
| Wages and salaries | 20,942 |
| Social security contributions and expenses for pensions | 3,845 |
| total | 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.

The annual average (on a quarterly basis) had 633 employees, plus 36 trainees.

On the balance sheet date, the number of employees was 670. 663 of them worked in Germany and 7 in other member states of the European Union.

Personnel expenses include expenses related to termination of employment in the amount of EUR 230 thousand. As of the balance sheet date, 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 28 thousand.

### 13. Depreciation

The composition of the depreciation results from the development of the fixed assets, which is shown in notes 19 and 20.

### 14. Other operating expenses

The other operating expenses are made up as follows:

| in EUR thousand | 2017/2018 |
|---|---|
| Legal and consulting costs | 4,020 |
| Traveling expenses | 1,144 |
| Vehicle cost | 1,128 |
| Space costs | 999 |
| Other expenses | 997 |
| Other external services | 423 |
| General Administration | 418 |
| Maintenance / servicing | 394 |
| Advertising / representation costs | 381 |
| Training costs | 366 |
| Other staff costs | 334 |
| insurance | 230 |
| Addition of individual value adjustments | 58 |
| Software rental costs | 39 |
| Expenses from exchange rate losses | 9 |
| Income from the sale of fixed assets | 1 |
| total | 10,941 |

### 15. Other taxes

The other taxes mainly relate to additional sales tax payments.

### 16. Interest Income

The total interest income for financial assets essentially relates to other interest income.

### 17. 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 | 2017/2018 |
|---|---|
| Interest on other loans | 1,368 |
| Interest portion transfer to pension provision | 29 |
| Loan commissions | 55 |
| Interest checking account | 47 |
| Guarantee commission | 34 |
| Agent fee | 18th |
| Interest expense from factoring | 9 |
| Other interest expenses | 4th |
| Interest profit participation rights | 4th |
| Interest expenses for company taxes | 1 |
| Total interest expenses | 1,569 |

### 18. Income Taxes

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

The income tax expense is made up as follows:

| in EUR thousand | 2017/2018 |
|---|---|
| Ongoing tax expense | 2.405 |
| Change in deferred taxes | 129 |
| total | 2,534 |

Current tax expenses include out-of-period income in the amount of EUR 102 thousand and out-of-period expenses in the amount of EUR 18 thousand.

Deferred taxes are calculated using the company's individual tax rates. These are as follows:

| in % | 2017/2018 |
|---|---|
| CONET subgroup | 32.03% |
| ACT subgroup | 31.58% |

The expected tax burden on the taxable result is 32.03% as of the reporting date and is calculated as follows:

| in % | 2017/2018 |
|---|---|
| Trade tax with an average assessment rate of 460% | 16.20% |
| Corporation tax | 15.00% |
| Solidarity surcharge (5.5% of corporate income tax) | 0.83% |
| Tariff load | 32.03% |

The difference between the actual tax expense and the arithmetical tax expense that would result at a tax rate of 32.03% is made up as follows:

| in EUR thousand | 2017/2018 |
|---|---|
| Profit for the period before taxes | 1,616 |
| Theoretical tax expense at a tax rate of 32.03% | 518 |
| Non-tax deductible expenses | 83 |
| Tax expense for previous years | -83 |
| Deferred taxes | 129 |
| Offsetting of losses | 1,734 |
| Effects of different tax rates within the group and changes in tax rates | -7 |
| Deviations from § 60 Paragraph 2 EStDV | 226 |
| Others | -94 |
| Income tax expense according to the consolidated income statement | 2,534 |
| Tax rate | 156.81% |

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:

| | Deferred tax assets | Deferred tax liabilities |
|---|---|---|
| in EUR thousand | March 31, 2018 | March 31, 2018 |
| Property, plant and equipment | 0 | 51 |
| Stocks | 0 | 214 |
| Intangible assets | 0 | 1.103 |
| Other claims | 0 | 86 |
| IAS 19 Pension Obligations | 442 | 0 |
| Delimitation of personnel costs | 26th | 0 |
| total | 468 | 1,454 |

The change in deferred taxes on actuarial gains / losses from defined benefit pension obligations amounting to 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.

### 19. Intangible Assets

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

| in EUR thousand | Self-created software and licenses | Purchased software and licenses | total |
|---|---|---|---|
| Acquisition / production costs | | | |
| As of 04/11/2017 | 0 | 0 | 0 |
| Additions from company acquisitions | 5,943 | 1,744 | 7,687 |
| Accesses | 988 | 322 | 1.310 |
| Departures | 0 | -15 | -15 |
| As of March 31, 2018 | 6,931 | 2,051 | 8,982 |
| Accumulated depreciation | 0 | 0 | |
| As of 04/11/2017 | 0 | 0 | 0 |
| Additions from company acquisitions | 3.215 | 1,421 | 4,636 |
| Accesses | 530 | 147 | 677 |

| in EUR thousand | Self-created software and licenses | Purchased software and licenses | total |
|---|---|---|---|
| Departures | 0 | -16 | -16 |
| As of March 31, 2018 | 3,745 | 1,552 | 5,296 |
| Residual book values | 3,186 | 499 | 3,685 |

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

### 20. 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 | | | |
| 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.

### 21. Goodwill

To test the recoverability, the goodwill acquired in the course of business combinations was allocated to the cash-generating units CONET and ACT.

Goodwill developed as follows in the financial year:

| in EUR thousand | Cash generating unit CONET | Cash-generating unit ACT | total |
|---|---|---|---|
| acquisition cost | | | |
| As of 04/11/2017 | 0 | 0 | 0 |
| Access | 79.174 | 8,769 | 87,943 |
| Exit | 0 | 0 | 0 |
| As of March 31, 2018 | 79.174 | 8,769 | 87,943 |
| Cumulative Impairment | | | |
| As of 04/11/2017 | 0 | 0 | 0 |
| Access | 0 | 0 | 0 |
| Exit | 0 | 0 | 0 |
| As of March 31, 2018 | 0 | 0 | 0 |
| Residual book values | 79.174 | 8,769 | 87,943 |

The Group conducted its annual impairment test in March 2018.

#### 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 three years. The pre-personal tax discount rate used for the cash flow projections is between 7.2% and 7.6%. Cash flows after the three year period are extrapolated using a growth rate of 1.12%. This growth rate corresponds to the long-term average growth rate of the industry plus company-specific features. The review showed that the fair value less costs to sell does not exceed the value in use.

#### Cash-generating unit ACT

The recoverable amount of the cash-generating unit ACT is also 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 is between 7.3% and 7.5%. Cash flows after the one year period are extrapolated using a growth rate of 0.75%. This growth rate corresponds to the long-term average growth rate of the industry. The review showed that the fair value less costs to sell does not exceed the value in use.

#### 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 of the two units CONET and ACT is based have the greatest estimation uncertainty:

- Profit after tax
- Discount rates
- Growth rates on which the extrapolation of the cash flow forecasts outside the forecast period is based

#### Result after taxes

A fall in demand could reduce earnings after taxes. A decrease in earnings after taxes of 10.0% would not lead to any impairment requirement for the cash-generating unit CONET. A 10.0% decrease in earnings after taxes would also not lead to any impairment of the cash-generating unit ACT.

### 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. A 1% increase in the discount rate before personal taxes would also not require any impairment of the cash-generating unit ACT. 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. A 1% increase in the discount rate before personal taxes would also not require any impairment of the cash-generating unit ACT. 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. A 1% increase in the discount rate before personal taxes would also not require any impairment of the cash-generating unit ACT.

### 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 rate than the considered long-term growth rate of 1.12% for the cash-generating

Unit CONET and 0.75% for the cash-generating unit ACT. 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. A decrease in the long-term growth rate in the cash-generating unit ACT by 0.5% would also not lead to any need for impairment.

### 22. Financial assets and financial liabilities

### 22.1 Financial Assets

| in EUR thousand | March 31, 2018 |
|---|---:|
| Financial assets measured at amortized cost | |
| Requests from deliveries and services | 30,714 |
| Other claims | 1,443 |
| Means of payment | 15,352 |
| Sum of financial assets | 47,509 |
| Sum short term | 47,220 |
| Sum long term | 289 |

The Group only holds financial assets measured at amortized cost.

### Loans and Receivables

Loans and receivables are non-derivative financial assets that are carried at amortized cost and generate interest income for the Group from variable or fixed interest rates. The book value can be influenced by changes in the business partner's default risk.

