



**DATAGROUP**

## Annual Report 2018/2019



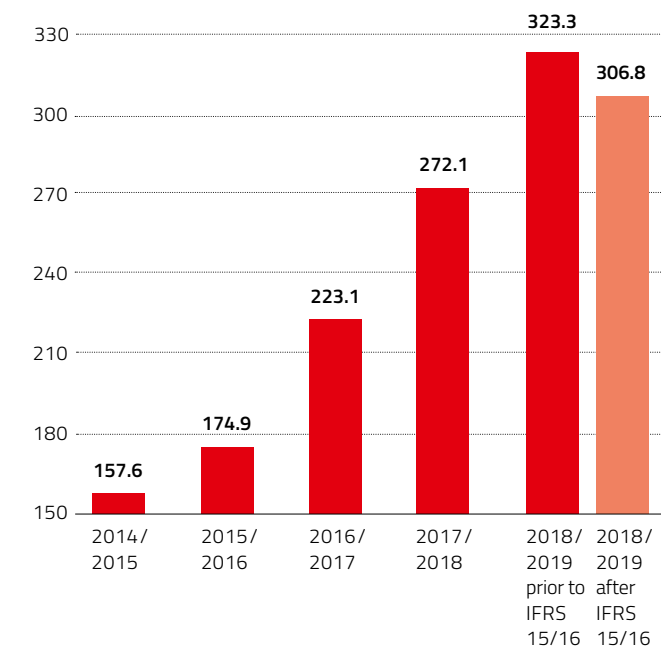
IT's that simple.

# Overview of Key Figures

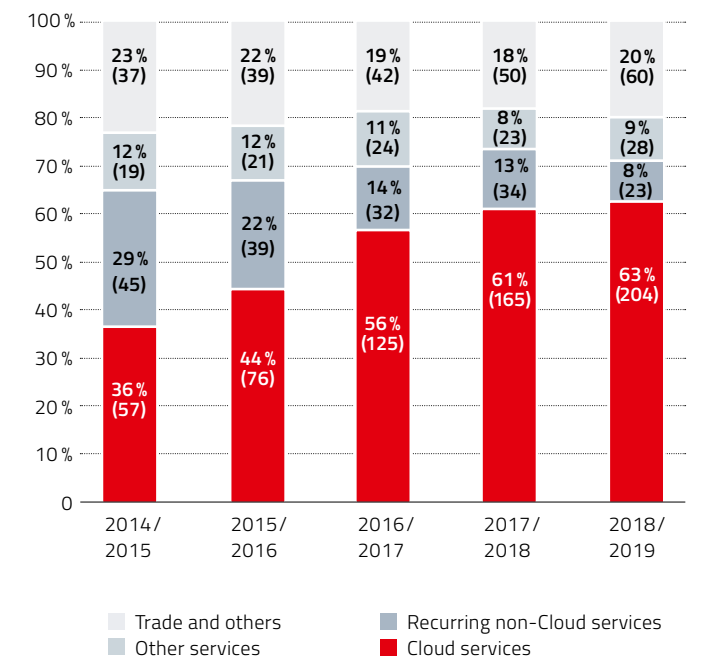
Annual Report of DATAGROUP SE, Pliezhausen,  
for the Financial Year 2018/2019

Figures in TEUR	2014/2015	2015/2016	2016/2017	2017/2018	prior to IFRS 15/16 2018/2019	2018/2019
<b>Revenues</b>	<b>157,574</b>	<b>174,918</b>	<b>223,142</b>	<b>272,100</b>	<b>323,261</b>	<b>306,765</b>
thereof services and maintenance	120,773	135,907	180,631	220,085	256,850	242,500
thereof retail	36,592	38,821	42,297	51,770	65,900	63,754
thereof other / consolidation	209	190	214	245	511	511
<b>Other own work capitalized</b>	<b>348</b>	<b>487</b>	<b>627</b>	<b>685</b>	<b>777</b>	<b>777</b>
<b>Total revenues</b>	<b>157,922</b>	<b>175,405</b>	<b>223,769</b>	<b>272,785</b>	<b>324,038</b>	<b>307,542</b>
Material expenses / Expenses for purchased services	53,176	58,172	64,230	80,401	107,593	99,206
<b>Gross profit</b>	<b>104,746</b>	<b>117,233</b>	<b>159,539</b>	<b>192,384</b>	<b>216,445</b>	<b>208,336</b>
Personnel expenses	77,087	85,710	119,851	134,734	153,241	145,179
Other income etc.	4,581	8,416	9,103	5,660	11,102	11,102
Other expenses etc.	16,901	20,836	21,750	28,847	34,551	27,378
<b>EBITDA</b>	<b>15,339</b>	<b>19,103</b>	<b>27,041</b>	<b>34,463</b>	<b>39,755</b>	<b>46,881</b>
Depreciation from PPA	2,789	2,642	3,189	3,965	4,186	4,186
Other depreciation	2,946	3,786	5,262	10,075	12,063	19,069
<b>EBIT</b>	<b>9,604</b>	<b>12,675</b>	<b>18,590</b>	<b>20,423</b>	<b>23,506</b>	<b>23,626</b>
Financial result	-1,824	-2,584	-1,991	-1,945	-1,599	-1,936
<b>EBT</b>	<b>7,780</b>	<b>10,091</b>	<b>16,599</b>	<b>18,478</b>	<b>21,907</b>	<b>21,690</b>
Taxes on income and profit	2,857	4,376	5,400	5,605	7,244	7,176
<b>Net income</b>	<b>4,923</b>	<b>5,715</b>	<b>11,199</b>	<b>12,873</b>	<b>14,663</b>	<b>14,514</b>
Shares (in thousand units) <sup>1</sup>	7,572	7,572	7,940	8,331	8,331	8,331
<b>EPS (in EUR)</b>	<b>0.65</b>	<b>0.75</b>	<b>1.41</b>	<b>1.55</b>	<b>1.76</b>	<b>1.74</b>
<sup>1</sup> plus treasury shares (in thousand units):	18	18	18	18	18	18

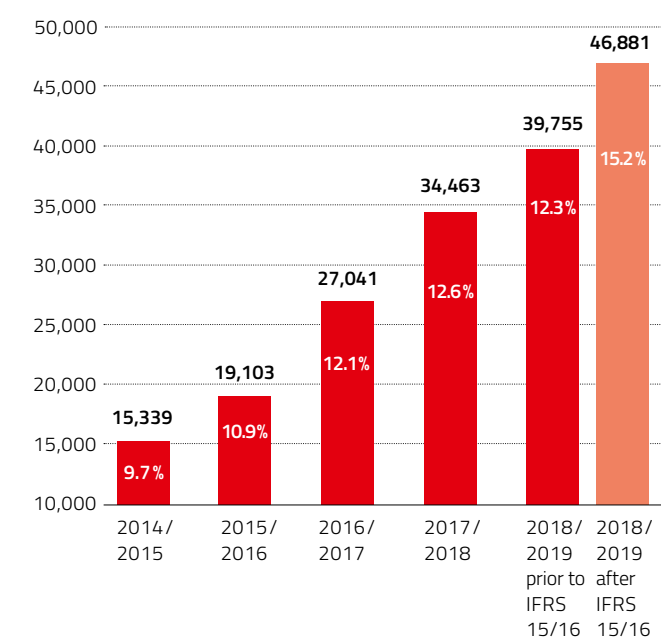
REVENUE DEVELOPMENT (in EUR m)



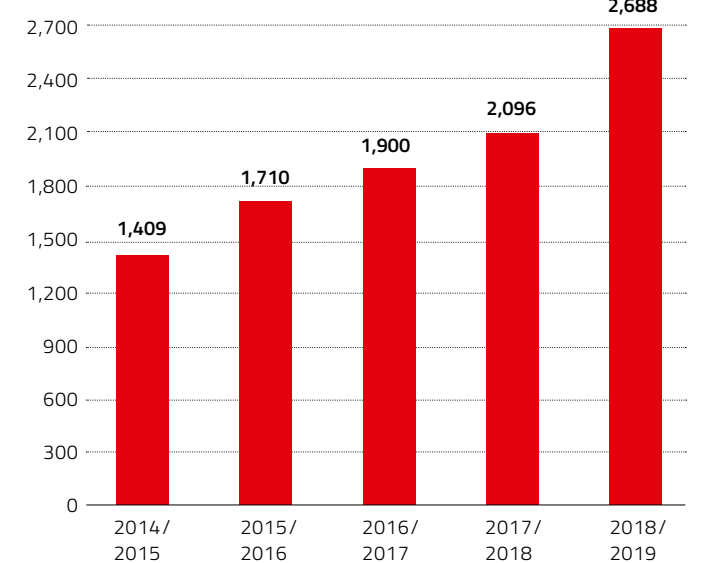
REVENUE SHARES (in % and EUR m)



EBITDA (in TEUR) AND EBITDA MARGIN (in %)



EMPLOYEE DEVELOPMENT (as at 30.09.)



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IT's that strong.



# Letter to Shareholders

Dear Shareholders,

We look back with pride at our last fiscal year 2018/2019. For the fourth time in a row, we have achieved a massive surge in growth and closed the fiscal year with record results. During the year, we were able to adjust upwards the forecast we gave at the beginning of the fiscal year and ultimately even exceeded it. We generated revenue of EUR 323.3m (+4.9%) (previous year EUR 272.1m) and earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 39.8m (+15.4%) (prior year EUR 34.5m). Net income rose to EUR 14.5m, which corresponds to earnings per share of EUR 1.76.<sup>1</sup>

The ICT industry continues on its growth path. Annual revenue further increased in 2019 in contrast to other industries.

DATAGROUP is relatively relaxed about the rather tough business climate in some areas of the German economy; 83% of revenue comes from recurring income. Satisfied customers, a broadly diversified customer portfolio and many long-term contracts with terms of between five and seven years mean that we are well prepared for difficult economic times.

The advancing digitization of the German economy means constant change for the ICT industry. Keeping pace with change is one of the core competencies a company must have. For this reason, we believe in the consistent development and review of our strategy, in seizing the arising opportunities and in continuously investing in our service portfolio as well as the professional skills of our employees. We are expanding our range of IT consulting and IT services to continue to provide customers with a state-of-the-art "engine room for digitization". More and more companies take advantage of the cloud to accelerate their digitization goals and companies are facing major changes in the SAP environment as well. We are optimally positioned to relieve our customers in their daily IT operations thanks to a comprehensive IT services portfolio, cloud and SAP expertise and the know-how in Robotic Process Automation we acquired with Almato last year. As a qualified one-stop-shop for the customers' IT needs, DATAGROUP always keeps pace with the changes of the IT industry and thus guarantees sustainable success for customers' business.

<sup>1</sup> All figures prior to adoption of IFRS 15/16. The standards were initially adopted at the start of FY 2018/2019. The overview of key figures in the Notes includes detailed reconciliation accounts.

For this reason, we keep developing our CORBOX core portfolio. The modular all-in-one solution includes all service families that are required for care-free IT operations. CORBOX also allows for the flexibility which customers ask for in relation to their IT. The modules can be flexibly combined: from individual modules to full IT outsourcing, we are geared to the needs of our customers. Our services are standardized according to the highest quality criteria and the underlying processes are quality-assured according to ISO 20000, helping to further accelerate IT industrialization. As such, CORBOX provides the necessary basis for further automation, efficiency enhancements and the associated digitization.

A strategy that pays off: On the basis of the CORBOX, we have acquired 29 new customers in the past fiscal year and were able to successfully upsell products to 16 existing customers. At the same time, we have retained a large number of satisfied existing customers. Our successful placements in several rankings are proof of this as well. In the first issue of a study conducted by business magazine "brand eins" and Statista in 2019, customers and IT experts placed DATAGROUP among the most successful IT service providers in Germany.

Our acquisition strategy is another pillar of growth, allowing us to achieve high inorganic growth. In this way, we do not only consolidate the fragmented IT market, but can also quickly and comparatively inexpensively acquire new employees, complement our portfolio by future-oriented technologies, strengthen our regional presence and build up a broad customer portfolio.

The acquisition of UBL Informationssysteme and of the employees and assets of IT-Informatik from insolvency in the current fiscal year marked the 22nd and 23rd acquisition.

UBL Informationssysteme is a very profitable company with many years of experience in the areas of cloud, IBM infrastructure and containerized software solutions. The multi-cloud and managed service provider develops and operates IT infrastructures and platforms for larger Mittelstand companies and has a complementary customer portfolio. Since the beginning of 2020, the company has been operating under the name of DATAGROUP Frankfurt. This means the company can now be identified as part of DATAGROUP by its name as well, and benefits from the strong brand.

We acquired another company by taking over the assets of IT-Informatik out of insolvency proceedings, which safeguarded jobs. Many experienced SAP specialists enrich our strong SAP team, making us one of the leading SAP service providers in Germany with over 500 SAP experts.

The acquired assets also include two non-bankrupt subsidiaries in Barcelona and Berlin. In Barcelona, it is a small software development company that will develop software as part of DATAGROUP Mobile Solutions. Mercoline Berlin is a very profitable company that offers SAP and EDI solutions and is a specialist in processes and IT solutions along the supply chain.

To continue this proven success strategy, we placed a promissory note loan with a volume of EUR 69m in April 2019. With this, we have taken advantage of the favorable interest rate level and ensure that we have the necessary funds for further dynamic growth and acquisitions. The promissory note loans were mainly placed with the principal banks, which confirms the credit institutions' trust in DATAGROUP and the solidity of our growth structure.