### 22.2 Financial Liabilities

| in EUR thousand | March 31, 2018 |
|---|---:|
| Long term interest bearing loans | |
| Senior term loan | 71,641 |
| Loan Tempus Holdings 24 Sarl | 12,484 |
| Employee participation rights | 139 |
| Sum of long-term interest-bearing loans | 84.264 |
| Financial liabilities measured at fair value through profit or loss | |
| Contingent consideration (item 6) | 4.215 |
| Total of liabilities measured at fair value | 4.215 |
| Other financial liabilities at amortized cost except interest-bearing loans | |
| Credit card statements | 10 |
| Deferred interest long-term interest-bearing loans | 551 |
| Contract manufacturing liabilities | 5,032 |
| liabilities from goods and services | 11,975 |
| Other liabilities | 11,560 |
| Total other financial liabilities | 29,128 |
| Sum short term | 28,739 |
| Sum long term | 389 |

### Senior Term and Super Senior Revolving Facilities Agreement

A consortium has granted the group a loan facility totaling EUR 90,000 thousand. Of this, EUR 75,000 thousand (less transaction costs) had been used as a term loan as of the balance sheet date. The loan has a variable interest rate (margin plus Euribor). The margin depends on the type of loan (term loan or revolving facility) and the achievement of certain key performance indicators. The term of the term loan is 7 years from closing (March 19, 2018) and the term of the revolving facility is 6.75 years from March 19, 2018.

### Loan 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 has now 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

#### Profit participation rights

ACT IT Holding GmbH has 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

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.

### 22.3 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 | value |
|---|---|---|
| | March 31, 2018 | March 31, 2018 |
| Financial assets | | |
| Means of payment | 15,352 | 15,352 |
| requirements | | |
| Requests from deliveries and services | 30,714 | 30,714 |
| Other receivables and assets | 1,443 | 1,443 |
| total | 47,509 | 47,509 |
| Financial liabilities | | |
| long-term financial debt | | |
| Floating Rate Loans | 71,780 | 71,780 |
| Fixed Rate Loans | 12,484 | 12,484 |
| Accrued interest | 389 | 389 |
| short term financial debt | | |
| Accrued interest | 162 | 162 |
| Credit card statements | 10 | 10 |
| Contingent consideration | 4.215 | 4.215 |
| Contract manufacturing liabilities | 5,032 | 5,032 |
| liabilities from goods and services | 11,975 | 11,975 |
| Other liabilities | 11,560 | 11,560 |
| total | 117,607 | 117,607 |

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 6.

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.

### 22.4 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 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. Market risk includes 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 refer to the status as of 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 6.

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, 2018, including the effect of any hedging relationship that may exist.

*Interest rate risk*

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

The Group controls its interest rate risk through a balanced portfolio of fixed and variable rate loans. As of March 31, 2018, around 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 |
| 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 are 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 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 credit risk as of the reporting date corresponds to the carrying amount of each class of financial assets shown in Note 22.1. 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, 2018 corresponds to the book values shown in Note 22.1.

*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, 2018, around 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, 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, 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, 2018, the fair value of the cash provided as collateral was EUR 15,352 thousand. The business partners are obliged to return the collateral to the group.

### 22.5 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 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 |

### 23. Inventories

Inventories mainly relate to hardware and purchased software.

In the financial year, an amount of 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.

### 24. Accounts receivable from deliveries and services

The trade accounts receivable are made up as follows:

| in EUR thousand | March 31, 2018 |
|---|---|
| Claims against third parties | 20,787 |
| Contract manufacturing receivables | 9,927 |
| total | 30,714 |

Contract costs of EUR 9,110 thousand were incurred on the receivables from contract manufacturing amounting to EUR 9,927 thousand. This results in a profit from production orders of EUR 817 thousand. Advance payments received amounting to EUR 5,032 thousand are accounted for by receivables from contract production. As these are down payments and not partial invoices related to the progress of the work, these are shown in the balance sheet under current liabilities as down payments received.

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

As of March 31, 2018, trade receivables with an original book value of EUR 101 thousand were written down in full. The development of the allowance account is as follows:

| in EUR thousand | March 31, 2018 |
|---|---|
| As of 04/11/2017 | 0 |
| Additions from company acquisitions | 89 |
| Expense allocation | 58 |
| Utilization | 0 |
| resolution | -73 |
| Compounding | 0 |
| As of March 31, 2018 | 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, 2018 |
|---|---|
| As of 04/11/2017 | 0 |
| Additions from company acquisitions | 28 |
| Expense allocation | 0 |
| Utilization | 0 |

| in EUR thousand | March 31, 2018 |
|---|---|
| resolution | -1 |
| Compounding | 0 |
| As of March 31, 2018 | 27 |

As of March 31, 2018, the age structure of the trade receivables was as follows:

| in EUR thousand | total | of which impaired | thereof neither impaired nor overdue |
|---|---|---|---|
| March 31, 2018 | 30,714 | 101 | 28,482 |

| | Overdue but not impaired | | | | |
|---|---|---|---|---|---|
| in EUR thousand | <30 days | 30-60 days | 61 - 90 days | 91-120 days | > 120 days |
| March 31, 2018 | 1,810 | 194 | 17th | 110 | 0 |

For the default risk of trade receivables, please refer to Note 22.3. It explains how the Group assesses and values the recoverability of trade receivables that are neither overdue nor impaired.

### 25. Current income tax claims

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

| in EUR thousand | March 31, 2018 |
|---|---|
| Corporate income tax receivables and solidarity surcharge for the current year | 130 |
| Receivables corporation tax and solidarity surcharge from previous years | 881 |
| Trade tax receivables for the current year | 127 |
| total | 1,138 |

### 26. Other claims

The other receivables are composed as follows:

| in EUR thousand | March 31, 2018 |
|---|---|
| Long-term other receivables | |
| Claims against personnel | 44 |
| Security deposits | 107 |
| Reinsurance | 138 |
| | 289 |

| in EUR thousand | March 31, 2018 |
|---|---|
| Other short-term claims | |
| Claims against social security | 52 |
| Accounts receivable | 23 |
| Claims against personnel | 38 |
| Claims against insurance companies | 801 |
| value added tax | 185 |
| other demands | 54 |
| | 1,153 |
| total | 1,443 |

The other receivables are not overdue and have not been written down. As of March 31, 2018, there were no non-current assets from claims for damages.

### 27. Means of payment

The means of payment are made up as follows:

| in EUR thousand | March 31, 2018 |
|---|---|
| Bank balances (including short and medium term deposits) | 15,348 |
| Cash on hand | 4th |
| total | 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, 2018, the Group had committed, unutilized credit lines of EUR 15,000 thousand.

The Group has provided part of its short-term deposits as collateral. For further explanations, please refer to Note 22.2.

The amount of cash and cash equivalents used for the purpose of the cash flow statement as of March 31, 2018 corresponds to the balance sheet item.

In the 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 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.

### 28. Prepaid expenses

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

### 29. 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 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.

### Other equity components

The other equity components result from other earnings after taxes. The other equity components were allocated EUR 76 thousand from the remeasurement of defined benefit pension plans.

### 30. Provisions

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

| | Warranties | Retention requirements | damages | Price check | total |
|---|---|---|---|---|---|
| | KEUR | KEUR | KEUR | KEUR | KEUR |
| As of 04/11/2017 | 0 | 0 | 0 | 0 | 0 |
| Acquisition of a subsidiary | 78 | 34 | 180 | 30th | 322 |
| Utilization | 0 | 0 | -6 | 0 | -6 |
| resolution | 0 | 0 | 0 | 0 | 0 |
| Feed | 0 | 0 | 0 | 0 | 0 |
| As of March 31, 2018 | 78 | 34 | 174 | 30th | 316 |
| Of which in the short term | 78 | 34 | 174 | 30th | 316 |
| Of which in the long term | 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.

### 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.

### 31. 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 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 |

### 32. 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 2017/2018 financial year totaled EUR 157 thousand and represent the Group's contributions to this pension plan.

The employees of the Group 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 2017/2018 financial year totaled EUR 143 thousand and represent the Group's contributions to this pension plan.