To maintain our dynamic growth in the future, we have expanded the Management Board. On October 1, 2019, Peter Schneck has assumed responsibility for investor relations, legal affairs and mergers & acquisitions. Mr. Schneck has extensive M&A experience through his work for the internationally operating company Constellation.

CPO Andreas Baresel took charge of the change project SQUARE in 2019. The project focused on reorganizing the central supply units and local market units in order to further bundle competencies and to improve the organizational efficiency within the DATAGROUP Production Model.

This step reflects our claim to offer customers a one-stop-shop for IT services as "One DATAGROUP". "One DATAGROUP" is also supported by the brand process we started in the last fiscal year, which positively changes customer perception. In the current fiscal year, we have consistently presented our new brand image to the outside world, which has strengthened our presence and clout on the market. The modern, simplified appearance underlines our key target of making IT simple and transparent.

We also want our shareholders to participate in the overall very good development. Management and Supervisory Board therefore will propose to again raise the dividend this year.

We would like to express our sincere thanks to the shareholders, customers and partners for the confidence they have invested in us. Our special thanks go to our employees, who have made DATAGROUP's success possible during the last fiscal year.



**Max H.-H. Schaber**  
CEO



**Dirk Peters**  
Chief Service  
Management Officer



**Andreas Baresel**  
Chief Production Officer



**Peter Schneck**  
Chief Officer Investor Relations,  
Legal, Mergers & Acquisitions

# The Management Board



## Peter Schneck

**Peter Schneck** has been a member of the Management Board of DATAGROUP SE since October 1, 2019 and is responsible for investor relations, legal affairs and mergers & acquisitions.

After his law studies with a focus on international business law and an MBA degree, Mr. Schneck started his career as a Managing Director at Scheidt & Bachmann, a globally leading provider of IT solutions for parking management, followed by a position as Managing Director at APCOA, a leading car park operator. Before joining DATAGROUP SE, Peter Schneck was CEO of the Trapeze group, a transport engineering company owned by Canadian-based Constellation. In addition to the operational management of Trapeze, he was responsible for an international portfolio of other companies as well as for the M & A activities.

## Max H.-H. Schaber

**Max H.-H. Schaber** has been a member and Chairman of the Management Board of DATAGROUP SE since February 2006 and is responsible for finance, human resources and corporate development.

In 1983, Max H.-H. Schaber established DATAPEC, Gesellschaft für Datenverarbeitung mbH and with it laid the foundation for the later DATAGROUP GmbH. Prior to this, he worked as a systems engineer and later was assistant to the management of Friedrich Co. Gesellschaft für Software- und System-Entwicklung mbH. In 1981, he completed his studies in mechanical engineering at the University of Stuttgart and at the polytechnics in Augsburg and Reutlingen as chartered engineer (Diplom-Ingenieur (FH)).

## Dirk Peters

**Dirk Peters** has been a member of the Management Board of DATAGROUP SE since 2008 and is Managing Director of DATAGROUP Hamburg GmbH. In his role as Management Board member, he is responsible for service management.

In 1992, Dirk Peters established HDT Hanseatische Datentechnik, which was incorporated into DATAGROUP AG in 2008 as DATAGROUP Hamburg GmbH. Starting out as a traditional system house, he developed HDT into a high-performance group of companies in IT service management. Prior to self-employment, Mr. Peters worked in management positions at Ashton-Tate Corporation and ALSO ABC. He completed his studies in informatics while working in sales and marketing at HOSS GmbH from 1983.

## Andreas Baresel

**Andreas Baresel** has been a member of the Management Board of DATAGROUP SE since 2018. In his role as Chief Production Officer he is responsible for the central DATAGROUP supply units and ensures that the complex CORBOX services are optimally adjusted to each other.

Following his studies in business administration, Andreas Baresel worked in several management positions with a focus on business and portfolio development in IT consulting and managed IT services. Andreas Baresel joined the group with the acquisition of DATAGROUP Business Solutions GmbH (previously Consinto GmbH) in 2006 from which he took over management from 2016.



# Supervisory Board Report



From left to right:  
Dr. Helmut Mahler, Deputy Chairman of the Supervisory Board  
Dr. Carola Wittig, Member of the Supervisory Board  
Heinz Hilgert, Chairman of the Supervisory Board of DATAGROUP SE

## Dear Shareholders,

In the period under review (01.10.2018 to 30.09.2019), the Supervisory Board gathered for a total of five meetings in person (04.12.2018, 22.01.2019, 14.03.2019, and 30.09.2019). In addition, they met for two extraordinary Supervisory Board meetings by telephone (08.04.2019 and 13.08.2019).

The Supervisory Board also received regular written and verbal reports outside the meetings, and provided the Management Board with advice, in particular on the current course of business in relation to the budget approved by the Supervisory Board. The Supervisory Board was involved in all decisions of significant impact and was always informed comprehensively.

Transactions requiring consent in accordance with the company's statutes and the rules of procedure were discussed and approved by the Supervisory Board. In FY 2018/2019, this mainly applied to the acquisition of UBL Informationssysteme

GmbH in April 2019 and the acquisition of assets and entities of IT-Informatik GmbH (now DATAGROUP Ulm), including Mercoline GmbH in August 2019. In addition, by resolution dated September 28, 2018, Andreas Baresel was appointed a member of the Management Board of DATAGROUP SE from October 1, 2018.

Based on the regular risk management reporting by the Management Board, the Supervisory Board has intensively been engaged in dealing with the risk position of DATAGROUP SE. In the shared opinion of the Management and Supervisory Boards, there were no risks threatening the company's existence at any time. The focus in the past fiscal year was on strategic alignment in the area of HR and acquisitions. In this context, the Supervisory Board was engaged in human resources development at the management level and further developed the measures of the last two years in cooperation with the Management Board.

We are very pleased we were able to appoint Peter Schneck as a new member of the Management Board as of 01.10.2019. Peter Schneck is responsible for investor relations, legal affairs and mergers & acquisition in close cooperation with the whole board.

The annual financial statement of DATAGROUP SE, the consolidated financial statements and the group management report of DATAGROUP SE, as well as the report of the Management Board on the relations to affiliated companies of DATAGROUP SE have been audited and approved with an unqualified audit opinion by auditing and tax consulting company BANSBACH GmbH accounting firm and tax consultants, Gänsheidestr. 67-74, 70184 Stuttgart, which was chosen for the audit. The annual and consolidated financial statements including the group management report as well as the report of the Management Board on the relationships with affiliated companies were received by the Supervisory Board members in advance.

The Supervisory Board has noted and approved the following findings of the auditors:

"On completion of our review and assessment of the report of the Management Board report of DATAGROUP SE, Pliezhausen, on relationships with affiliated companies for the reporting period from 01.10.2018 to 30.09.2019 we confirm that

- 1.) the facts set out in the report are correct,
- 2.) the company's compensation with respect to the legal transaction presented in the report under the circumstances known at that time was not unreasonably high; whether or not disadvantages were compensated for,
- 3.) there is no reason to evaluate the measures mentioned in the report in any way other than as evaluated by the Management Board."

After thorough examination, the Supervisory Board has approved and thus adopted the annual financial statements of September 30, 2019 prepared by the Management Board in the Supervisory Board Meeting on January 21, 2020, in which the auditor reported on the main findings of their audit and was available for questions. The consolidated financial statements including group management report for the fiscal year ending September 30, 2019 were also audited and approved in the same way. Based on the final result of the examination of the annual financial statements, the consolidated financial statements and the group management report as well as the

report of the Management Board on relationships with affiliated companies, the Supervisory Board does not raise any objections. By order of January 21, 2020, the Supervisory Board approves the proposal of the Management Board regarding the appropriation of the profit.

The Supervisory Board offers the sincerest thanks and respect to the Management Board and the employees of DATAGROUP for their sustained, successful work.

Pliezhausen, January 21, 2020

  
**Heinz Hilgert**  
Chairman of the Supervisory Board

# IT's that simple.

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# Highlights

... to be continued



## 10/2018 DATAGROUP AWARDS IT PRIZE

DATAGROUP awarded the prize for the best IT project at the university of Mainz. The team of business informatics students won the award for an effective regulation of carpools with the help of a raspberry pi.

## 02/2019 DATAGROUP WINS MAJOR CONTRACT FROM IKB DEUTSCHE INDUSTRIEBANK AG

Until March 2025, DATAGROUP takes over the provision and operation of the entire IT infrastructure as a managed service for IKB Deutsche Industriebank AG.

## 03/2019 AGAIN TOP MARKS IN CUSTOMER SATISFACTION

In the IT Outsourcing Study 2018 by Whitelane Research and the sourcing consultancy Navisco, DATAGROUP ranks among the top 3 for the fifth time in a row.

## DATAGROUP WINS BANKHAUS LAMPE

DATAGROUP wins the tender for the IT outsourcing of the Bankhaus Lampe Group. The contract with a term of five years has a volume in the multi-digit-million-euro range.

## 04/2019 UBL INFORMATIONSSYSTEME BECOMES PART OF DATAGROUP

The IBM experts from near Frankfurt become a part of the DATAGROUP family. From 2020 on, UBL Informationssysteme will operate under the new name DATAGROUP Frankfurt.

## ARD SWITCHES TO DATAGROUP

DATAGROUP wins the public tender and takes over Service Desk and Onsite Support for the German broadcasters that are part of the ARD.

## 05/2019 3,525 KG CO<sub>2</sub> SAVED

Our Hamburg colleagues leave the car behind and cycle to work for the environment. A total of 17,910 km, 419,094 kcal and 3,525 kg CO<sub>2</sub> were saved.

## 07/2019 WE ARE LIVE

The results of the Mission Brand project launched in 2018 are visible to everyone: the new website is live.

## HUNTING FOR JAVA TALENTS

We have been hunting all over Mainz for Java talents for our Java Acedemy, where people with a knack for IT are trained as Java professionals. The somewhat different recruiting campaign with job interviews in a pub was a complete success and the first academy graduates are already working in the company.

## 08/2019 IT-INFORMATIK ACQUIRED FROM INSOLVENCY

DATAGROUP acquires assets and companies of the insolvent IT-Informatik, located in Ulm – 300 IT and SAP experts join DATAGROUP in the newly founded DATAGROUP Ulm. Mercoline, a SAP & EDI specialist from Berlin, is also part of the assets.

## 09/2019 CONTINUING ON THE ROAD TO SUCCESS

Another record result for the FY 2018/2019: revenue EUR 323.3m, EBITDA EUR 39.9m. With these results, DATAGROUP again exceeds its forecasts.



# DATAGROUP – The Engine Room of Digitization

Digitization is fundamentally changing the economy as well as society – and companies across all industries are faced with huge challenges. The high complexity of IT structures, constant changes, innovations and new risks, combined with an immanent lack of specialists mean that a partner at eye level is indispensable to successfully prepare corporate IT for the challenges of digitization, now and in the future.

And this is exactly where DATAGROUP has been supporting its customers for more than 30 years. After all, an efficient, standardized and quality-assured IT, where processes and systems are optimally coordinated, is crucial for successful digitization. With CORBOX, DATAGROUP has found an innovative approach to support customers in operating their digital systems. The service portfolio ranges from private and public cloud services to end user services. CORBOX is a modular suite of IT services. The modules can be flexibly combined and perfectly matched.

The concept of industrialization is generally associated with traditional industry. Commensurate with an increasing degree of maturity, however, this trend is gaining in importance in IT as well. In a figurative sense, the initial situation can be compared to that of the automotive industry in the time of Henry Ford. Before Henry Ford introduced the assembly line, automobile production was little standardized. It is similar in IT. Companies are still working with many individual solutions. However, efficient automation requires high-quality standardizations. This is exactly what CORBOX offers: Standardization, high quality and maximum flexibility for the customer thanks to the modular design.

All CORBOX service processes are standardized and quality-assured according to the criteria of ISO 20000. After all, only high-quality, effective and standardized product-as-a-service modules can lay the optimal foundation for the further industrialization of IT and create the basis for automation.



IT's that empowering.