The employees of the group 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 2017/2018 financial year totaled 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 a currently valid 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, 2018 |
|---|---|
| Present value of the defined benefit obligation as of April 11, 2017 | 0 |
| Business combinations | 3.814 |
| Subtotal | 3.814 |
| Expenses for pension obligations recognized in profit or loss | |
| Current service cost | 1 |
| Interest cost on DBO | 42 |
| Subtotal | 43 |
| Revaluation gains / losses recognized in other comprehensive income | |
| Actuarial gains (-) and losses from changes in financial assumptions | -66 |
| Adjustments based on experience | -89 |
| Subtotal | -155 |
| Benefits paid | -155 |
| Past service cost | -11 |
| Present value of the defined benefit obligation as of March 31, 2018 | 3,536 |

**Change in plan assets**

| in EUR thousand | March 31, 2018 |
|---|---|
| Fair value of plan assets as of April 11, 2017 | 0 |
| Business combinations | 2,084 |
| Subtotal | 2,084 |
| Income recognized in profit or loss for plan assets | |
| Interest income | 20th |
| Subtotal | 20th |
| Gains / losses (-) recognized in other comprehensive income from remeasurement of income from plan assets (excluding amounts included in interest expense) | -42 |
| Subtotal | -42 |
| Actual pension and capital payments from plan assets | -95 |
| Fair value of plan assets as of March 31, 2018 | 1,967 |

**Change in the effect of the asset ceiling**

| in EUR thousand | March 31, 2018 |
|---|---|
| Effect of the asset ceiling on April 11, 2017 | |
| Business combinations | 4th |
| Subtotal | 4th |
| Income recognized in profit or loss | |
| Interest on the effect of the asset ceiling | -2 |
| Subtotal | -2 |
| Revaluation gains / losses recognized in other comprehensive income | |
| Change in the effect of the asset ceiling (excluding amounts included in interest income) | 0 |
| Present value of the effect of the asset ceiling on March 31, 2018 | 2 |

**Net obligation**

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

The plan assets essentially consist of reinsurance policies.

The pension obligations are also linked to reimbursement claims of 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, 2018 |
|---|---|
| Cumulative amount recognized in other equity components as of April 11, 2017 | 0 |

| in EUR thousand | March 31, 2018 |
|---|---|
| Amount recorded in the current year | 113 |
| Cumulative amount recognized in other equity components as of March 31, 2018 | 113 |

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

| Basic assumptions | March 31, 2018 |
|---|---|
| | % |
| Discount rate | 1.80 |
| Future pension increases | 1.00 |

The average term of the pension obligations is 13.2 years.

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

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

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

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

| in EUR thousand | March 31, 2018 |
|---|---|
| within the next 12 months (next financial year) | 141 |
| Between 2 and 5 years | 701 |
| Between 6 and 10 years | 751 |
| Over 10 years | 2,528 |
| Total expected payouts | 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 |
|---|---|
| in EUR thousand | March 31, 2018 |
| Discount rate | |
| 0.5% increase | -226 |
| 0.5% decrease | 251 |

### 33. Advance payments received

The prepayments received relate to liabilities from prepayments made by customers for deliveries and services not yet invoiced.

### 34. 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 4,284 thousand.

### 35. Other liabilities

The other liabilities are made up as follows:

| in EUR thousand | March 31, 2018 |
|---|---|
| Personnel provisions (vacation, bonuses, etc.) | 4,960 |
| Sales tax liabilities | 1,026 |
| Payroll tax liabilities | 721 |
| Social Security Liabilities | 23 |
| Payroll Liabilities | 123 |
| Other liabilities | 492 |
| Conditional purchase price liability | 4.215 |
| total | 11,560 |

Of the other liabilities, EUR 276 thousand are long-term. These earn interest.

### 36. Prepaid expenses

The accruals are prepayments received by the Group for the performance period April 1, 2018 to March 31, 2019, which will affect income in the following year.

### 37. Initial preparation of IFRS consolidated financial statements

As of March 31, 2018, CONET International Holding GmbH prepared consolidated financial statements in accordance with IFRS for the first time. Due to the re-establishment of the company on April 11, 2017, no financial statements were published in previous periods. For this reason, no reconciliations to equity and the statement of comprehensive income can be given in accordance with other accounting standards that are otherwise mandatory for a first-time user.

Compared to the commercial law regulations, the following adjustments have been made in the context of the first-time preparation of the IFRS consolidated financial statements:

● Consideration of the transaction costs incurred in connection with business combinations in full as expenses (in the HGB, these are to be recognized as incidental acquisition costs, insofar as they are directly related to the acquisition of shares)

● Deduction of the transaction costs incurred in connection with taking out a loan from the loan liabilities and amortization of the transaction costs over the loan term (in the HGB, such transaction costs are to be recorded as expenses)

● Different valuation of liabilities from pension obligations according to IAS 19

● Partial profit realization for receivables from contract manufacturing within the scope of the percentage-of-completion method (the realization principle of the German Commercial Code usually opposes partial profit realization)

### 38. Contingent liabilities and other financial obligations

#### Obligations from operating leases - Group as lessee

The Group has concluded operating leases for vehicles and operating and office equipment. The average term of the leasing contracts is between three and five years. With some leasing contracts, the Group has the option of extending the leasing contract for a further three to five years.

In addition, the Group has concluded commercial leases for its office space at various locations.

As of March 31, 2018, the following future minimum lease payment obligations exist due to non-cancellable operating leases:

| in EUR thousand | March 31, 2018 |
|---|---|
| Remaining term up to 1 year | 3,783 |
| Remaining term 1 - 5 years | 5,578 |
| Remaining term over 5 years | 2,359 |
| Total | 11,720 |

#### Contingent Liabilities

With the assignment of 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.

### 39. Information on related companies and persons

Information on the group structure, the subsidiaries and the holding company is provided in Note 5.

The following table shows the total amount of transactions with related companies and persons in the 2017/2018 financial year:

| in EUR thousand | | Interest expense | Liabilities to related companies and persons |
|---|---|---|---|
| Companies with significant influence on the group: | | | |
| Tempus Holdings 24 Sarl | 2017/2018 | 922 | 12,873 |
| Tempus Holdings 23 Sarl | 2017/2019 | 266 | 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 has now 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

#### 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 | 2017/2018 |
|---|---|
| Current payments of a fixed and variable type | 1,595 |
| Provision for (later) retirement benefits | 15th |
| Severance payments | 230 |
| total | 1,840 |

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

#### Management holdings

The executives of various group companies indirectly hold approximately 9.4% of the shares in the parent company via an investment vehicle which shares in Tempus Holdings 23 S. a r. I. with its registered office in Luxembourg. The shares in the holding company were acquired at the same price as the majority shareholders when acquiring Tempus Holdings 23 S. a r. I., 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.

### 40. 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 9 Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 combines the three project phases for accounting for financial instruments "Classification and Measurement", "Impairment" and "Accounting for Hedging Transactions". The standard applies to fiscal years beginning on or after January 1, 2018; earlier application is permitted. With the exception of accounting for hedging transactions, the standard is to be applied retrospectively; however, comparative information is not required.

The Group intends to apply the new standard as of the prescribed effective date and will not adjust the comparative information. In the 2017/2018 financial year, the Group carried out a detailed assessment of the effects of all three aspects of IFRS 9. This assessment is based on currently available information and may change due to further appropriate and reliable information that the Group becomes aware of in the 2018/2019 financial year when IFRS 9 is first applied. Overall, the Group does not expect any material effects on its balance sheet or equity with the exception of the effect resulting from the application of the impairment regulations in IFRS 9. He expects higher risk provisions to be formed, which, as explained below, would have a negative impact on equity. In addition, he will make changes to the classification of certain financial instruments.

*(a) Classification and Evaluation*

The group does not expect the application of the classification and measurement regulations of IFRS 9 to have any significant effects on its balance sheet or equity.

Loans and trade receivables are held in order to collect the contractual cash flows, which are solely repayments of principal and interest on the outstanding nominal amount. The Group has examined the characteristics of the contractually agreed cash flows for these instruments and determined that they meet the criteria for measurement at amortized cost in accordance with IFRS 9. As a result, there is no need to reclassify these instruments.

*(b) Depreciation*

According to IFRS 9, the group's expected credit losses (ECL) from all of its loans and trade receivables are to be measured either on the basis of the 12-month ECL or the total term ECL. The Group will use the simplified approach and record the total maturity ECL from all trade receivables. He has determined that the risk provision will remain unchanged.

*(c) Accounting for Hedging Transactions*

There are currently no hedging relationships in the Group. It is also not planned to enter into a hedge in the future. Therefore, the new rules on accounting for hedging transactions will not have any impact on the consolidated financial statements.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was published in May 2014 and amended in April 2016. 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 can expect in return for the transfer of goods or services to a customer (the transaction price within the meaning of IFRS 15).

The new standard on revenue will replace all currently existing regulations on revenue recognition under IFRS. For fiscal years beginning on or after January 1, 2018, either full or modified retrospective application is required. Early application is permitted. The Group intends to apply the new standard as of the prescribed effective date and to use the fully retrospective approach. In the 2017/2018 financial year, the Group carried out an assessment of IFRS 15.

The group operates in the areas of IT services and IT solutions. In this context, self-developed and / or third-party software products are sold to customers. The software products and services are sold both through separately identified contracts with customers and together as a package of goods and / or services.

*(a) Sale of goods*

For contracts with customers for which the sale of software products is generally expected to be the only performance obligation, the application of IFRS 15 is unlikely to have any impact on either the Group's sales or its earnings. The Group expects that the revenue will be realized at a point in time at which control of the asset is transferred to the customer. This is generally the case when the goods are delivered.

In preparing for the application of IFRS 15, the Group takes the following into account:

*Warranty obligations*

In principle, the group provides guarantees for general rework obligations in its customer contracts, but no extended guarantees. Accordingly, most existing warranties under IFRS 15 will be classified as so-called assurance-type warranties, which, in line with current practice, will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

*(b) Provision of Services*

The group provides IT services. These services are either sold individually in contracts with customers or as a package together with the sale of software products to customers. The Group currently accounts for sold software products and services as separate partial services of a sold package and allocates the consideration received to these partial services on the basis of the relative fair value approach. It records revenue from services based on the degree of completion. According to IFRS 15 the allocation will be based on relative stand-alone selling prices.

The group has come to the conclusion that the first-time application of IFRS 15 will not lead to any adjustments to the figures.

The group has come to the conclusion that the services will be provided over a period of time, since the customer receives the benefit from the group's performance and consumes it at the same time. On this basis, according to IFRS 15, the Group would continue to record revenue from these service contracts (or from the service components of contracts made up of services and software sales) based on time and not on time.

Using a method for measuring the progress of work (percentage-of-completion method), the Group currently records sales revenues and trade receivables and other receivables, even if the receipt of the full consideration depends on the successful provision of the IT services. According to IFRS 15, the contingent consideration should be recognized as a contract asset and not as a receivable. Therefore, with the initial application of IFRS 15 as of March 31, 2017, the Group will reclassify an amount of EUR 9,927 thousand from trade receivables and other receivables to the current part of contract assets.

*(c) Prepayments received from customers*

In principle, the Group only receives short-term prepayments from customers, which are recorded as prepayments received under short-term liabilities. In principle, the Group does not receive any long-term advance payments. According to the studies carried out by the Group, the contracts with customers do not contain any significant financing components.

*(d) Presentation and Disclosure Requirements*

IFRS 15 contains more detailed presentation and disclosure requirements than the currently applicable IFRS. The new presentation requirements are a major change compared to current practice and will require significantly more information in the consolidated financial statements in future. Many of the disclosure requirements of IFRS 15 are new and, in the opinion of the Group, some of them have a material impact on the consolidated financial statements. In particular, the Group expects the notes to be expanded to include information on significant judgments regarding the allocation of the transaction price to the individual performance obligations and the assumptions made to estimate the individual selling prices of each performance obligation.

### 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.

### Amendment 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 exercise conditions on the valuation of share-based payment transactions with cash settlement

● The classification of share-based payment transactions with net fulfillment clauses in the case of a legal obligation to withhold withholding tax

● accounting for cash-settled share-based payment transactions in the event of a modification of their terms that results in their classification as an equity-settled share-based payment transaction

When applying for the first time, companies must apply the change without adjusting previous reporting periods. However, retrospective application is permitted if this option is used for all three areas of change and other requirements are met. The amendment is to be applied for fiscal years beginning on or after January 1, 2018. Early application is permitted. The Group is currently assessing the possible effects of the change on the consolidated financial statements.

### IFRS 16 Leases

IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Assessment of the Substance of Transactions in the Legal Form of Leases. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure requirements with regard to leases and obliges lessees to record all leases using a single model similar to the accounting for finance leases under IAS 17. The new standard contains two exceptions to the accounting requirement for lessees: Leases for low-value assets (e.g. PCs) and short-term leases (ie leases with a term of no more than twelve months). At the inception of the lease, the lessee recognizes a liability to make lease payments (ie, the lease liability) and an asset for the granted right to use the leased item during the lease term (ie, the right to use the leased item). Lessees must separately record the interest expense for the lease liability and the depreciation expense for the right to use the leased item. Leases with a maximum term of twelve months). At the inception of the lease, the lessee recognizes a liability to make lease payments (ie, the lease liability) and an asset for the granted right to use the leased item during the lease term (ie, the right to use the leased item). Lessees must separately record the interest expense for the lease liability and the depreciation expense for the right to use the leased item. Leases with a maximum term of twelve months). At the inception of the lease, the lessee recognizes a liability to make lease payments (ie, the lease liability) and an asset for the granted right to use the leased item during the lease term (ie, the right to use the leased item). Lessees must separately record the interest expense for the lease liability and the depreciation expense for the right to use the leased item. the lease liability) as well as an asset representing the granted right to use the leased item during the term of the lease (ie the right to use the leased item). Lessees must separately record the interest expense for the lease liability and the depreciation expense for the right to use the leased item. the lease liability) and an asset representing the granted right to use the leased item during the term of the lease (ie the right to use the leased item). Lessees must separately record the interest expense for the lease liability and the depreciation expense for the right to use the leased item.

In addition, if certain events occur (such as a change in the lease term or a change in future lease payments due to a change in the index or interest rate used to determine the lease payments), lessees must revalue the lease liability. Lessees will generally recognize the amount of the revaluation of the lease liability as an adjustment to the right to use the leased item.

For lessors, IFRS 16 will essentially not result in any changes in accounting compared to the currently applicable IAS 17. You will continue to classify all leases according to the classification principles of IAS 17 and differentiate between two types of lease: operating lease and finance lease.

Compared to IAS 17, IFRS 16 requires lessees and lessors to provide more detailed information.

IFRS 16 is to be applied for fiscal years beginning on or after January 1, 2019. Earlier application is permitted, but may only take place if the company also applies IFRS 15. When applying the new standard for the first time, lessees can choose either a full or a modified retrospective approach. The transitional provisions of IFRS 16 allow certain transitional reliefs.

In 2018, the Group will continue to assess the possible effects of IFRS 16 on the consolidated financial statements.

### 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.

### Transfers of Investment Property - Amendments to IAS 40

The group does not have any investment property. Accordingly, the changes do not apply to the Group.

### Annual improvements (2014-2016 cycle) (published in December 2016) The annual improvements of the 2014-2018 cycle concern the following standards:

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 now served their intended purpose. The change is to be applied from January 1, 2018. It does not apply to the group.

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 changes specify the following:

● 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 on the basis of individual participation.

● If a company that is not an investment company itself and that has a stake in an associate or joint venture classified as an investment company uses the equity method, it may decide to use the fair value measurement of its associate or joint venture classified as an investment company for whose shares in subsidiaries is applied. This option is exercised individually for each associated company or joint venture classified as an investment company at the later of the following dates:

The changes are to be applied retrospectively for the first time on January 1, 2018. Earlier application is permitted. If a company applies these changes to an earlier period, it must indicate this. These changes do not apply to the Group.

### Application of IFRS 9

Financial instruments together with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The changes address concerns about the different effective dates of IFRS 9 and IFRS 17 when IFRS 9 is applied before IFRS 17 Insurance Contracts, which replaces IFRS 4. These changes do not apply to the Group.

### IFRIC interpretation 22

### Transactions in foreign currencies and consideration paid in advance

The Interpretation clarifies that, for the purpose of determining the exchange rate that will be used upon initial recognition of the relevant asset, expense or income (or any portion thereof) in derecognition of a non-monetary asset or liability for prepaid consideration, the time of the transaction corresponds to the date on which the non-monetary asset or non-monetary liability arising from the prepayment was first recognized. 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. Companies can apply the changes fully retrospectively. Alternatively, an entity can apply the interpretation prospectively to all assets, expenses and income that fall within the scope of this interpretation and are recognized for the first time on or after the following dates:

(i) the beginning of the reporting period in which the company first applies the interpretation, or

(ii) the beginning of an earlier reporting period, which is presented in the financial statements as comparative information for the reporting period in which the company applies the interpretation for the first time.

The interpretation is effective for fiscal years beginning on or after January 1, 2018. Early application is permitted and must be stated in the appendix. Since its current approach is in line with the interpretation, the Group does not expect any effects on its financial statements.

### 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 company 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.

### 41. Executive bodies of CONET International Holding GmbH

In the short fiscal year 2017/2018 the management included:

Ms. Anke Höfer, CEO, Koenigswinter, Germany

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

### 42. 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 | 2017/2018 |
|---|---|
| Audit services | 40 |
| Other certification services | 0 |
| Tax advisory services | 0 |
| Other services | 361 |
| total | 401 |

### 43. 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 27, 2018**

***Anke Höfer***

***(Manager)***

***Josef Ranner***

***(Chief Executive Officer)***

## Group management report for the short financial year from April 11, 2017 to March 31, 2018

### 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. The parent company was re-established on April 11, 2017. Due to the fact that the company was founded during the year, a short fiscal year from April 11, 2017 to March 31, 2018 was formed for the consolidated financial statements.

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

In addition to two intermediate holding companies, CONET International Holding GmbH acquired 100% of the shares in two subgroups (CONET Technologies GmbH (formerly: CONET Technologies AG) and ACT IT Holding GmbH) and formed a group itself.