# CORBOX

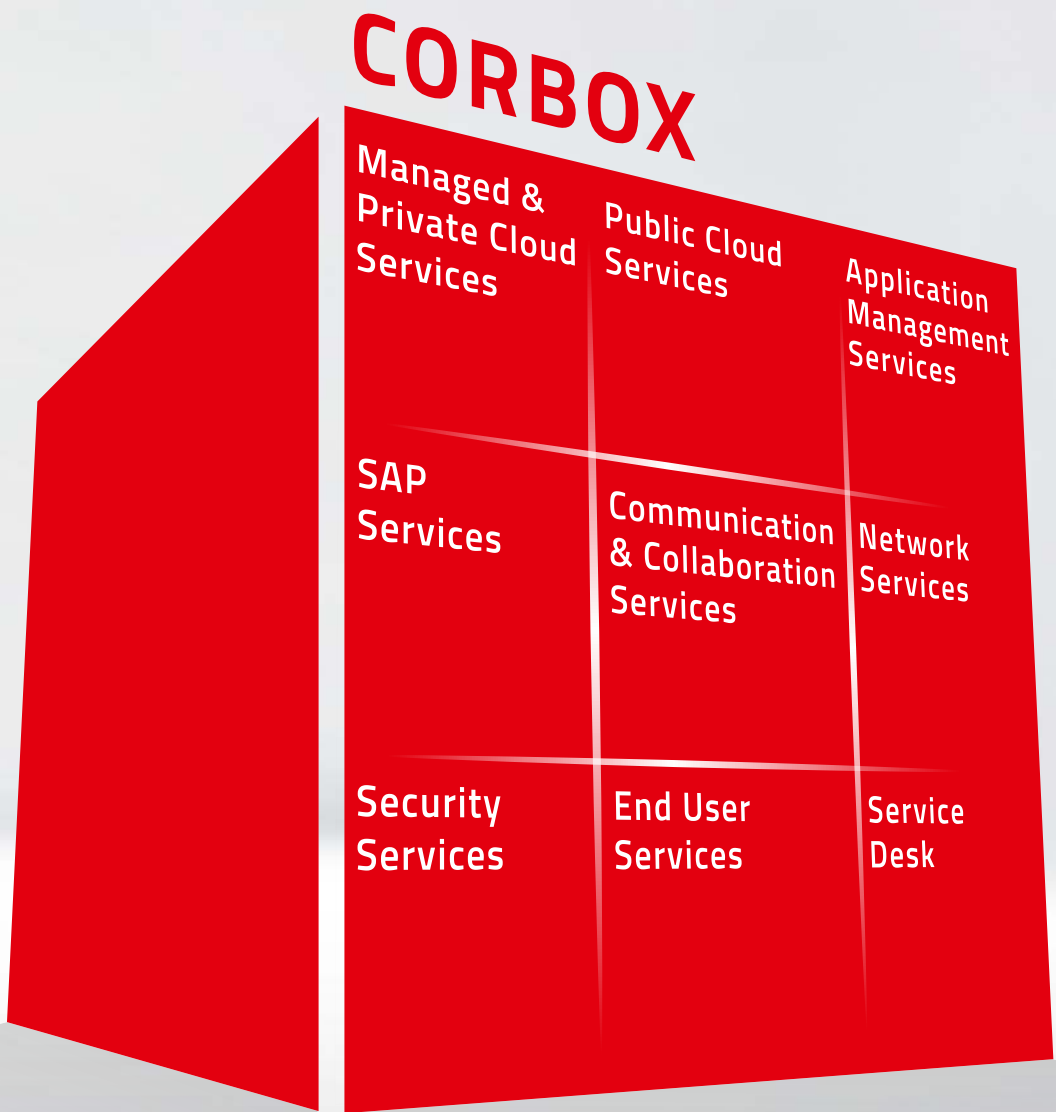
DATAGROUP has rethought and, most notably, simplified IT with its core product CORBOX. CORBOX is a modular system of flexibly combinable services that cover the entire range of corporate IT operations. Customers choose exactly those services they need for the smooth operation of their corporate IT. These may be individual modules or the entire services portfolio.

What is special about CORBOX? All service processes are quality-assured and standardized according to ISO 20000. CORBOX offers nine different service families that cover the full breadth of corporate IT and can be flexibly combined according to the customer's needs. The CORBOX concept is based on the "Service-as-a-Product" approach. IT services become products with clearly defined quality features. They are perfectly compatible, individually combinable and can therefore be flexibly adapted to a company's actual needs. This turns IT into a reliable and powerful means of production, enabling customers to drive the digital transformation of their business.

The CORBOX delivers maximum flexibility for customers alongside the highest performance standards and "Made in Germany" quality. For high-performance IT where customers can say: IT's that simple.

Of course, CORBOX never stands still, but is continuously developed further. Existing services are improved and new technologies integrated into new services. Whether cloud services or innovative automation solutions such as Robots-as-a-Service, CORBOX remains the future-proof basis for the successful digitization of our customers.

IT's that simple means: You take care of your company. We take care of your IT.



## The Cloud as a Basis – DATAGROUP as a Cloud One-Stop-Shop

CORBOX also functions as a cloud enabling platform in which DATAGROUP integrates existing cloud solutions, enriches them with additional services, and combines them with its own cloud and outsourcing services.

The cloud forms the basis for the implementation of digitization projects. Customers are faced with a multitude of options when it comes to choosing the right cloud: Private cloud, public cloud or rather a hybrid model?

This alone shows the complexity that companies face in relation to the cloud. Choosing the right partner who supports you on the way to the cloud is crucial for successful implementation.

DATAGROUP sees itself as a one-stop-shop for the cloud and offers the entire spectrum of cloud options: from the administration of sensitive data on premise or via private cloud in one of DATAGROUP's data centers in Germany to public cloud services and hybrid models.

A thorough analysis is paramount to DATAGROUP in this context. It builds the basis for the decision which cloud model optimally supports the customer's corporate goals. Once the right model has been chosen, DATAGROUP offers support over the entire life cycle: from the lift & shift of applications in the cloud to orchestration. From end-to-end, DATAGROUP ensures continued optimization so that the customer's requirements for its cloud landscape are optimally met even under changed conditions.



**Central supply units**  
The virtual centralisation of Service Desk, Data Center and SAP allows for the experts' and systems' meaningful specialisation and efficient use of capacities. The result is a constantly high quality of our production.

**Market units**  
All other CORBOX services are provided locally from our on-site market units. They also ensure smooth service management and assume responsibility for the care-free IT operations of our customers.

**Customers**  
The high customer satisfaction is a logical consequence of the close contact which we keep to our customers. The local DATAGROUP companies and their respective Managing Directors at the helm are the central contacts at eye-level for our customers and guarantee compliance with our value proposition.

## IT Transformation

DATAGROUP accompanies companies through all phases of an IT transformation with the aim of converting extracted, merged or simply organically grown IT landscapes into independent, functional IT environments quickly and without any loss. For instance, many companies face the challenge of having to migrate to S/4HANA. As an experienced partner, DATAGROUP supports companies from the initial analysis to later IT operations and ensures successful migration and smooth operation.

**PROJECT EXAMPLE: S/4HANA INTRODUCTION WITH GREENFIELD APPROACH IN ONLY EIGHT MONTHS AT BALCKE-DÜRR**

DATAGROUP undertook the migration to S/4HANA for the international Mittelstand company Balcke-Dürr and the subsequent operation of the company's SAP systems. After a comprehensive analysis by DATAGROUP, Balcke-Dürr opted for the greenfield approach, i.e. breaking with the past and reproducing the processes in a new and optimized manner in the new standard. Having implemented the project in Germany in only eight months, the introduction took only three months in the second country, Italy.

## IT Solutions

IT solutions should fit a company perfectly and grow with its requirements. In addition to IT standardization services, DATAGROUP's solution division focuses on customer-specific projects. This includes, for example, the development of business apps, mobile websites or the automation of recurring processes through Robotic Process Automation (RPA) to also relieve specialists of routine tasks.

**PROJECT EXAMPLE: STRATEGIC PARTNER FOR DIGITAL ENTERPRISE AT THE SPARDA BANKS**

DATAGROUP is the strategic partner of Sparda to implement solutions centered around digital enterprise. In addition to implementing and operating various portals, including AI components, DATAGROUP also supports Sparda banks in the development of mobile apps and the introduction of Robotic Process Automation (RPA).

## One DATAGROUP – Throughout Germany

**WITH THE DATAGROUP PRODUCTION MODEL, LOCAL MARKET UNITS AND CENTRAL SUPPLY UNITS ENSURE AN OPTIMAL COMBINATION OF EFFICIENCY AND CUSTOMER PROXIMITY.**

Highly standardized processes and services that are constantly being improved are one side of the medal of success. Proximity to the customers the other! DATAGROUP relies on an optimal combination of local and central production. This means: Parts of the service production – Service Desk, Operations (previously Data Center), Application Management Services and SAP Services – are virtually combined in central supply units. This leads to economies of scale and quality advantages through specialization as well as better utilization of experts and systems. This development towards more efficiency, better organizational units and a bundling of competencies is consistently pushed ahead.

The other CORBOX services, such as End User Services or Security Services, are provided at local sites in all important economic regions in Germany. The overall service management and the responsibility to customers that the value proposition is maintained also rests with the local DATAGROUP market units. With their managers at the top, they are the central point of contact at eye level for customers.

The combined DATAGROUP Production Model with local sites and virtually centralized supply units makes it possible to produce all CORBOX services in Germany, efficiently and to the highest quality, while guaranteeing the proximity to the customer.





# About DATAGROUP

## DATAGROUP – A Changing Brand

DATAGROUP has the vision of a company that makes the world of IT and the business of its customers easier. On the way to realizing this vision, the company successfully made numerous acquisitions to provide customers with as many services as possible from a single source and, at the same time, to somewhat reduce the complexity of the IT market.

Having acquired and integrated over 23 companies, however, DATAGROUP has reached a structural complexity that, particularly in terms of internal and external communications, was hardly consistent with the original aspiration of simplicity.

In spring 2018, the company therefore opted to take a strategically important step that would have implications for the communication and, in parts, also for the company's structural order. This measure should add to the goal which had already been firmly established in the Strategy 2020 and revisited in the Strategy 2025: "Customers and employees experience the same DATAGROUP and the same excellence in management, acquisition and production at every point."

In cooperation with an external agency, the Group launched a branding process that involved all employees, customers and partners of the company in form of a comprehensive survey with the aim of turning employees into friends and customers into fans.

One year after the start of the process, the new brand image under the premise "IT's that simple" has already been established throughout the company. The uniform brand image works, as shown not least in the rapid spread and acceptance of all new style elements and tools, whether digital or analog.

Another milestone, which has made our new appearance visible and noticeable to everyone, was the launch of the new DATAGROUP website in July 2019.

With this, we have not only sent a clear signal that leads us back to our original but still highly important vision of IT made simple, but also laid the foundation to meet the challenges of tomorrow with combined strength and to win over customers and especially employees in the future as well.

## Growth

The company's proven and successful acquisition strategy is one of DATAGROUP's growth pillars. Since the IPO in 2006, DATAGROUP SE has acquired 23 companies and successfully integrated them into the group. DATAGROUP pursues various targets with the acquisition of IT companies: the expansion of the portfolio, the diversification of the customer portfolio, the acquisition of qualified employees and the expansion of the regional presence.

Acquisitions provide the possibility to quickly acquire qualified employees at a comparatively low cost. There is a major lack of specialists, particularly in metropolitan areas and especially in IT, and competition is intense. Additionally, acquisitions lead to further diversification of the customer portfolio and create a basis for a successful position in the future, even in difficult economic times.

The profitability of the target companies plays a rather minor role at first: DATAGROUP acquires both restructuring cases and profitable companies. The decisive factor is that the new additions have the potential to achieve high profitability in the long term within the DATAGROUP Group. DATAGROUP has proven its competence in restructuring troubled companies several times already.

With the appointment of the new board member Peter Schneck, who has many years of experience in M&A, DATAGROUP has created the conditions at the highest level to continue the successful inorganic growth.

## Customer Satisfaction

Only those who consistently focus on the needs of the customers will succeed in the long term. Therefore, DATAGROUP strives to identify new requirements as early as possible and to translate them into efficient, flexible and high-quality solutions. With success, as proven by numerous awards. In a survey conducted by business magazine "brand eins" and Statista, where the recommendations of IT experts and customers were decisive, DATAGROUP was ranked among the best IT service providers in 2020. Additionally, the results of the IT Outsourcing Study conducted by Whitelane Research and sourcing advisor Navisco reveal: DATAGROUP scores top marks in customer satisfaction.

## Commitment

### REGIONAL COMMITMENT ACROSS GERMANY

Whether social, sports or cultural commitment – local associations and organizations throughout Germany make sure that people get help, children are supported, the environment is protected, and culture is promoted. DATAGROUP supported the work of these organizations locally and throughout Germany. The activities are mainly organized by our dedicated employees.

### CHARITY RUNS

Sports activities for charity – every year, numerous DATAGROUP employees all over Germany participate in company runs, the proceeds of which benefit charitable institutions, for example the Hamburg Commercial Bank Run.

### BIKE TO WORK

Leaving the car behind and cycling to work instead is good for the environment and for your health. In the course of this campaign, Hamburg cut down CO<sub>2</sub> emission by 3,525 kg. DATAGROUP is also setting up special shower and changing rooms for cyclists in all new locations. The service has been positively received.

### CELEBRATING KARNEVAL WITH THE HOMELESS

For many years, the colleagues in Cologne have organized a traditional Karneval session for the homeless. The company's managers get directly involved as waiters/waitresses at this event.

### CULTURAL COMMITMENT: JAZZOPEN IN STUTTGART

For seven years, DATAGROUP has supported the jazzopen festival in Stuttgart which has now developed into the second largest jazz festival in Europe after Montreux. Well-known artists as well as up-and-coming talents show off their musical talent in numerous concerts.

### SPORTS COMMITMENT

DATAGROUP supports various regional and national sports clubs all over Germany – from soccer and hockey to golf and tennis. Whether young talents or established athletes, the company supports them in reaching their top performance.





IT's that empowering.

# Group Management Report

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IT's that secure.

# 1. Group Overview



DATAGROUP Group (as of September 30, 2019)

## ORGANIZATIONAL AND LEGAL STRUCTURE OF THE DATAGROUP GROUP

DATAGROUP SE is the holding company of IT service provider DATAGROUP, which operates throughout Germany. DATAGROUP SE essentially includes the entities listed in the diagram above. The operating subsidiaries under the umbrella of DATAGROUP SE are organized into two segments: Services and Solutions and Consulting. These segments are based on the service portfolio on which the respective companies are focused.

In FY 2018/2019 the Services segment was expanded to include two additional companies: UBL Informationssysteme GmbH and DATAGROUP Ulm GmbH (assets and employees acquired from the insolvent IT-Informatik GmbH by means of an asset deal). Mercoline GmbH was an addition in the Solutions and Consulting segment.