The business activities of the CONET Group essentially consist of IT services and IT solutions that are provided in the service areas SAP, Infrastructure, Communications, Software and Experts / 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 International Holding GmbH is the acquisition, integration and management of investments in the CONET Group.

The main areas of activity in the shortened fiscal 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%)

● CONET Technologies GmbH (formerly: CONET Technologies AG) (100%) parent company of the following companies:

o CONET Solutions GmbH (100%)

o CONET Communications GmbH (100%)

o CONET Business Consultants GmbH (100%)

o CONET Services GmbH (100%)

● ACT IT Holding GmbH (100%) - parent company of the following companies:

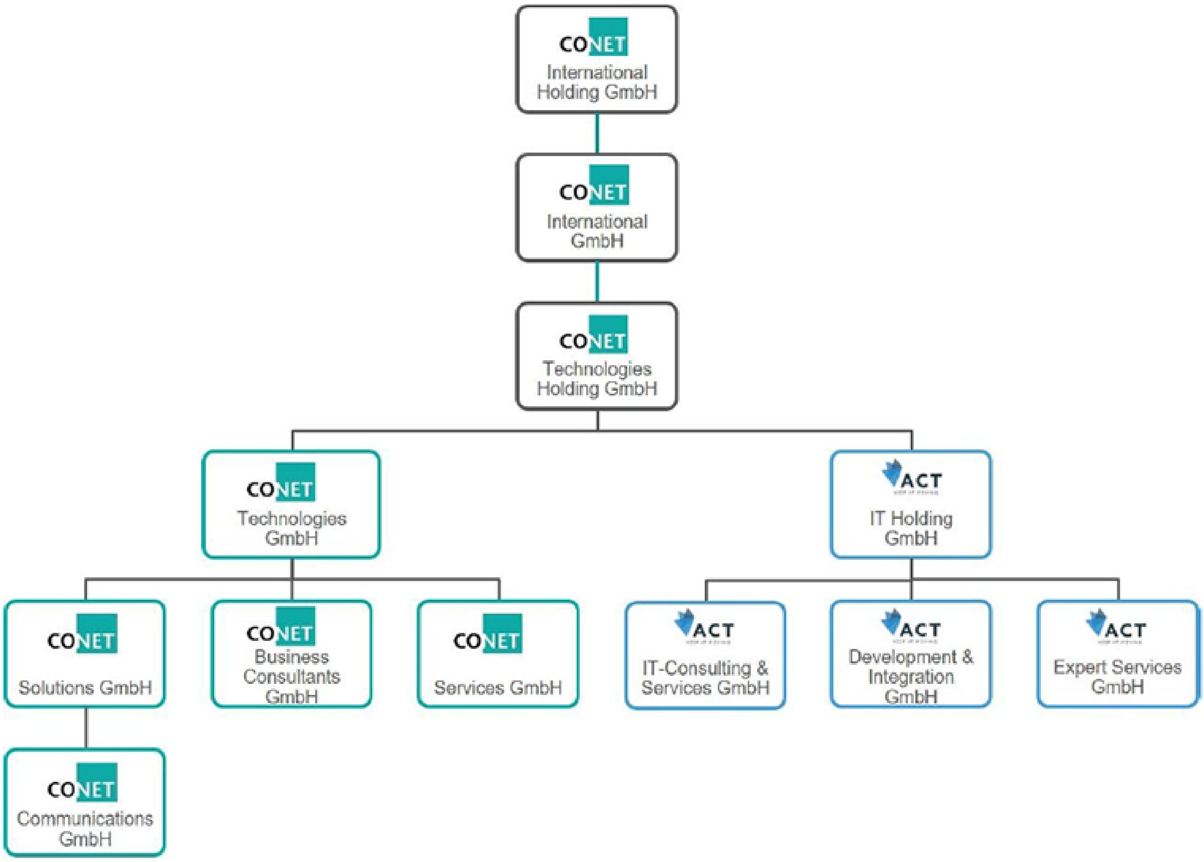
o ACT IT-Consulting & Services GmbH (formerly: ACT IT-Consulting & Services AG) (100%)

o ACT Development & Integration GmbH (100%)

o ACT Expert Services GmbH (100%)

Range of services and customer structure of the CONET Group:

**Structure of the CONET Group as of March 31, 2018**




### CONET Solutions GmbH

The oldest CONET sole proprietorship offers its customers long-term relationships and mutual success in the areas of infrastructure, communications and software. For CONET, successful projects mean that customers are permanently satisfied with the results.

This satisfaction is confirmed by regular surveys of the customer base, which includes companies such as Telekom, DHL and Bayer, federal ministries and state authorities as well as the German armed forces. CONET knows the special requirements of our customers and caters to them in a targeted manner.

At the same time, however, the CONET consultants take advantage of the bigger picture in order to apply their wealth of experience in different industries and in other environments. Especially in economically challenging times, the full potential of modern information technology becomes apparent as a driver of innovation, a guarantee for future viability and a motor for successful business.

Core services:

● Infrastructure: System integration, migration and virtualization of the IT infrastructure in Microsoft, Citrix and Novell environments

● Communications: Powerful communication solutions for critical communication processes, conception and introduction of IP-based communication solutions for customer interaction and application integration with leading standard technologies

● Software: Application development for collaboration, web applications and web integration, including with Microsoft, Novell and open source technology

● Experts: Consulting, technical advice and strategy advice in the focus areas of cyber security / IT security, data protection (EU General Data Protection Regulation), mobility, business process management and enterprise architecture management.

### CONET Business Consultants GmbH

Under the motto "SAP consulting and process management with a system!", CONET Business Consultants GmbH, as management and IT consultancy, offers a wide range of consulting services and IT solutions for well-known companies and large public sector organizations.

In CONET Business Consultants GmbH, CONET bundles extensive process and technology know-how and concentrates the multi-layered SAP skills of experienced SAP specialists in powerful teams. Together we can expand our service portfolio as one of the top 10 service providers in the field of SAP for the public sector for our customers and offer them efficiently at competitive conditions with the flexibility of a medium-sized company.

With our strong focus and our main drivers of innovation, customer satisfaction and employee motivation, we look forward to offering you tailor-made solutions in SAP consulting and process management with which you can get your critical business processes on track!

Core services:

● SAP Consulting: Accounting, Real Estate Management, Human Capital Management, Logistics

● Process management: Business Intelligence, Corporate Performance Management, Governance, Risk Management & Compliance, BPM

● SAP development: SAP NetWeaver Enterprise Portal, SAP Integration, Industry Solutions (SAP Defense Solution), Development & Administration

**CONET Services GmbH**

CONET Services GmbH offers managed services from data center operation and ITIL-compliant support and disaster recovery to cloud computing and hosting from a single source. This makes CONET your reliable partner for all questions relating to the operation of your IT infrastructure, with a large number of qualified experts in all leading technologies, its own certified data center and reliable support and service structures.

Following technological progress and the changing requirements of a global business world, CONET Services GmbH is continuously expanding its core services in order to optimally support day-to-day business operations and to meet the ever-growing requirements for system stability and availability.

Core services:

● Consulting: Advice and support for migration projects as well as the introduction and optimization of ITIL-based processes and business process management

● IT operating services & managed services: Innovative IT operating solutions, including the provision of security-checked IT specialists and overall operational responsibility if required

● Data center operation: software as a service, platform as a service and infrastructure as a service through to comprehensive hosting, ASP and cloud offers including compliance and disaster recovery in our own ISO-certified data center

● IT financial services: proximity solutions, networks with minimized latency times, direct market access (DMA) and market data, real estate management solutions

In addition to the three large subsidiaries, there is also the Austrian subsidiary in Vienna - a subsidiary of CONET Solutions GmbH:

**CONET Communications GmbH**

In important nodes of interaction and communication such as call or service center, control center or operational control and management centers, requirements regarding accessibility, reliability, efficiency, quality management and legal framework conditions such as traceability and documentation supplement the extensive technical requirements.

CONET Communications takes on these challenges together with you and creates service centers and control centers for you that deserve their name.

Trust the many years of experience of CONET, your reliable companion in a successful IT future.

Core services:

● Conception and introduction of IP-based communication solutions

● effective customer management in service centers / call centers / unified contact centers

● Application integration / CTI with third-party systems such as SAP

● Quality management / Quality of Service / Reporting

● Value-added applications for Cicso-based unified contact centers (CONET IP Phone Suite / CONET UCC Suite)

● Radio integration and conference platform for control centers and emergency call centers (CONET UC Radio Suite)

**SAP**

Digitization and the increase in data are forcing companies to change their business models and restructure their IT. CONET takes on these challenges with the latest SAP approaches such as S / 4 HANA, Fiori and user experience for faster process flows, intuitive handling and more flexibility.

On the basis of these modern tools and a comprehensive SAP portfolio, CONET creates individual, tailor-made solutions with competent advice. As a medium-sized company, we are a powerful yet flexible partner for small and large customer organizations alike. The focus is on personal advice from highly qualified, SAP-certified consultants on site and the joint development of an optimal solution. Our goal is to develop your performance and competitive strength through innovative consulting and IT concepts.

We subsume our consulting services in relation to strategy, business administration, processes and organization under Business Consulting. In addition to classic management and strategy consulting, we offer business management concepts and studies, process and organizational analysis, project management and quality assurance as well as consulting on the implementation of best practice approaches and user experience. Business consulting can be done both with reference to IT in general and SAP in particular as well as detached from IT issues.

In addition to SAP architecture and technology consulting, IT consulting primarily includes consulting in the course of implementing the standard SAP software and in the context of SAP application management. We support projects in all facets over the entire project life cycle. This ranges from initial advice as part of a feasibility study, project control, requirements management, implementation advice, customizing, SAP programming, implementation support, training and migration to support based on SAP ERP, human capital management, supply chain execution, SAP NetWeaver, SAP portal including SAP Business Intelligence and SAP BusinessObjects.

**Infrastructure**

Increasing performance expectations for higher availability, flexibility and security meet demands for renewal or centralization of the IT landscape. With CONET, customers from the private and public sectors are equally well advised on all of these issues.

As an experienced IT service provider with a close network of partners to established manufacturers such as Microsoft, Micro Focus with Novell, NetIQ and Suse, Linux, Citrix, VMware and NetApp, broad technology know-how and certified specialists, our teams develop solutions tailored to individual customer needs . From analysis, conception, automated control and administration to self-services and the modernization of data centers, CONET offers consulting, implementation and operating services from a single source.

This includes cloud computing and virtualization solutions, data center & system management, managed services & outsourcing with ITIL-compliant user help desk & 24/7 support, intelligent networks and communication solutions as well as modern and secure identity, security and access management including migration , High availability, archiving, backup and disaster recovery.

**Communications**

Communication technologies are constantly developing rapidly. But two central challenges remain: The integration of a wide variety of functions and platforms that ensure reliable, network-independent communication. And the guarantee of a secure exchange of information and data between all actors in critical communication situations.

With its solutions, CONET increases the communication skills and flexibility of its customers. CONET always follows an integrative approach in its projects and offers process optimization and conception tailored to the communication requirements, support in technology selection and procurement, communication infrastructures without media discontinuity, the integration of voice, video & conferencing, mail, fax and radio communication, integration into existing system landscapes and continuous development and operation.

The focus of the services is on control systems with the UC Radio Suite for communication and control in the control center and control center, which enables a direct connection between radio and telephone as well as the integration of information systems, emergency calls, public address systems and video surveillance. CONET also offers enhanced security for IP telephones with its CONET "Phone-Mod", which, through an intelligent modification of the telephone hardware, eliminates the risk of VoIP telephones being used as room monitors through the remote control function. Optimal customer contact , increased customer satisfaction and increased efficiency in service,

#### software

Software solutions, agile development and product-neutral advice from CONET accompany the IT evolution from a historically grown world full of individual solutions to a future-proof, open and agile IT landscape. The central task of modern IT solutions is to effectively support the implementation of strategic goals and at the same time enable flexible reactions to changes in markets and technologies.

Software applications support the processes required for this. Middleware systems couple individual services, coordinate communication with their own infrastructures or cloud solutions, and ensure flexible use across a wide range of end devices, from desktop PCs to smartphones.

Software solutions, agile development and product-neutral advice from CONET bring customers' processes on track. Enterprise Architecture Management thus offers a strategic management of corporate architectures from planning and modeling to implementation with business process management and with service-oriented architectures a flexible IT and application landscape, as required by the automation and adaptation of business processes. Agile process models ensure a systematic recording of requirements, early visibility and acceptance of results, high quality and thus a minimization of project risks.

Strategy, architecture and process consulting based on a wide range of manufacturers and open source (from IBM Notes, JBoss, Microsoft and Novell to Oracle, Red Hat, Apache and Eclipse), the introduction and migration of standard software, Development of individual, SAGA-compliant solutions with C #, Java / JEE, HTML5 / JavaScript also for e-government, processes & specialist procedures in public administration as well as enterprise content management, collaboration, social business and business intelligence round off the software range of CONET.

#### Experts / Consulting

Holistic IT consulting, business consulting, business process management and enterprise architecture management from CONET do not stop at technology, system or departmental boundaries. Together with you, the CONET experts set the right course for a stable and profitable future.

In the modern business world, the boundaries between corporate management and technology are becoming increasingly blurred. Business processes, professional requirements and technical possibilities influence one another more and more and are increasingly dependent on one another.

Cross-sectional competence teams made up 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 point of view.

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.

The ACT Group was taken over by CONET Technologies Holding GmbH on November 22, 2017. The new corporate structure provides that ACT IT Holding GmbH is now a subsidiary of CONET Technologies Holding GmbH. In economic terms, the takeover is retroactive to January 1, 2017.

#### The ACT Group's service portfolio

The ACT Group offers its customers solution-oriented services that are represented by various business areas.

Well-founded technical and operational know-how, manufacturer independence and practical experience from numerous projects (best practice) in different environments and industries are the decisive reasons for using our services.

ACT rethinks its own portfolio in a constant process and tries to cover sustainable topics that the market in the IT service sector demands:

● Defense and Public Sector

Special IT know-how for the armed forces and authorities

● Managed Services (27001 certified)

Operating services for (remote) monitoring and guaranteeing the availability of systems, service desk, patch management, security-as-a-service, project service

● Customer Communication Management

Multi-channel management, document and content migration and automation

● Human Relations

Recruiting and developing specialist staff for ACT and on behalf of customers, partner management

● Training center

PRINCE2 ® , ITIL ® , SDI ® , PMP ® , Scrum, ISO 27001, data quality management, PMI project management, Div. Technical training

● Business analytics and information quality

Business intelligence, data mining, big data, data quality management

● IT business consulting

Advice on harmonizing IT with business processes

● SAP ERP consulting, processes and development (including HCM, FI / CO, SD, MM, BI)

SAP Global Data Management, Mobile Sales Logistic RFID, Architecture Process Design SystemScan (Hana), Project Management Support Solution Manager (Hana)

● IT information security

Conception and transfer of operations for information security, network flow analysis, SIEM, penetration tests, forensic, 27001 audit, advice and preparation for certification (certification via partner)

#### ACT customer structure

ACT has long since made a name for itself as a brand on the market. Many customers trust the ACT brand. Incidentally, this also applies to the employees of ACT, which in times of a shortage of skilled workers has a not to be despised importance for the success of the company. ACT has been working on behalf of major customers in various industries for many decades.

The ACT clientele includes federal authorities, particularly those related to the Bundeswehr, but also large insurance companies as well as banks and savings banks.

The establishment of Managed Services since 2012 has brought about an expansion of the customer structure. Here ACT can refer to well-known medium-sized companies as customers, especially in the media sector.

### 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, 2018, the CONET Group was 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 of finance, Mr. Josef Ranner is responsible for managing the service areas of finance, accounting & controlling 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-person advisory board of CONET Technologies GmbH is composed 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 a top-down method. These are then verified bottom-up and then distributed over the individual months. The group is controlled as part of the monthly plan / actual deviation analysis. Based on an established self-service system, the management has up-to-date figures for corporate management. As part of the monthly reporting, the board of directors is informed of all key items in profit and

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.

Through targeted investments in its own further developments such as Microsoft SharePoint-based solutions to optimize process flows, the development of prototypical interface solutions between leading business applications and the consistent development of know-how of the latest technologies such as SAP HANA, CONET consolidates its position as an innovative and efficient partner.

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

In the area of public security, the UC Radio Suite (UCRS) developed by CONET on the basis of Cisco technology experienced further successful productive implementations in the energy sector as well as in the public and military 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. Comparable offers from the competition usually only support a single or a few communication networks or equipment providers. In practice, this means that even though standardized communication is possible in closed or standardized infrastructures, serious communication barriers still exist in mixed, especially international contexts. Together with the fact that, especially in the communication environment, the switch to TETRA digital radio means that new,

With the legally compliant implementation of emergency calls as well as eCalls in German BDBOS control centers, the "Bluelight" product line has reached a further milestone. The solution currently being planned by the largest German control center network also testifies to this development.

Overall, the CONET Group invested 1.6 million euros or 3% of sales in research and product development in the period from April 2017 to March 2018. A total of 1.0 million euros in development costs were capitalized. This corresponds to an activation rate of 62%. In the past financial year, EUR 0.5 million on capitalized development costs was amortized as planned.

### 1.5 Corporate Governance Statement

The CONET Group 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.