With the acquisition of UBL Informationssysteme, DATAGROUP expands its competencies in the areas of infrastructure, platform and software solutions, including the field of platforms for containerized software solutions. UBL is a multi-cloud and managed service provider with a special focus on IBM infrastructures.

By taking over employees and assets of IT-Informatik from insolvency, DATAGROUP gains around 300 IT and SAP experts, bundled into the newly established DATAGROUP

Ulm, and is well prepared for the growing demand for SAP services, especially in terms of migration to S/4HANA. Additionally, DATAGROUP has been strengthened through acquisitions in the increasingly important fields of digitization and Industry 4.0. Berlin-based Mercoline offers process consulting and add-ons in the SAP environment and EDI solutions for companies with and without SAP.

The former central supply units, DATAGROUP Data Center (DATAGROUP Operations GmbH from 01.10.2019), DATAGROUP Enterprise Services and DATAGROUP Service Desk, were supplemented by DATAGROUP Inshore Services in FY 2018/2019. The supply units are understood as production units specialized in certain service families and, as internal competence and performance centers within the DATAGROUP Group, provide services for the corporate customers of the other DATAGROUP subsidiaries.

Within the DATAGROUP Group, DATAGROUP SE assumes central financing and management functions for the investments held. This includes central services such as accounting, human resources, and the central IT services for the group companies. Additionally, DATAGROUP SE provides accounting and human resources services for the main shareholder, HHS Beteiligungsgesellschaft mbH<sup>2</sup> and its subsidiaries.

Since the IPO in 2006, DATAGROUP SE has acquired 23 companies. The acquisition strategy primarily focuses on IT services companies in Germany. It follows two strategic



orientations: “buy-and-build” (i.e. the acquired companies complement or strengthen DATAGROUP’s existing service portfolio) and “buy-and-turnaround” (i.e. the acquired companies are in transition situations and need strategic restructuring).

DATAGROUP SE integrates the acquired companies into the Group. The individual companies are preserved as much as possible so as not to jeopardize the proximity to the customer on the one hand and on the other hand not endanger the sometimes decades-long customer relationships.

All companies are managed under the uniform DATAGROUP brand and newly acquired companies are renamed after a transition period.

The DATAGROUP Group will continue to grow in the future with the proven acquisition strategy.

**FOCUS OF ACTIVITY, SALES MARKETS AND COMPETITIVE POSITION OF DATAGROUP**

DATAGROUP is one of the leading IT service providers for German Mittelstand companies, as the regular mentions in relevant studies, such as Lünendonk, Whitelane and of the German business magazine brand eins prove. The company works exclusively for business customers with a focus on medium-sized and large companies as well as public clients. As a large Mittelstand company, DATAGROUP is characterized by personal proximity and contact at eye level with the customer. The business activities of the DATAGROUP companies consist of the care-free operation and the professional development of IT infrastructures for customers.

**FULL OUTSOURCING OFFER CORBOX**

At the heart of DATAGROUP’s portfolio is the full outsourcing offer CORBOX, which is primarily aimed at companies with 250 to 5,000 IT workstations and annual revenue of between EUR 100m and EUR 5bn. DATAGROUP also serves larger customers with selective IT services from the full outsourcing portfolio. The CORBOX consists of a modular portfolio of IT services from which DATAGROUP customers can flexibly choose those services which optimally support their company – from individual modules to complete solutions.

CORBOX is also a cloud enabling platform, in which DATAGROUP integrates third-party providers such as Microsoft, Amazon Web Services etc., enriches them with additional services, and combines them with its own cloud and outsourcing services. The professional cloud orchestration forms the basis for secure operations and the compatibility of the different applications.

The nine different service families offered by CORBOX cover all areas of corporate IT and supply all services required for IT operations from a single source. This includes the complete range of cloud and data center services, the management of applications and SAP systems, the support of stationary and mobile IT workstations as well as the associated IT infrastructure and the service desk as the competent and reliable central contact point for all questions and user error messages.

Defined service level agreements guarantee performance and cost transparency. The security of all centralized CORBOX services is guaranteed by ISO 27001-certified DATAGROUP data centers (colocation centers) in Germany. Continuous monitoring of performance, capacities and security status ensures the availability of the services.

**ISO CERTIFICATION**

Since September 2012, DATAGROUP has been continuously ISO 20000-certified – the highest possible ISO certification for professional IT service management. DATAGROUP regularly undergoes the extensive test procedure in order to design and continuously improve its IT services according to industrial standards. Most recently, the ISO 20000 certification was successfully extended by another three years in October 2018. All CORBOX services are based on ISO 20000-certified processes according to ITIL® and meet the quality criteria of industrial production. Customers benefit from consistently high process quality, service quality and security, making corporate IT a reliable and efficient means of production for business success.

For the financial services market with its high requirements, DATAGROUP and its subsidiary DATAGROUP Financial IT Services, have a specialized market unit with many years of experience, diverse expertise and all the necessary certifications for this industry. As such, the IT service provider is optimally positioned to take advantage of new growth opportunities in this highly regulated area. With success, as proven by various new orders in this industry in FY 2018/2019.

<sup>2</sup> HHS Beteiligungsgesellschaft mbH is the asset-managing investment holding of CEO and founder of DATAGROUP SE, Max H.-H. Schaber. The company is 100 % owned by Mr. Schaber and his family. HHS Beteiligungsgesellschaft holds 51 % of DATAGROUP SE. HHS is also invested in other companies, which, however, are not in competition with DATAGROUP.

2. Business Environment

GERMAN INDUSTRY DRIVEN BY DOMESTIC DEMAND

The pace of economic development in Germany has noticeably slowed down in the past two years. Following strong growth in the three preceding years, the price-adjusted gross domestic product increased by only 1.5 % in 2018 and 0.5 % in 2019 according to the latest estimates. This means that the growth rates are well below the Federal Government’s previously lowered forecasts, but for 2018, still above the average of the previous ten years (1.2 %).

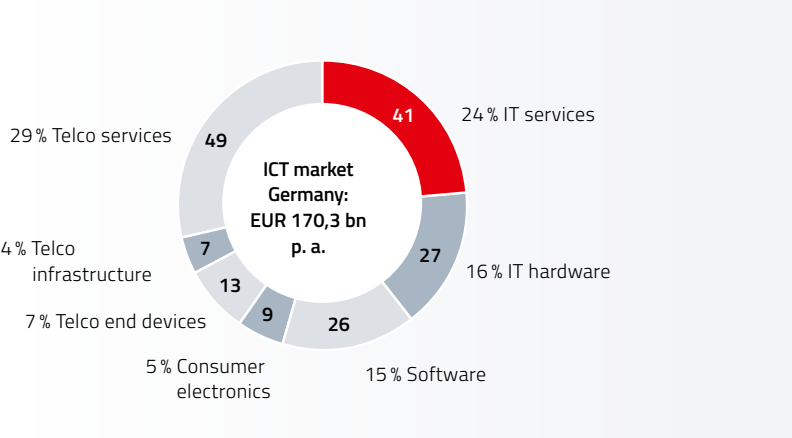
Even if the final account for the full year 2019 may still be positive, the second quarter saw a decline in economic performance and a minimal plus of 0.1 % has been calculated for the third quarter. This would put the German economy on the brink of a technical recession. This development was mainly influenced by external economic factors, e.g. uncertainties about the UK’s exit from the EU or the trade conflict between China and the USA.

The economic development within Germany is not uniform. Important industrial sectors such as the automotive sector or the engineering industries reported declining revenues. By contrast, the economy was supported by continued strong construction activity and robust demand for services. Driven by good employment figures and increased incomes. Private consumption also provided positive impulses.

Economic experts only anticipate a weak recovery in 2020. The projected increase of approximately 1.0 % is influenced by a positive calendar effect of approximately 0.4 percentage points. The development is likely to be divided in two: better performance is expected for sectors of rather more domestically oriented industries, which also includes IT service providers.

ICT INDUSTRY CONTINUES TO GROW DYNAMICALLY

The economic downturn has not yet noticeably affected information and communication technology companies (ICT) in the reporting period, but the outlook for 2020 is somewhat more subdued. According to calculations by the Federal Association for Information Technology, Telecommunication and New Media (Bitkom), industry revenue in 2019 rose by 2.0 % to EUR 170.3 bn. This even exceeded the already good expectations at the beginning of the year. The growth is largely driven by the above-average positive development of information technology. According to Bitkom’s forecast, revenue in this largest sub-segment rose by 3.2 % to EUR 93.6bn. The market for IT services, including project business and IT consulting, grew by around 2.4 % to EUR 40.9bn. Software revenue made the biggest leap with an increase of 6.3 % to EUR 26.0bn. A revenue increase of 1.6 % is forecast for the entire ICT market in 2020.



ICT market in Germany, source: Bitkom, July 2019

The digitization of economy, state and society has been identified as a major driver of growth. Despite general economic risks, the mood within the sector remains good. According to the Bitkom-ifo-digital index, providers expect continuing positive business development in the next year. This is mainly due to the fact that the operation of IT infrastructures must be guaranteed regardless of economic developments. At the same time, the trend towards digitization requires many industries to adjust their products and services. Digitization offers a broad variety of opportunities to optimize business processes which may motivate customers to invest, especially when the economic outlook is deteriorating and competition is tougher.

The positive development and optimistic expectations are reflected in demand for qualified employees: Despite 42,000 newly created and filled jobs, the number of job vacancies for IT specialists has reached a new peak in 2019. According to Bitkom, there were 124,000 vacancies for IT specialists in Germany. This corresponds to an increase of 51 % compared to the previous year. The number of vacant IT positions has more than doubled within two years. Two thirds of the companies surveyed expected the situation to aggravate in the coming years. 32 % of companies with at least one open IT position are looking for programmers. This is followed by IT application consultants (18 %), data scientists (13 %), IT project managers (12 %), IT consultants and IT service managers (10 % respectively).

DIGITAL INDUSTRY EXCEEDS EXPECTATIONS

The digital industry continues to grow. After the ICT industry outperformed classic industries in 2018, industry revenues in 2019 will increase by 2.0 % to EUR 170.3bn according to Bitkom, thereby exceeding the good expectations at the beginning of the year.

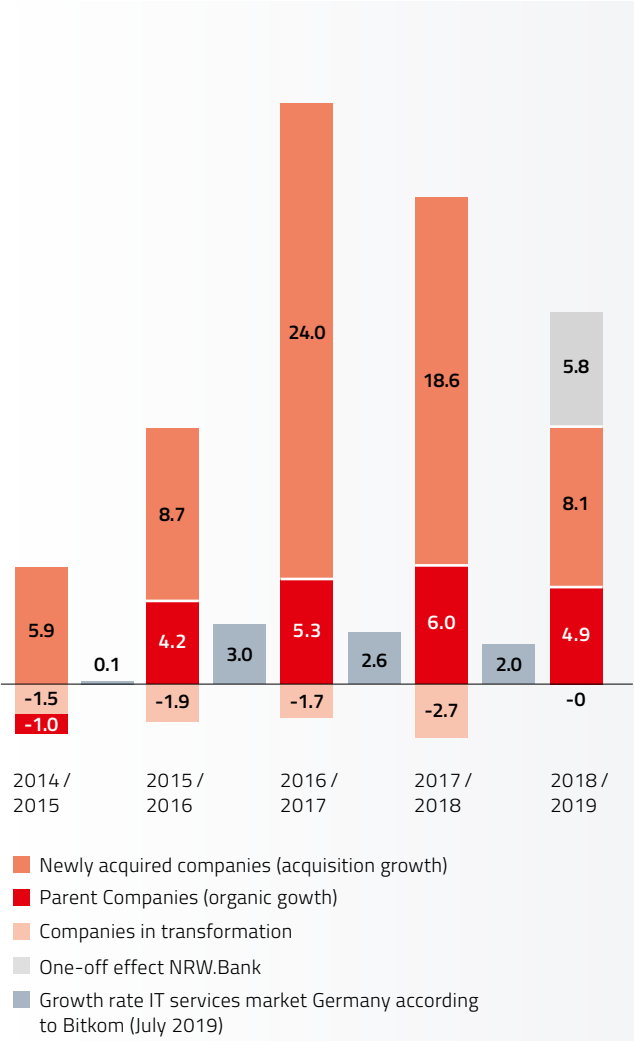
The market for IT services is also growing at an above-average rate of 2.4 % to EUR 40.9bn. These services also include the project business and IT consulting. Bitkom also expects the overall ICT market to continue its growth in 2020 and revenue to increase by 1.6 % to EUR 173.1bn.

Cloud usage has also reached a record level. According to the 2019 Cloud Monitor of Bitkom Research and KPMG, some 73 % of the German companies use the cloud – this means that usage in Germany is growing faster than ever before. The figure stood at 66 % in 2018. Another 19 % of the companies surveyed are planning or discussing cloud use.

MARKET POSITION STRENGTHENED WITH TWO ACQUISITIONS

Thanks to two further acquisitions in FY 2018/2019, DATAGROUP has strengthened its position as central service provider for high-quality IT services and solutions for German Mittelstand companies and has further expanded its expertise. With effect of April 1, 2019, the company acquired 100% of the shares in UBL Informationssysteme GmbH (UBL) which is based in Neu-Isenburg near Frankfurt/Main. In 2018, UBL generated annual revenue of over EUR 20m and a double-digit EBITDA margin with over 70 employees. The multi-cloud and managed service provider develops and operates IT infrastructures and platforms for larger Mittelstand companies. With its focus on providing customized services from architecture to operating concepts in the cloud and its specialization in IBM infrastructures, UBL is a perfect addition to DATAGROUP's range of services. UBL's expertise in container technology expands the range of our central supply units in the cloud solutions area and thus creates a new knowledge center.