For a detailed description, we refer to the information on our website: www.conet.de.

## 2 Economic report

### 2.1 Macroeconomic and industry-specific framework conditions

#### General economic conditions

The German economy is still enjoying a strong upturn. With the again significant growth this year, the gross domestic product has increased for the ninth year in a row. The upswing is now based on a broad domestic and foreign trade basis. Employment, income and thus the opportunities for consumers to consume are increasing noticeably. Companies are exporting more lively and are investing more heavily again. Despite a shortage of skilled workers in individual occupational fields, no end of the upswing is in sight. For 2018, the federal government expects an increase in price-adjusted gross domestic product of 2.4%. The upswing is thus continuing vigorously.

The growth in employment is likely to be somewhat less dynamic due to the dwindling labor supply. It is becoming more difficult for employers in many industries and regions to successfully fill the vacancies in their companies. Overall economic development, however, remains robust. The risks and opportunities for the economy are currently more balanced than in the recent past, even if the uncertainties remain considerable.

**Industry-specific framework conditions**

According to BITKOM, the overall market for information and telecommunications technology (ICT) increased from around 150.1 billion euros to 161.3 billion euros in 2017. For 2018, growth of 1.7% is forecast again compared to the already good previous year.

In the "software" and "IT services" segments, which are particularly relevant for the CONET Group, the increases amounted to 1.4 billion euros (+6.3%) and 1.0 billion euros (+2.6%), respectively EUR 24.4 billion and EUR 40.0 billion respectively, an above-average increase compared to the previous year.

As in previous years, the business of pure consulting services also developed positively across Germany. The German economy, but also the public sector, are responding with a higher demand for support from external specialists to the diverse change requirements at the economic and administrative level, which is 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. Not least because of this, sales in the German management consulting industry rose again by 8.5% in 2017. The sector of strategy, organization, IT and human resources consultants increased total sales to 31.5 billion euros by the end of 2017 (2016: 29.0 billion euros). For the current year 2018, the branch association is expecting a further increase in sales of around 8.4% to 34.1 billion euros.

The consulting fields "organization and process consulting" and "IT consulting", which are particularly relevant for the CONET Group, developed better than the industry average (8.5%), as in the previous year.

The highest growth in 2017 was recorded by the consulting field "organizational and process consulting" with 9.9%. The share remained almost constant at 44.1% (2016: 43.5%), which corresponds to a turnover volume of 13 89 billion euros (2016: 12.61 billion euros). A good half of this turnover is accounted for by consulting services in project management (13.4%) and process optimization (11.0%) in the client companies Supply chain management (share 5.2%) are very important to clients.

There was also good demand from clients from business, industry and administration in 2017 in the consulting field "IT consulting". The segment growth was 8.7%. With a percentage of 21.6% of the total market, a total of 6, Turnover of 80 billion euros (2016: 6.26 billion euros). Around half of the segment's sales came from projects on the subject of "IT applications & infrastructure".

ChannelPartner, a company of the media and analyst house IDG Business Media, which also publishes leading IT magazines such as Computerwoche and CIO, again identified the best system houses in 2017. In the latest Computerwoche system house survey, around 4,000 customers rated the performance of their IT service providers in more than 5,500 individual projects. CONET achieved a top 10 place in the category “medium-sized system houses with income of 50 to 250 million euros per annum” (previous year: 15th place).

**2.2 Course of business / earnings situation**

The following presentation of the earnings position for the short financial year from April 11, 2017 to March 31, 2018 provides an insight into the development of the Group during this period. The presentation is a representation of the profit and loss account (BWA), structured according to business aspects.

| Consolidated Group BWA for the period | 2017/18 |
|---|---|
| 04/11/2017 - 03/31/2018 | in T € |
| Sales | 62,246 |
| Other own work capitalized | 988 |
| Overall performance | 63.234 |
| other income | 1,031 |
| Use of materials | -23,921 |
| Gross profit I | 40,345 |
| Personnel costs | -24,787 |
| Gross profit II | 15,558 |
| Other operating expenses | -10,941 |
| Other taxes | -124 |
| EBITDA (earnings before interest, taxes, depreciation and amortization) | 4,493 |
| Depreciation | -1,326 |
| EBIT (earnings before interest and income taxes) | 3,167 |
| Financial result | -1,553 |
| EBT (earnings before income taxes) | 1,616 |
| Taxes on income and earnings | -2,534 |
| Group net loss for the year | -918 |

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 € 62,246 thousand in the short financial year just ended. The total output in the group amounts to 63,234 T €. 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 € 988 thousand results exclusively from the further development of our successful software product CONET UC Radio Suite within CONET Solutions 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 short financial year 2017/2018 was € 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 are € 24,787 thousand.

The gross profit II amounts to 15,558 T €.

In the short financial year 2017/2018, the CONET Group generated a share of 24.60% gross profit II from the total output achieved.

#### 2.2.4 EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) are one of the most important business management indicators for us.

The comparatively high other operating expenses result to a not inconsiderable extent from legal and consulting costs in connection with the acquisition of the CONET Group.

After deducting other operating expenses, the EBITDA in the group amounted to € 4,493 thousand.

#### 2.2.5 Annual deficit

Approximately 51% of depreciation consists of depreciation on internally generated and acquired intangible assets and 49% of depreciation on property, plant and equipment. Property, plant and equipment mainly relate to factory and office equipment.

The financial result mainly relates to interest expenses in connection with the financing of the acquisition of the CONET Group.

Earnings before taxes (EBT) of € 1,616 thousand are largely characterized by legal and consulting costs of the holding companies, which have negative results before income taxes as a result, while the operating companies generated clearly positive results before income taxes.

Taxes on income of € 2,534 thousand reflect the good annual results of the operating companies in the short financial year 2017/2018. In addition, the tax expense is increased by deferred taxes (€ 129 thousand).

Overall, there is a net loss for the year of € 918 thousand at the group level, which is largely characterized by one-off expenses in connection with 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:

| | 2017/2018 | |
|---|---|---|
| assets | in € thousand | % |
| Intangible assets | 3,685 | 2.5 |
| Company Value | 87,943 | 60.2 |
| Property, plant and equipment | 2,338 | 1.6 |
| Other claims | 289 | 0.2 |
| Deferred taxes | 468 | 0.3 |
| Long-term tied assets | 94,723 | 64.8 |
| Stocks | 2,332 | 1.6 |
| Receivables and other assets | 33,804 | 23.1 |
| Short-term assets | 36,136 | 24.7 |
| Liquid funds | 15,352 | 10.5 |
| | 146.211 | 100.0 |

*(Table contains rounding differences due to the representation of the values in TE)*

The long-term tied assets of the CONET Group amount to a total of 94,723 T € and thus correspond to a share of the total assets of 64.8%.

The majority of the long-term tied assets relate to the item goodwill (€ 87,943 thousand). The intangible assets in the amount of 3,685 T € relate to internally developed software as well as licenses (3,186 T €) and software and licenses acquired for payment (499 T €).

The goodwill arose from the consolidation of the CONET sub-group (€ 79,174 thousand) and the ACT sub-group (€ 8,769 thousand). 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 in either area.

The self-created software and licenses represent self-created software in CONET Solutions GmbH (product UC Radio Suite) on the reporting date. Additions of € 988 thousand were offset by scheduled depreciation of € 530 thousand.

The property, plant and equipment relates almost exclusively to operating and office equipment. Investments in operating and office equipment in the amount of € 462 thousand were offset by depreciation of € 648 thousand.

The long-term other receivables of € 289 thousand mainly relate to reinsurance policies and deposits that are not qualified as plan assets.

The short-term assets amounting to € 36,136 thousand mainly 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 € 33,804 thousand largely contain trade accounts receivable at € 30,714 thousand. These relate to accounts receivable from third parties in the amount of € 20,787 thousand from completed orders and € 9,927 thousand in receivables from contract manufacturing. The latter concern unfinished work from contracts for work and services which, according to the IFRS rules, are already to be reported as receivables. In addition, the receivables and other assets relate to other receivables (€ 1,153 thousand), current income tax claims (€ 1,138 thousand) and prepaid expenses (€ 798 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:

| | 2017/2018 | |
|---|---|---|
| liabilities | in € thousand | % |
| Equity | 23,369 | 16.0 |
| accruals | 1,571 | 1.1 |
| Financial liabilities | 84,654 | 57.9 |
| Deferred taxes | 1,454 | 1.0 |
| Long-term liabilities | 87,679 | 60.0 |
| accruals | 316 | 0.2 |
| Financial liabilities | 172 | 0.1 |
| Trade payables | 11,975 | 8.2 |
| Remaining debts | 22,700 | 15.5 |
| short-term borrowed capital | 35.163 | 24.0 |
| | 146.211 | 100 |

*(Table contains rounding differences due to the representation of the values in TE)*

Equity amounts to 16.0% of the balance sheet total.

The long-term outside capital of T € 87,679 mainly relates to financial liabilities.

The long-term financial liabilities represent 57.9% of the balance sheet total. They essentially relate to various loans that are used to finance the acquisition of the CONET subgroup and the ACT subgroup. The loans are bullet and have a remaining term of more than five years.

In addition to trade payables (€ 11,975 thousand), short-term borrowed capital essentially comprises other liabilities (€ 11,560 thousand), current income tax liabilities (€ 5,076 thousand) and advance payments received (€ 5,032 thousand).

In addition to deliveries and services invoiced by third parties (€ 7,691 thousand), trade payables also include accruals of € 4,284 thousand.

The other liabilities essentially relate to a conditional purchase price liability from the acquisition of a subgroup (€ 4,215 thousand) and accruals from the personnel area (€ 4,960 thousand).

### 2.4 Financial position

#### 2.4.1 Financing Analysis

As of March 31, 2018, long-term and short-term financial liabilities amounted to € 84,826 thousand. They result almost exclusively from the financing of the acquisition of the two subgroups CONET and ACT.

The liquid funds of the CONET Group amounted to 15,352 T € on the reporting date and thus amount to 10.5% of the assets.

The net debt (interest-bearing liabilities less cash and cash equivalents) at the end of the financial year was € 69,474 thousand.

The financial liabilities of € 84,826 thousand consist of 99.8% (€ 84,654 thousand) of long-term liabilities and 0.2% (€ 172 thousand) of short-term liabilities. The short-term liabilities essentially result from interest liabilities. 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, 2018, the cash and bank balance was € 15,352 thousand.

The cash flow statement, which shows the increase in cash and bank balances in the past financial year, is included in the annexes.

The CONET Group was solvent at all times in the short financial year 2017/2018. The CONET Group has a further credit line of around € 15,000 thousand.

### 2.5 General statement on the economic situation

Despite the diverse events in the short financial year 2017/2018 (acquisition of the CONET subgroup and the ACT subgroup) and the associated financial and capacity burdens, the management can look back on an economically very successful financial year. All companies were able to significantly improve their EBITDA, and sufficient liquidity was always available. 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

#### 2.6.1 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 Europawochelauf in Hennef or the HRS Business Run in Cologne. There is currently a great demand for participation in the Hennef Triathlon, here too we support our employees by paying the participation fee.

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

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

**Customer Britta Input**

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 2015 (financial year 2016) 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. In the 2015 survey, this value was 39% and is therefore a very good value. The comparative value for 2012 was 36%. A new customer survey is planned for August 2018 for the current 2018/2019 financial year.

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 company IDG Business Media, which also serves leading IT specialist magazines such as Computerwoche or CIO published, 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 achieved in category 2 “Medium-sized system houses with income from 50 to 250 million euros per annum "always good places in recent years,after rank 15 in 2016, most recently ranked 10 in 2017.

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.

## 3 Forecast, opportunities and risk report

### 3.1 Forecast report

The IT industry association BITKOM anticipates growth of 1.7% to 164 billion euros for the current year 2018 due to the continued good economic and economic situation in its forecasts from February 2018 in the overall information technology & telecommunications (ITC) market CONET-relevant sub-areas "software" are even expected to grow by 6.3% (to 24.4 billion euros) and for "IT services" with an increase of 2.6% (to 40 billion euros).

In addition to the statements made by BITKOM, according to the BDU (Federal Association of German Management Consultants), the consulting companies are also providing a growth forecast of 8.4% for the overall market for 2018, because the management consultancy sector remains optimistic about its business expectations for 2018. In the market study “Facts & Figures on the Advisory Market 2017/2018”, the prognosis, which arises purely arithmetically from the assessments of the more than 500 survey participants, shows a further increase of 8.4% compared to the previous year. Assuming that this development occurs,

The share of 78% who gave a positive growth forecast for 2018 in the market survey illustrates the broad level of confidence that management consultancies have. Only 7% 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 (+ 9.9%), IT data protection & data security (+9.5%) and CRM and sales (+8.9%) 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 of "Professional Services" (2018 forecast: +9.7%), "Healthcare" (2018 forecast: + 9.6%) and "Chemicals / Pharma" (2018 forecast: + 9.4%).

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 June 20, 2018) within the CONET Group shows that 68.8% of the planned gross profit I (for the 2018/2019 financial year) is under contract and 7.3% is in the assessed offer status. In this case we are talking about a coverage rate of 76.1%. 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 2018/2019 financial year, which has already started successfully, with great optimism, and we are certain that

In line with the positive industry developments described above and the good start to the current financial year, the management of the CONET Group expects further growth in the coming year. We are assuming consolidated sales or total output of 115.3 million euros and gross profit I of a good 77.7 million euros. At the gross profit II level, we are planning 25.2 million euros. The management expects EBITDA to be EUR 15.2 million. Before taxes, we expect earnings of around EUR 6.8 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.

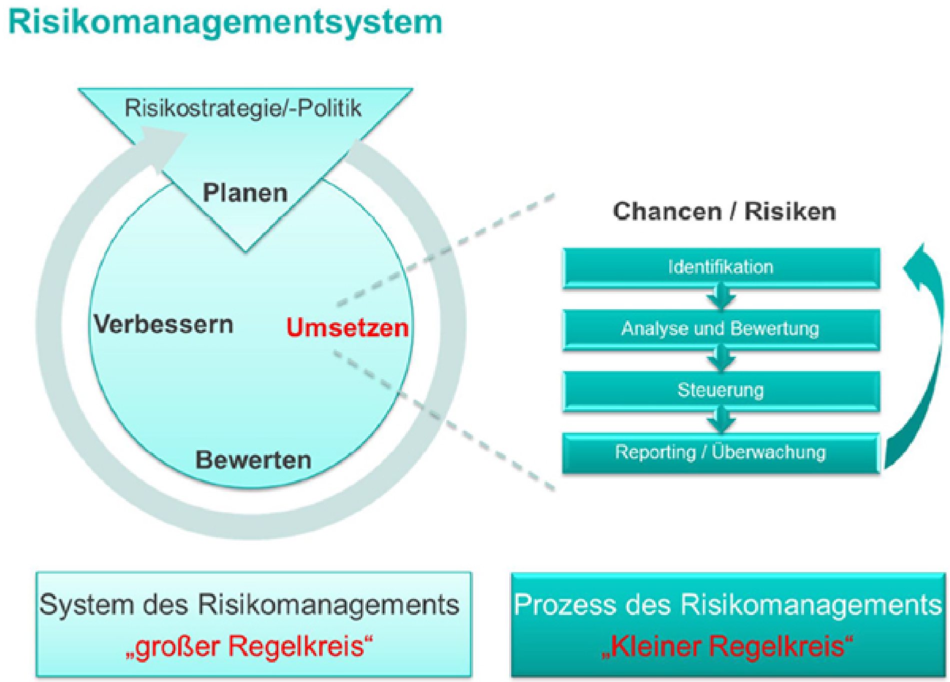
The organizational anchoring of risk management in the operationally and strategically oriented controlling enables an active and holistic alignment of the group risk management that is integrated with the planning and reporting processes.

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 board. 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 board'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.

In the "Public Sector" there is a solid availability of budget funds. Fortunately, long-term operating projects have been acquired as part of securing and expanding 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 2018/2019 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. In this context, there is also the increasing trend towards digitization in almost all industries. We see the basis for such growth (see 3.1 Forecast report) and this is included in the existing planning 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: Survey "The best system houses 2017") and therefore offers the ideal platform for future project business to expand existing business relationships. If we succeed in doing this faster or more extensively than planned, this will also result in a Income opportunity.

#### 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 27, 2018**

***Anke Höfer***

***(Manager)***

***Josef Ranner***

***(Chief Executive Officer)***

**CONET International Holding GmbH**

**HRB District Court Siegburg No. 14821**

**Supplement to the consolidated financial statements March 31, 2018**

We hereby confirm the inclusion of the following subsidiaries in the consolidated financial statements of CONET International Holding GmbH, Hennef as of March 31, 2018 and their exemption from disclosure in accordance with Section 264 (3) HGB

CONET International GmbH, Siegburg District Court HRB 14800

CONET Technologies Holding GmbH, Siegburg District Court HRB 14812

CONET Technologies GmbH, Siegburg District Court HRB 14811

CONET Solutions GmbH, Siegburg District Court HRB 9136

CONET Business Consultants GmbH, Siegburg District Court HRB 15388

CONET Services GmbH, Siegburg District Court HRB 14255

**Hennef, August 26th, 2019**

***Anke Höfer***

***Managing directors***

***Josef Ranner***

***Managing directors***