With effect of August 21, 2019, and thus without major impact on the revenue development in the year under review, DATAGROUP has acquired assets and subsidiaries of IT-Informatik GmbH Ulm from insolvency and incorporated them into an independent legal entity (DATAGROUP Ulm). The company is specialized in SAP consulting and maintenance, cloud infrastructure and software development and supplies a broad portfolio of SME customers from various industries. As part of the transaction, 300 experts for SAP, infrastructure and software development came to DATAGROUP. Following this acquisition and with a present headcount of over 500 experts, DATAGROUP sees itself as one of the leading providers of SAP operating services for German Mittelstand companies.



LONG-TERM CONTRACTS INCREASE RESISTANCE TO ECONOMIC FLUCTUATIONS

Long-term contracts with recurring income form the core of DATAGROUP's business model. The IT services provided by DATAGROUP as part of the modular all-in-one CORBOX solution are indispensable for the customer companies' functioning business processes. Therefore, the business development of the IT services provider is characterized by a high degree of predictability and stability in relation to economic fluctuations.

An increasing amount of companies are willing to operate their IT in the cloud. However, this goes hand in hand with excessive expectations which cannot always be met. Complex corporate IT is extremely multifaceted and requires the optimal interaction of different technologies, components and requirements as well as a professional cloud orchestration from highly qualified IT service providers. DATAGROUP is optimistic that it can continue to expand its market position and seize growth opportunities thanks to its knowledge and experience in cloud orchestration.

The proportion of centralized cloud services provided via the Internet has been further expanded in the last fiscal year. DATAGROUP's data centers, which provide cloud services, amongst others, are ISO 27001 certified, which is the highest safety standard, and are exclusively operated in Germany. Accordingly, the IT outsourcer meets the high security requirements of customers for their IT service providers. At the same time, DATAGROUP has further accelerated the standardization and industrialization of the ISO 20000-certified processes and thus has laid the foundation for further sustainable efficiency and quality improvements in production and sales.



3. Net Assets, Financial Position and Results of Operations of the DATAGROUP Group

3.1. Results of Operations

NET PROFIT, EBT, EBIT, EBITDA

The first-time application of IFRS 15 and IFRS 16 as of September 30, 2019 makes it difficult to compare the figures with the previous FY 2017/2018. For this reason, all important figures relating to FY 2018/2019 were also determined “prior to IFRS 15/16”.

Revenues amounted to TEUR 306,765 (prior to IFRS 15/16 TEUR 323,261), EBITDA was TEUR 46,881 (prior to IFRS 15/16 TEUR 39,755) and EBIT was TEUR 23,626 (prior to IFRS 15/16 TEUR 23,506).

**Net profit** was up by 12.7% in FY 2018/2019 to TEUR 14,514 after TEUR 12,873 in the previous year (prior to IFRS 15/16 TEUR 14,663 or 13.9% increase). EPS was EUR 1.74 per share (prior to IFRS 15/16 EUR 1.76), compared to EUR 1.55 in the previous year. The Management Board of DATAGROUP SE will propose to the Annual General Meeting to approve a distribution of a dividend of EUR 0.70 per share.

**EBT** – Earnings before taxes – rose by 17.4% from TEUR 18,478 in FY 2017/2018 to TEUR 21,690 in the current fiscal year (prior to IFRS 15/16 by 18.6% to TEUR 21,907). The financial result stood at TEUR -1,936 in FY 2018/2019 (prior to IFRS 15/16: TEUR -1,599) after TEUR -1.945 in the previous year.

**EBIT** – Earnings before interest and taxes – improved by 15.7% compared to the previous year. EBIT amounted to TEUR 23,626 in the year under review compared to TEUR 20,423 in FY 2017/2018 (prior to IFRS 15/16 by 15.1% to TEUR 23,506).

**Depreciation and amortization** were up from TEUR 14,040 in the previous year to TEUR 23,255 in FY 2018/2019. Amortization of order backlog and customer portfolios and other assets capitalized as part of the purchase price allocation increased by TEUR 221 to TEUR 4,186. Adjusted for the effect from IFRS 15/16, other depreciation increased by TEUR 1,988 to TEUR 12,063 mainly due to acquisitions.

No goodwill amortization was necessary in FY 2018/2019 or in the previous years. The impairment tests carried out did not show any need for amortization.

**EBITDA** – earnings before taxes, financing, depreciation and amortization – amounted to TEUR 46,881 in FY 2018/2019 after TEUR 34,463 in the previous year. When adjusted for

the effects from the first-time application of IFRS 15 and IFRS 16, EBITDA amounted to TEUR 39,755. This is an increase of 15.4%. On March 14, 2019, at DATAGROUP’s Annual General Meeting, management projected EBITDA of more than EUR 43m (EUR 37m adjusted for the effects from IFRS 15/16) for FY 2018/2019. This outlook was raised to EBITDA of more than EUR 45m (EUR 38.5m adjusted for the effects from IFRS 15/16) on publication of the H1 figures. Earnings even exceeded the last adjustment by another EUR 1.9m (adjusted EUR 1.3m).

REVENUE AND ORDER BOOK

DATAGROUP grows on the basis of its stated strategy, which is driven by both acquisitions and operating growth. As a result, the DATAGROUP Group has consistently reported significant increases in sales: In the fiscal years 2005/2006 to 2018/2019, revenue rose by an average of 20.4% each year. In FY 2018/2019, revenue was up by 12.7% (18.8% adjusted for IFRS 15/16) after 21.9% in FY 2017/2018. Revenue amounted to TEUR 306,765 in the fiscal year after TEUR 272,100 in the previous year. Adjusted for the effects of the newly adopted accounting standards, revenue amounted to TEUR 323,261. This means that the guidance of the previous year of “another increase in revenue” was more than fulfilled. The outlook of more than EUR 285m, which was first given at the Annual General Meeting on March 14, 2019, was raised to more than EUR 295m on the publication of the H1 figures (EUR 300m adjusted for IFRS 15/16) and was also exceeded by actual revenues.

Over the last fiscal years, DATAGROUP has focused on the expansion of the higher-margin cloud and outsourcing business. The services proportion of the business has retained its high level in the period under review, similar to the previous period. The slight decline from 80.9% to 79.1% is mainly due to a one-time effect related to commercial revenue.

The Solutions and Consulting segment generated revenue (including revenue with other segments) of TEUR 94,763 (previous year TEUR 86,602). The Services segment generated revenue of TEUR 232,257 (previous year TEUR 197,546) (also including revenue with other segments).

DATAGROUP SE provides management and other technical and administrative services to its subsidiaries and to the majority shareholder HHS Beteiligungsgesellschaft mbH (HHS). The services charged to HHS amounted to TEUR 175 in the reporting period and thus remained unchanged compared to the previous year.

As in previous years, the business activities of the DATAGROUP Group primarily focus on Germany. The proportion of foreign business totaled TEUR 3,672 or 1.2% in FY 2018/2019 (previous year TEUR 5,246 or 1.9%).

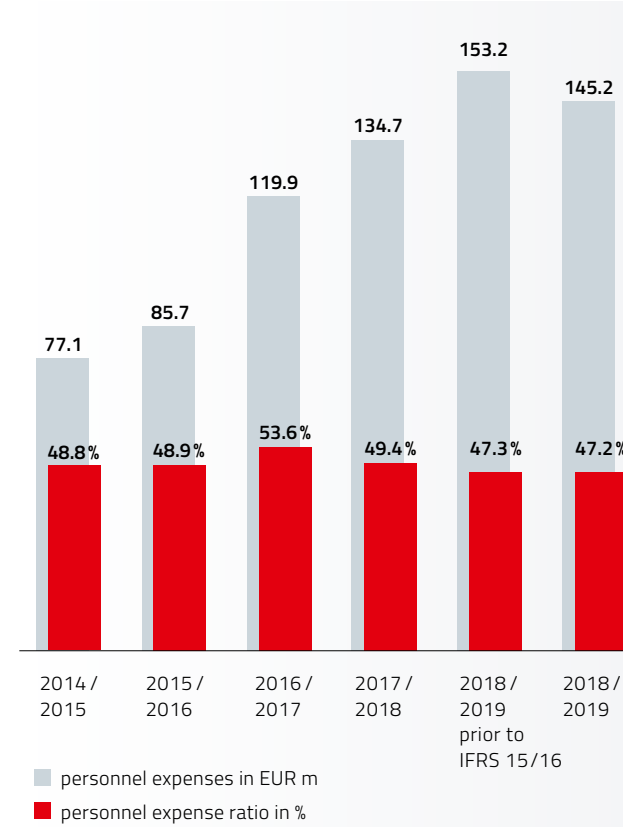
While DATAGROUP predominantly enters into medium and long-term contractual relationships in the service business with correspondingly very predictable revenues, the commercial business has a stronger focus on short-term contractual relationships and is therefore subject to greater fluctuations. Order intake is largely in line with revenue.

GROSS PROFIT

Gross profit rose by 8.3% yoy to TEUR 208,336. The gross profit margin decreased from 70.5% in FY 2017/2018 to 67.7% in the current fiscal year. When adjusted for the effects from IFRS 15 and 16, gross profit amounts to TEUR 216,445.

PERSONNEL EXPENSES

Personnel expenses totaled TEUR 145,179 in the fiscal year after TEUR 134,734 in the previous year. This is a disproportionately low increase of 7.8% in relation to revenue (revenue +12.7%). Adjusted for the effects of the new accounting standards, personnel expenses rose by 13.7% (revenue +18.8%) – which is also disproportionately low in relation to revenue. The rising personnel expenses reflect the growth of the Group. The personnel expense ratio did not increase in comparison with the prior years.



Development of personnel expenses and personnel expense ratio

3.2. Financial and Asset Position

Figures in EUR	30.09.2019	30.09.2019 prior to adoption of IFRS 15/16	30.09.2018	30.09.2017	30.09.2016
ASSETS					
Non-current assets	171,313	144,461	114,448	102,864	92,178
Current assets	148,764	141,898	101,002	110,526	67,568
	320,077	286,360	215,450	213,390	159,746
LIABILITIES					
Equity	74,046	74,150	67,255	59,581	28,367
Non-current liabilities	157,009	136,562	86,707	95,881	97,367
Current liabilities	89,022	75,648	61,488	57,928	34,012
	320,077	286,360	215,450	213,390	159,746

Short balance sheet

FINANCIAL MANAGEMENT TARGETS

A well-regulated financial and asset position of the DATAGROUP Group is a basic condition for the feasibility of the stated acquisition strategy. This is the main reason why DATAGROUP’s corporate management is focused on financial management.

The financial management aims to ensure the company’s constant liquidity. To this end, the liquidity status of both the individual group companies and the overall Group are examined on a weekly basis and short to medium-term liquidity projections are drawn up. Medium-term planning and controlling of the results and liquidity situation of the group companies ensures that the financing of the DATAGROUP Group is guaranteed in the long term as well. The financial resources used, e.g. issuing of promissory note loans, taking out and extending bank loans, finance leasing and factoring, are subject to constant review and are optimized and adjusted as necessary.

Furthermore, the DATAGROUP Group has a tight debtor management system to shorten the average collection period and prevent payment defaults.

In the period under review, DATAGROUP placed promissory note loans with a total volume of TEUR 69,000 and a duration of between three and seven years with its house banks. This significantly increased the financial scope of the DATAGROUP Group and placed the loans’ structure on a more long-term basis.

CAPITAL STRUCTURE

The balance sheet total increased by 48.6% year-on-year. Adjusted for the effects from the changes in accounting (mainly higher balance sheet total caused by capitalization of use of right assets from leasing agreements and recognition of a corresponding leasing liability on the liabilities side) the increase is 32.9%. The higher balance sheet total is attributable to the promissory note loan. The liquid funds raised were used for ongoing investments and to finance company acquisitions. The transition of the NRW.Bank necessitated liquid funds of TEUR 29,779, including pre-financing of workplaces and server environment.

The aforementioned effects lead to a decrease of the equity ratio of the DATAGROUP Group from 31.2% on September 30, 2018 to 23.1% on September 30, 2019. When adding the subordinate loans to equity, the equity ratio amounted to 23.4%. Adjusted for the effects from IFRS 15 and 16, the equity ratio, including the subordinated loans, is 26.2%.

Cash and cash equivalents decreased, amongst others, from the cash outflow resulting from the acquisitions of UBL Informationssysteme GmbH (TEUR 16,746) and Mercoline GmbH (TEUR 1,585), from the asset deal with IT-Informatik GmbH (1.506 TEUR), for investments in IT infrastructure and the redesign of workplaces (TEUR 18,672), dividend payments (TEUR 4,999), repayment of bank loans (TEUR 9,917), and, in the operational area, pre-financing of transition projects (TEUR 13,778) and the purchase of hardware, which was sold to customers as part of a finance leasing (TEUR 16,001). Liquid funds increased nonetheless, as these effects were more than compensated for by taking out promissory note loans in the amount of TEUR 69,000 and by the operating cash flow (adjusted for leasing and transition issues).

Liquid funds amounted to TEUR 47,305 after TEUR 38,700 on September 30, 2018. The net working capital as the difference between current assets and current liabilities increased from TEUR 39,514 on September 30, 2018 to TEUR 59,741 on September 30, 2019 (TEUR 66,251 prior to effects from IFRS 15 and 16).

Goodwill was up by TEUR 17,471 due to the acquisition of new subsidiaries, the other intangible assets increased by TEUR 3,363. As part of the purchase price allocation, intangible assets such as brands, order book and customer relations increased by TEUR 6,350 (additions), while depreciation on these assets amounted to TEUR 4,186.

The investment activity as a proportion of assets (excluding goodwill) to the balance sheet total increased to 25.0% on September 30, 2019, while it stood at 18.3% on September 30, 2018. When excluding the effect from the changes in measurement methods, this rate is 18.6% on September 30, 2019 and thus slightly higher. In addition to order backlog and customer relations resulting from acquisitions, fixed assets mainly concern the DATAGROUP data centers as well as furniture and office equipment of the DATAGROUP entities.

Inventories saw a significant increase in the fiscal year – from TEUR 1,972 to TEUR 19,063. This is also due to the changes in accounting which coincided with major transition projects – adjusted inventories amount to TEUR 3,226. Inventories that have to be recognized according to IFRS 15 mainly relate to deferred costs from transition projects which are recognized through profit and loss as late as in the operating phase (together with revenue from the transition phase). Inventory turnover (inventory to sales) rose from 0.7% in the previous year to 6.2% on September 30, 2019 (to 1.0% when adjusted).

Trade receivables increased by TEUR 14,355 to TEUR 45,591 at the balance sheet date compared to TEUR 31,236 on September 30, 2018 due to reporting date effects (billing of transition services shortly before the balance sheet date) as well as company acquisitions.

Financial liabilities significantly increased year-on-year – from TEUR 54,901 on September 30, 2018 to TEUR 131,374 at the balance sheet date. The share of non-current liabilities was TEUR 113,891 on September 30, 2019 after TEUR 42,564 on the same date a year earlier. In addition to the aforementioned promissory note loans of TEUR 69,000,

the first-time application of IFRS (liabilities for leases) also contributed to these effects.

Net debt increased significantly – from TEUR 12,130 on September 30, 2018 to TEUR 65,745 on September 30, 2019. The effect from the first-time application of the new accounting standards is TEUR 26,977. Another major effect results from the above-mentioned pre-financing of transition projects and the finance lease for the customer NRW.Bank. Net debt is understood as the difference between long-term and short-term non-subordinated financial liabilities on the one hand and receivables from finance lease contracts, liquid funds and securities that can be sold at any time on the other hand.

Financial liabilities decreased slightly – from TEUR 48,920 on September 30, 2018 to TEUR 48,813 on September 30, 2019. This balance sheet item mainly includes provisions for pension obligations (TEUR 37,702 after TEUR 40,610 on September 30, 2018). Provisions for pensions decreased in spite of a further fall in interest rates. This is due to the transfer of assets to trust assets, the figures of which are offset against provisions for pensions. The Group has made allowances for other personnel expenses and restructuring costs in the amount of TEUR 5,789.

LIQUIDITY DEVELOPMENT

The cash position of the DATAGROUP Group increased in the period under review, mainly due to the promissory note loans. Negative one-off effects that distorted the figures in the consolidated income statement lead to a decrease of the Group’s operating cash flow compared to the previous years (TEUR 4,522 or TEUR -2,313 prior to IFRS 15/16 after TEUR 18,990 in the previous year). The transition projects, which were pre-financed in FY 2018/2019, are based on long-term contracts which will ensure fixed, predictable revenue over the next few years. These projects have burdened the operating cash flow by TEUR 29,779 in the fiscal year.

OVERALL STATEMENT

The earnings position of the DATAGROUP Group remains on solid footing. The core business’ profitability provides the Group with the necessary room for a sustainable implementation of its long-term growth strategy. This is

4. Stock

impressively reflected by the key performance indicators: EBITDA amounted to TEUR 46,881 in FY 2018/2019, net profit stood at TEUR 14,514 and revenue totaled TEUR 306,765. Particularly the focus on business with high-margin outsourcing and cloud services will present additional major opportunities in the future as well.

Cash flow from operating activities amounted to TEUR 4,552 in the period under review and was approximately EUR 29m when adjusted. The equity ratio, including subordinated loans, is 23.4%. Liquid funds amount to TEUR 47,465. The key figures determined from the balance sheet continue to show a good financial position.

At the beginning of the reporting period, price developments of the German stock indexes were still driven by a bear market. However, the market picked up with the turn of the year and initially saw a trend towards rising prices, which then turned into sideways movement. The DATAGROUP stock has clearly outperformed the stock market in the period under review and impressed with the strengths of the DATAGROUP Group: In particular, the broadly diversified customer portfolio and the high proportion of long-term contracts with recurring revenue.

FREQUENT QUESTIONS BY INVESTORS ON THE MACRO-ECONOMIC SITUATION

*The German automotive sector may be facing disruptive changes – do we have to anticipate adverse effects here?*

DATAGROUP has a broadly diversified customer portfolio that stretches across many sectors and industries. The automotive industry and associated supplier industries only account for a small proportion of the company’s revenue. Even though DATAGROUP still expects the German automotive industry to retain its international competitive advantage, the company believes that an economic downturn in this industry would not have any major impacts on the net assets, financial position and results of operations of the DATAGROUP.

*Some of the major banks have put important IT projects on hold last year because of the upcoming Brexit. This has significantly affected some of DATAGROUP’s fellow market players. DATAGROUP Financial IT Services is DATAGROUP’s business unit specialized in the financial area. Do we have to fear any adverse effects from the Brexit or the generally tense situation in the banking sector?*

In fact, some major IT projects of international banks have been postponed. As a provider of basic IT operating services, however, DATAGROUP has not been affected. DATAGROUP rather sees the current situation in the banking sector as an opportunity: As an “engine room of digitization” the company is the point of contact especially for customers in the banking sector, not only in relation to smooth IT operations, but also with regard to the digitization of business processes which is taking giant steps forward.

*How would a massive economic downturn, like the one we have seen some ten years ago in the financial and currency crisis, affect DATAGROUP?*

A look at the historical development of the company’s revenue suggests that the effects would be rather small again. At that time, DATAGROUP steered through the crisis without any losses in revenue and earnings. Today, the company has a much higher share of recurring revenue generated by long-term contracts. With contract terms of between 3 and 7 years, in some cases also up to 10 years, a large proportion of DATAGROUP’s business is recurring. If such a crisis was to materialize, the hotly contested market for highly qualified employees should ease to some extent, and it should also provide good M&A opportunities for acquisitions at moderate prices.

The price of the DATAGROUP shares reached a new all-time-high of EUR 48.65 toward the end of the fiscal year on September 20, 2019. Following share price losses at the beginning of the fiscal year, the stock saw a continued recovery and maintained the upward trend even after the close of the fiscal year. The stock benefited from the economic stability of the digital industry and was considered a top pick among investors based on the well diversified customer portfolio and the high share of contractual revenue.

DATAGROUP’s market capitalization was some EUR 405m at the end of the fiscal year compared to EUR 325m at the end of FY 2017/2018.



Development of the DATAGROUP shares and the DAX from 01.10.2018 to 30.09.2019 (Xetra; source: vwd/EQS)



MARKET DEVELOPMENT AFTER THE END OF THE FISCAL YEAR

The DATAGROUP shares have continued their upward trend beyond the balance sheet date. The shares exceeded the EUR 70 threshold and traded at an all-time-high on February 4, 2020 of EUR 71.30 (Xetra).

IN A DIALOG WITH THE SHAREHOLDERS

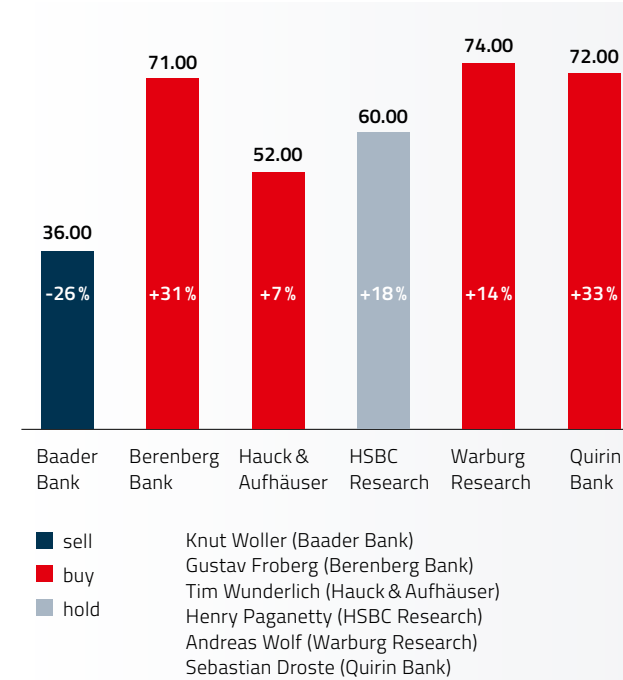
The investor relations team and the management of DATAGROUP SE are engaged in active communication with investors, analysts and representatives of the financial press. Transparent and continuous communication is important to the company. For this reason, DATAGROUP seeks to voluntarily exceed the disclosure requirements of "SCALE", the segment for smaller and medium-sized companies in the "Basic Board" of the Deutsche Börse AG. For instance, DATAGROUP publishes comprehensive quarterly information and communicates through all media channels in both German and English. The latter is a major advantage particularly for international investors, whose interest in DATAGROUP has increased markedly over the last few years.

On a regular basis, investors are given the opportunity to inform themselves on the current course of business at conferences, either in public presentations or individual meetings. In the past fiscal year, this included the German Equity Forum in Frankfurt and the Spring Conference of the German Association for Financial Analysis and Asset Management (Deutsche Vereinigung für Finanzanalyse und Asset Management). Additionally, DATAGROUP attended the conferences of Baader Bank, Berenberg Bank, M.M. Warburg as well as Quirin Bank. Foreign investors had the opportunity to meet DATAGROUP at the following conferences: Berenberg Conference in Madrid, Berenberg Pan European Conference at Pennyhill Park in London, Hauck & Aufhäuser Stock Picker Summit in Madrid, the CF&B conferences in Geneva, Paris and Amsterdam and at Deutsche Börse's Scale Conferences in Dublin and London. Furthermore, DATAGROUP conducted a great number of individual meetings with fund managers and analysts throughout the year, not only within the scope of the aforementioned capital market conferences above but also on roadshows in Frankfurt, Zurich, London, Paris and Helsinki. Investors increasingly used the possibility to get to know DATAGROUP by visiting the corporate headquarters in Pliezhausen near Stuttgart.

The information provided to institutional investors is simultaneously made available to all investors on the company's website. At the financial statement conference call, the Management Board responded to questions of private as well as institutional investors during the conference call.

ANALYST RECOMMENDATIONS

The DATAGROUP shares are covered by a number of research analysts. This research coverage has been significantly expanded in the year under review. The group of banks which have added the shares to their coverage universe has been broadened to include Berenberg Bank, HSBC and Quirin Bank. Four out of six analysts recommend buying DATAGROUP shares. If the issuers permit to do so, the reports are made available to all interested persons on DATAGROUP's website.



Analyst ratings of DATAGROUP share (as at February 2020)

It's that promising.

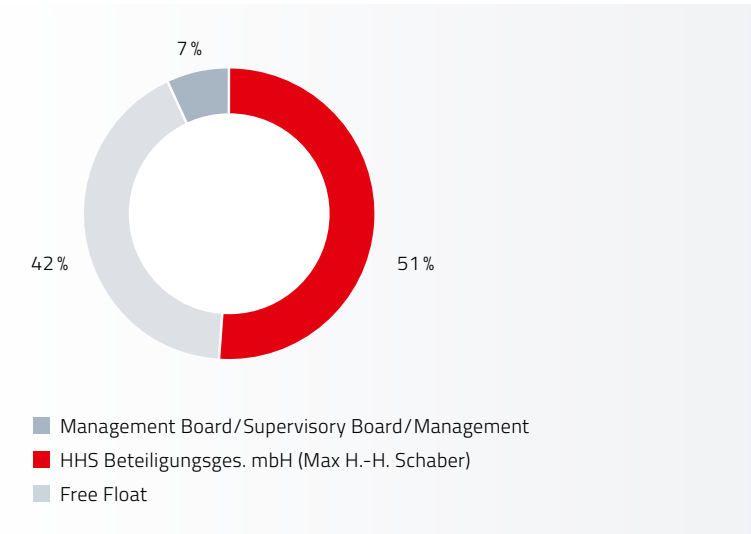


SHAREHOLDER STRUCTURE

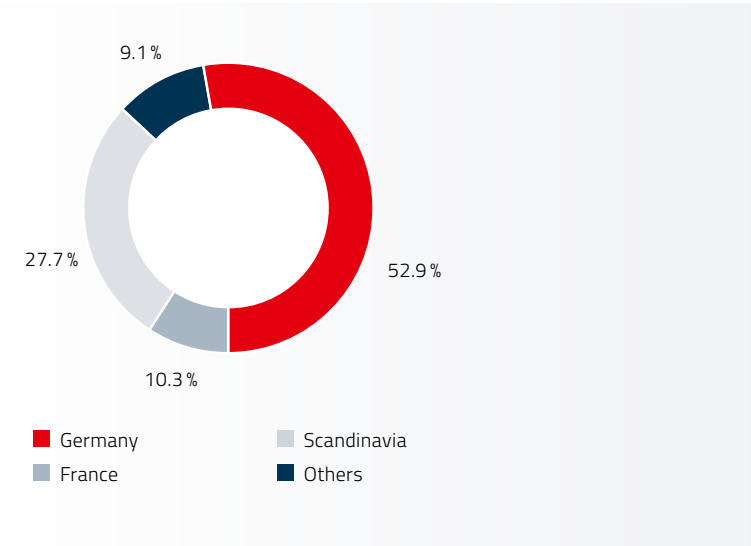
In addition to the long-standing main shareholder, HHS Beteiligungsgesellschaft mbH, the asset-managing investment holding of CEO and founder of DATAGROUP SE, Max H.-H. Schaber, the members of the Management and Supervisory Boards also hold some 7 % of the shares. The free float is mainly comprised of institutional investors, family offices and many private investors.

Roughly half of the institutional investors are based in Germany, including well-known investment funds such as Joh. Berenberg, Gossler/Co. Asset Management, Deka, DWS, Allianz Global Investors, Dr. Jens Erhard or Acatis.

Alongside the German investors, Scandinavian institutional investors play another key role with some 27.7%. This includes independent asset managers such as Taaleri Wealth Management, Fondita, Lannebo Fonder or Mandatum Life. Technology-conscious investors from France make up another 10% of the free float, including Groupama Asset Management, Dorval Asset Management or Rothschild Asset Management. The remaining shares are held by investors throughout Europe.



Shareholder structure of DATAGROUP SE (as at 30.09.2019)



Institutional investors by region (as at 30.09.2019)

ANNUAL GENERAL MEETING AND DIVIDEND

The Annual General Meeting took place on March 14, 2019 at the company’s headquarters in Pliezhausen. A total of 188 shareholders and shareholder representatives accepted the invitation. This means 68.08 % of the voting rights were represented. Supervisory Board and Management Board engaged in a discussion with the shareholders, explained the course of the last fiscal year and gave an outlook on the medium and long-term management objectives.

All items on the agenda met with broad approval. It was decided to increase the dividend from 45 to 60 cents per share. The company distributed a total amount of EUR 4.9m to its shareholders, corresponding to some 40% of the net profit in FY 2017/2018 in the amount of EUR 12.9m pursuant to IFRS.

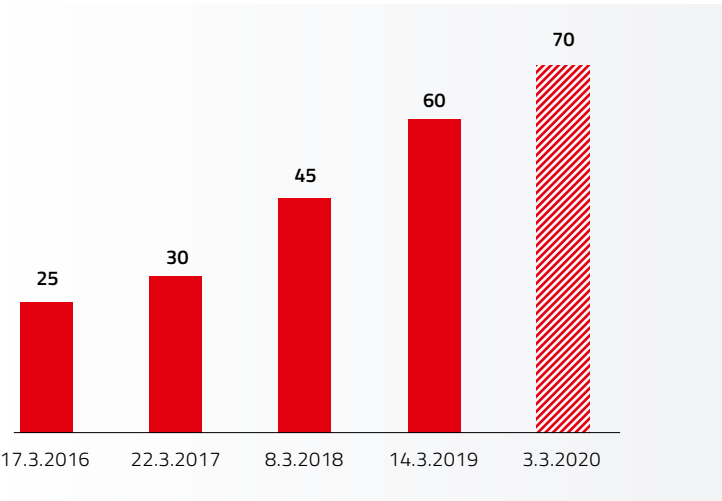
The management also intends to continue the existing dividend policy in the future. It is characterized by dividend continuity and the target to distribute a ratio of some 40 % of the net profit.

TRADING IN DATAGROUP SHARES

The average monthly trading volume in DATAGROUP shares was EUR 7.0m compared to EUR 9.8m in the previous year. HSBC Trinkhaus & Burkhardt AG and Hauck und Aufhäuser Privatbankiers AG currently take care of liquid trading in DATAGROUP shares as designated sponsors.

IN A DIALOG WITH FINANCIAL PRESS

A large number of journalists have reported on the DATAGROUP shares in the last fiscal year as well, both in print magazines such as FAZ, Wirtschaftswoche, Focus Money, Der Aktionär, Der Aktionärsbericht, Börsen-Zeitung, Börse Online, das Nebenwerte Journal, Euro, Südwest Presse, Hot Stocks Europe, Smart Investor, der Fonds Analyst, Effecten Spiegel and in numerous online forums.



Dividend development in cents at the respective dates of the Annual General Meeting



5. Risks and Opportunities

DATAGROUP’s risk policy is geared to an early identification of existential or significant corporate risks. Management Board and Supervisory Board are regularly and promptly informed about any identifiable risks. Risks and opportunities are continuously analyzed both individually and centrally in the operating entities and by the parent company respectively and are documented as part of a uniform group-wide risk management system. All the Group’s entities operate according to a group-wide uniform process. DATAGROUP responds very quickly to identifiable risks, e.g. by adjusting cost structures and sales efforts.

RISK MANAGEMENT SYSTEM

It is the task of risk management to systematically assess risks with the help of a uniform risk catalog, regular risk communication through risk reports and finally, central risk management and risk control. Risk management includes monitoring and control measures to be able to promptly take steps to prevent and manage risks. Based on standardized early warning systems, the operating entities compile standardized half-yearly risk reports according to uniform risk catalogs. Risks are identified with the help of the risk catalog and assessed according to their extent and probability of occurrence. The consolidation of the risk reports, the assessment of risks and the development of measures are centrally managed by the parent company. The early warning systems include sales planning, liquidity planning, the short-term income statement and a qualitative management summary on service performance. An explicit risk management and a separate risk assessment take account of the specific risk arising from the acquisition of companies.

As for accounting risks, the risk management system builds on the internal control system. This system considers all accounting-related risks within the risk management. The internal control system and clear inter-company rules ensure the conformity of the consolidated financial statements.

Alongside the risk factors mentioned in the “Risks” section, risks that are not yet known or risks that are currently assessed as being less significant could have an adverse effect on business activities.

OPPORTUNITIES MANAGEMENT

The dynamic market environment of information technology with its new trends and constant technological innovations regularly offers new opportunities. It is the task of opportunities management to seize these opportunities and eventually take advantage of them, and it lays the foundation for DATAGROUP’s sustainable success and growth. Opportunities and risks are closely interlinked and therefore are also looked at in a holistic, integrated approach as part of the opportunities and risk management. Opportunities and risks are adequately accounted for both in the evaluation of market opportunities and in corporate planning. Opportunities management focuses on market and competitive analyses and the further development of the product portfolio. Opportunities management aims to analyze internal and external potential which may positively drive business development in a sustainable manner.

RISKS

Economic activity is associated with risks and opportunities. The risks described below are subject to the early risk detection system and are regularly monitored and controlled by means of analyses.

MARKET AND COMPETITIVE RISKS

There is a strong competitive pressure on the market for information technology. Competition is likely to further intensify in the next years. Industry association Bitkom projects the information technology market to grow by 2.0 % in 2019, with cloud computing being one of the most important technological and market trends and showing a continued strong growth. It is precisely here that DATAGROUP is very well positioned thanks to its data centers in Düsseldorf, Frankfurt and Nuremberg, which are certified according to the highest safety standards. Other important factors are innovative new product solutions in the CORBOX portfolio – the modular solution for care-free IT operations. For this reason, DATAGROUP sees opportunities for growth and a positive business development.

Caused by the ongoing competitive pressure on the market for information technology DATAGROUP may be squeezed out by competitors, which would then lead to sales losses. If DATAGROUP were not – or not sufficiently – able to meet

its delivery and service obligations in the future, there may be the risk of having to pay for damages from liability and warranty. Qualified employees and the management of DATAGROUP as well as professional corporate processes are the basis for providing high-quality services. A regular review of the performance quality and the proper order processing is guaranteed by an internal project controlling. A strengthening of customer relationships and customer satisfaction, successful sales efforts and high quality requirements to the company’s own service portfolio are to secure DATAGROUP’s position in the market. Overall, the risk arising from the competitive situation on the IT market is considered as negligible.

TECHNOLOGICAL RISKS

Business activities are supported by using modern information technologies. Information technologies serve as an instrument for operational processes and are of particular importance for DATAGROUP as a provider of IT services and solutions. In a worst-case scenario, the vulnerability or failure of the information technologies used by DATAGROUP and its customers may bring operational procedures to a standstill. Organization of operations and the use of suitable architectures ensure the highest possible degree of availability. DATAGROUP operates a holistic IT service management system which in its core includes a state-of-the-art information security management on the basis of certification of ISO 27001 native and ISO 27001 on the basis of IT Grundschutz (BSI). The data center services and the related necessary IT operations management are in the scope of the ISO 27001 certifications. All central IT systems are operated by DATAGROUP Data Center GmbH in mirrored data centers in Frankfurt. The data centers in Frankfurt, Düsseldorf and Nuremberg as well as all DATAGROUP locations in the scope are audited on an annual basis according to ISO 27001, the internationally recognized standard. “IT Service Management”, the management system for comprehensive business processes is reviewed once a year according to the international standard ISO 20000. The IT service management system is in the scope for all services in the service catalog with all its processes and functions as specified in “the model”. It was first certified in 2012, followed by a re-certification in 2018. To further cover the business risks there is also a reasonable insurance protection for business interruptions both internally and on the customers’ premises.

The technological environment in which DATAGROUP is active is subject to constant changes, particularly caused by the development of new technologies, e.g. the provisioning of infrastructure services or of software with the help of cloud technologies. Business applications are increasingly becoming mobile and are used on different end devices. The portfolio of applications and solutions used by our customers is continuously expanded. DATAGROUP constantly strives to adapt its product portfolio to the customers’ changing needs and to adapt the corresponding qualifications of its employees as well. The risk of a disruptive change of the technological environment is currently regarded as negligible.

FINANCIAL RISKS

The major financial risks include liquidity, credit and interest rate risks. DATAGROUP hedges its solvency and financial flexibility through liquidity reserves in the form of cash and credit lines. A regular liquidity planning ensures that enough financial funds are available. All subsidiaries are part of a central liquidity planning securing the Group’s solvency.

The Group’s default risks associated with receivables are manageable as a major part of revenues is generated with public authorities as well as solid corporations and financial institutions. Additionally, the default risk is secured by credit assessment programs. All customers go through the credit assessment program – as a result of which bad debt losses are at low levels. Bad debt losses amounted to TEUR 172 in the fiscal year.

The development of the interest rate level can have an impact on the financing costs in the DATAGROUP Group. To secure the current favorable interest level DATAGROUP placed promissory note loans with an overall volume of TEUR 69,000 in April 2019, which have a term of up to seven years and fixed interest rates for the most part.

If DATAGROUP SE or its subsidiaries would enter non-euro markets or be dependent on manufacturers producing on these markets, there would be exchange rate risks. However, Germany is the most important sales and procurement market of the DATAGROUP entities, so risks associated with currency fluctuations are absolutely insignificant for DATAGROUP. The DATAGROUP Group does not enter into hedging transactions because of this minor significance for net assets, financial position and results of operations.



RISKS ARISING FROM THE CUSTOMER STRUCTURE

In the past, DATAGROUP successfully concluded transactions with major customers. A risk may arise from the dependence on important customers and their business development. This risk is controlled by a special key account management which allows for early identification of negative trends in the customer relationship and the taking of countermeasures. Furthermore, a target-oriented marketing strategy and the launch of innovative new products and services aim to broaden the customer base. Additionally, DATAGROUP focuses on a very heterogeneous customer structure across all industries. No industry has an extraordinary accumulation of gross profits, which means there is no sector dependency.

Furthermore, the largest individual customer only accounts for 5.9% of consolidated gross profit. This rate will decline to below 5% due to a slight reduction of customer turnover in FY 2018/2019 and thereafter. The second largest customer contributed 4.2% to consolidated gross profit, the third largest accounts for 1.5%, so a potential loss of one of these key account customers would be possible but would not threaten the existence of the company.

SUPPLIER RISK

As an IT service provider offering IT products, DATAGROUP cooperates with suppliers of technical components and other service providers. Delivery risks generally cannot be excluded. Delivery bottlenecks, price increases and changes in a supplier's product strategy may adversely affect DATAGROUP's success. Delivery risks are hedged by a professional procurement management and a contractual protection of the delivery and service chain. There may be negative impacts on the subsidiaries' profitability if the advantageous procurement conditions associated with the membership in the Computer Compass purchasing organization would cease to exist. There is currently no evidence suggesting that this is the case, so the risk – particularly in view of an increasing proportion of services in the DATAGROUP Group – can be regarded as low.

HUMAN RESOURCES RISKS

Human resources risks may result from the potential fluctuation of employees and managers in key positions. The undesired resignation of managers and employees can have an adverse effect on DATAGROUP unless measures are taken to attract qualified and suitable candidates in due course and at fair market conditions. For this reason, the employees' motivation, retention and development are important targets of employee management and the personnel policy within the DATAGROUP Group. The risk of a material adverse impact on business development caused by the loss of top performers is currently regarded as low thanks to high staff retention and low personnel fluctuation in the past years.

Other risks related to personnel management may result from the lack of qualified personnel in the IT industry with a corresponding increase in wage costs. Based on the overall economic situation as well as the demographic development in Germany, the unemployment rate is currently at a very low level. It may therefore be more difficult to cover the demand for qualified staff. A wage cost inflation may also be conceivable. In view of these developments, DATAGROUP has intensified its efforts to retain its employees over the long term and has further improved working conditions. On top of this, the HR division was pooled centrally, and additional capacities were created. The risk of impacts caused by rising personnel expenses is currently estimated to be low.

LEGAL RISKS

The entities of the DATAGROUP Group may have to face judicial and extrajudicial third-party claims within the scope of business operations. At present, there are no current or foreseeable legal or arbitration proceedings that may have a material effect on the economic position of the Group. Overall, the legal risks are regarded as low.

As a stock-listed company, DATAGROUP SE is subject to many legal regulations and duties, for instance from the Market Abuse Directive (MAD), the German Securities Trading Act (WpHG) or the German Stock Corporation Act (AktG). DATAGROUP raises the awareness of the respective employees regarding the legal obligations of a stock-listed company by way of regular training and seeks to obtain information from experienced lawyers if there are any issues.

RISKS ARISING FROM THE ACQUISITION OF COMPANIES

DATAGROUP SE intends to acquire further companies in the future. The purchase of a company is often a capital-intensive investment fraught with risk. Sustainable value-add is only possible when the company is successfully integrated, and synergies are realized. If the expectations in the acquired company were met only partially, integration costs were underestimated, or synergy effects overpriced, this may adversely impact DATAGROUP's development. Companies qualifying for an acquisition are intensively examined regarding their orientation and structure as well as their integration possibilities. Company transactions will only be conducted if the company fits within the strategy and organization of the DATAGROUP Group.

OVERALL ASSESSMENT OF THE RISK SITUATION

There were no risks to the continued existence for DATAGROUP in FY 2018/2019. From the current standpoint, there is also no indication of future risks that could jeopardize the continued existence of the company or have a sustainable negative impact on net assets, financial position and results of operations.

ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM

With a view to accounting processes, the internal control and risk management system aims to minimize risks as well as to identify and assess risks that may jeopardize the compliance with regulations of the consolidated financial statements. The accounting-related internal control system (ICS) comprises principles, procedures and measures to ensure correctness of the financial reporting. The ICS is under constant review and development.

The accounting-related ICS aims to ensure the proper preparation of the consolidated financial statements and individual financial statements of the group companies. The internal control system consists of guidelines and work instructions and stipulates both the separation of functions and defined system-engineering and manual reconciliation routines. DATAGROUP's entire accounting process is based on the dual-control principle with clear evaluation and approval processes. Furthermore, risk management and control

are facilitated by a clear assignment of responsibilities and adequate access rules based on a uniform group-wide authorization concept in the information and accounting systems used for financial statements.

The entities of the DATAGROUP Group prepare their local financial statements on a decentralized basis. The group companies take on responsibility for compliance with local accounting regulations but also for adherence to the accounting guidelines that are valid throughout the Group when reporting the data to Group accounting. Work instructions ensure the proper reconciliation of the local financial statements (commercial balance sheet I) to the financial statements drawn up in accordance with the uniform group-wide accounting and measurement principles (commercial balance sheet II). Clear guidelines restrict the employees' discretionary power with regard to the recognition, measurement and reporting of assets and liabilities, which reduces the risk of inconsistent accounting principles within the Group.

Group accounting is responsible for the examination of the Group reporting packages prepared on a decentralized basis for plausibility and correctness. The preparation process of the consolidated financial statement is centrally coordinated. Special accounting issues or complex matters, which either refer to special risks or require special expertise, are centrally monitored and handled. External experts such as specialized assessors are consulted particularly with regard to the purchase price allocation of company mergers or the valuation of pension provisions.

The use of a uniform group-wide accounts structure for data reporting and the central maintenance of the accounting framework ensures a uniform accounting of similar business transactions. Consolidation measures and reconciliations are carried out on a centralized basis. The controls required in the consolidation processes such as consolidation of debts, cost and income are carried out manually for the most part and are guaranteed from an organizational point of view. The auditor evaluates the effectiveness of the internal control system as part of their audit activities.

OPPORTUNITIES

There are numerous opportunities for DATAGROUP to further expand its position among the German Mittelstand companies thanks to its range of services. This growth will mainly be driven by the digitization of economy, state and society, which still has a positive impact on the demand for IT services. The increasing complexity of IT landscapes is likely to add to the trend towards outsourcing among German Mittelstand companies. DATAGROUP therefore assumes that organic growth with existing customers can be continued but that the company can also acquire further customers. DATAGROUP constantly strives to improve and broaden the CORBOX service family.

The increasing automation of IT service landscapes also offers great opportunities for DATAGROUP to further boost sales and profitability. Thanks to new technologies, for instance voice recognition, chat bots or Robotic Process Automation, service provision can be further automated which will make it more economical as well. Automation also offers advantages for quality control. DATAGROUP is working to integrate these new technologies into the company's own service provision but also supports customers in implementing these technologies.

The IT services market is still undergoing a phase of consolidation. Smaller providers can no longer meet the growing requirements, which is likely to lead to further acquisition opportunities. Additional opportunities to successfully implement the M&A strategy result from business succession and retirement plans. The Management Board therefore assumes that there will be opportunities for sound acquisitions and thus for growth through acquisitions going forward.

DEVELOPMENT OF THE MACRO-ECONOMIC ENVIRONMENT

According to the ifo Institute, there are increasing signs that other sectors of the Germany economy could also be affected by the industrial weakness. Over the last twelve months, the business climate has significantly deteriorated in some parts of the consumer and construction-related services sectors as well as in the construction industry despite a slight increase in the services and retail sectors in November 2019. Meanwhile, the economic weakness also leaves its traces in some sectors of the employment market, especially in the manufacturing sector, among private service providers and in the construction industry. Conversely, private income still continues to grow strongly due to a significant increase in agreed wages as well as state transfer payments. In its autumn forecast, the ifo Institute expects the economy to slowly return to normalized levels next year and projects an increase in GDP to 1.2 %. The Federal Ministry of Economics currently also anticipates an increase of 1.2 % for the GDP in the year to come.

Uncertainties about the impacts of a potential "hard Brexit" or an escalating trade dispute on the macro-economic development in Germany will remain. A decisive contributor to the German economy, the automobile industry, continues to be faced with major challenges, which will also have an impact on the supplier industries.

BUSINESS DEVELOPMENT AND STRATEGIES

DATAGROUP will maintain its objective to further expand its position as a leading IT service provider for German Mittelstand companies with the highest customer satisfaction.

A main focus will be the further optimization of the production units. DATAGROUP intensively pursues its plans to further improve and complement the harmonization in the production of the CORBOX services with the help of last year's SQUARE project, which will be continued. The Group is also constantly striving to further improve its offers in the CORBOX portfolio. Furthermore, DATAGROUP is continuously adding new modules to the "Service-as-a-Product" portfolio CORBOX in order to continue to meet the increasing demands on a full outsourcing expert. This includes the new CORBOX services SAP on Azure, which combines the cloud and

SAP expertise of DATAGROUP, and Robots-as-a-Service, the simple provisioning of the automation technology Robotic Process Automation.

Going forward, the digitization of our own provision of services will increasingly be the focus of future efforts. DATAGROUP wants to further increase the degree of automation in service provision in the year to come. The use of software robots will lead to stronger automation of simple recurring tasks in the future. This will unburden the company's qualified employees from daily routine work and create the space that is needed for more complex tasks. This measure also aims at counteracting the increasing shortage of well qualified experts. The strong demand for qualified staff with associated labor cost inflation and rising recruiting costs has slightly improved recently. This improvement may be due to the relocation of freed capacities in different segments of the industry and a shift to the IT sector. The Management Board still expects a moderate increase in wage costs and higher expenses for the recruitment and retention of qualified employees. The strategy of selectively recruiting employees with very specific qualifications in neighboring countries has shown initial success in the last year and DATAGROUP will continue this strategy to a moderate extent. Furthermore, the company will increasingly implement employer branding and recruiting measures in the next fiscal year to reinforce the loyalty of its existing employees and to strengthen DATAGROUP's employer brand as well as to attract new employees, especially IT specialists.

DATAGROUP will continue to examine possibilities for the acquisition of companies on a selective basis. The Group aims to further expand the customer portfolio of companies from the upper midsize market in Germany with targeted acquisitions, but also wants to further strengthen the employee base. The proven acquisition strategy focuses on companies that add to the services offered. It could be conceivable, for instance, to acquire companies in the areas of IT security or automation technologies such as Robotic Process Automation. It would also be advantageous to strengthen local presence, for instance the Ruhr area or in the metropolitan region of Munich.

## 7. Internal Corporate Management System

In view of the continued importance of growth through acquisitions, the Management Board has been expanded by Peter Schneck as of October 1, 2019. At the start of FY 2019/2020, Peter Schneck assumed responsibility for investor relations, legal affairs and M & A. The Management Board will examine takeover possibilities with great care.

DATAGROUP currently does not plan to internationalize the business model through acquisitions or an international roll-out strategy.

### FINANCIAL DEVELOPMENT

Based on the growth prospects of the overall economy and the IT sector and without the occurrence of possible acquisitions, management expects revenues to increase further while the very good profitability and thus EBITDA should be slightly increased in the next FY 2019/2020. In view of the continuing positive prospects for the IT sector, the Management Board expects the very positive order development to retain the high level of the past fiscal year. Fundamentally, DATAGROUP sees itself well prepared to steer the company through potentially more difficult times in terms of the overall economic situation with its broadly diversified customer portfolio and a high share of recurring revenues.

The Group continues to intensively pursue the acquisition of new customers in the core business with basic IT operating services generating long-term high-margin contractual revenue in services and maintenance. DATAGROUP aims to expand the customer base of high-performance companies from the upper midsize market in Germany. Additionally, the company continues its efforts to further utilize the sales potential of the existing customer base and to increase the share in the relevant IT budgets ("upselling"). Against this backdrop, the Management Board assumes that the existing dividend policy can be continued in the following years.

The Group was very well equipped with financial funds at the end of the fiscal year. Net debt has increased because of the first-time application of IFRS 15 and 16 from TEUR 12,130 to TEUR 65,745. Consequently, DATAGROUP has sufficient financial funds to make investments which may be required prior to the further increase in business volume and an in-

creasing degree of IT service provision processes in the company's own data centers but also with a view to the further development of the service portfolio.

### HISTORIC DEVELOPMENT OF FORECASTS

DATAGROUP's Management Board is constantly monitoring the progress of ongoing activities, the development in the IT sector as well as the general macro-economic situation. Taking account of the opportunities and risks that are currently relevant for the company is another component of the forecast development.

This is the basis on which the Management Board traditionally gives a first outlook for the next fiscal year at the Annual General Meeting, which this year will take place at the company's headquarters in Pliezhausen, on March 3, 2020. If the Management Board gains knowledge of any changes during the fiscal year that may have a substantial impact on the company's forecast, it will be adjusted accordingly by the management.

In the past fiscal year, the Management Board gave a financial outlook which included revenues of at least EUR 280m (after adoption of IFRS 15/16) and EBITDA of EUR 43m. On May 21, 2019, this outlook was raised to revenues of EUR 295m and EBITDA of more than EUR 45m (after adoption of IFRS 15/16).

This increase reflected the fact that the existing business units had reached a higher utilization. Furthermore, the newly acquired companies made stronger contributions than expected. In the year just ended, DATAGROUP acquired two further companies, UBL and IT-Informatik, which will have a positive impact on revenues in the next fiscal year due to the de-consolidation effects alone. UBL was initially recognized in the current reporting on April 1, 2019 and thus contributed to business for only six months. The assets and employees of the former IT-Informatik were integrated into DATAGROUP Ulm, which has been consolidated since August 1, i. e. for two months.

The central instrument for the entire Group's corporate management is a so-called "rolling forecast" system for sales planning and monitoring of revenues and contribution margins. In connection with a monthly income statement, this system allows a very precise, constantly up-to-date statement on revenues. Current costs and investments are adjusted on the basis of these monthly data in order to meet the planned corporate results. Furthermore, consolidated accounts are prepared monthly in a simplified form.

Liquidity planning, which is prepared on a weekly basis for the entire Group, serves to provide an overview of the liquidity level determined within the DATAGROUP Group and the individual group companies, as well as the control of the expected liquidity development. Weekly liquidity planning is based on a planning horizon of at least one month. Medium-term planning of financial resources exceeding this horizon is prepared as needs arise.



8. Other Information

EMPLOYEES

In FY 2018/2019, DATAGROUP had 2,155 employees (previous year 1,915) on average. On 30.09.2019, DATAGROUP had 2,505 (previous year 1,971) employees. Including management and apprentices, the headcount totaled 2,688 on 30.09.2019.

DATAGROUP is traditionally very committed to recruiting and promoting young professionals. On 30.09.2019, the company employed a total of 128 apprentices (87 on 30.09.2018), particularly in the apprenticeship occupations of qualified IT specialist for system integration and application development, as well as management assistant in IT systems.

RESEARCH AND DEVELOPMENT ACTIVITIES

Experience and specific expertise gained in customer projects and through active IT markets observation are used in a value-added way for the development of internal customized innovations. DATAGROUP reacts sensitively to new requirements from customers and the market. This results in the development of our own product solutions, particularly in the Solutions and Consulting segment, such as the DATAGROUP BAföG process (process to assist authorities in offering student loans).

ADJUSTMENTS TO THE GROUP STRUCTURE

The scope of consolidation has been further expanded in the period under review. This has been realized with the acquisition of company shares in UBL Informationssysteme GmbH as well as the acquisition of business and subsidiaries of IT-Informatik GmbH from insolvency.

Under a purchase agreement dated April 9, 2019, DATAGROUP SE has acquired 100 % of the shares in UBL Informationssysteme GmbH. The transfer date was April 10, 2019.

UBL, a multi-cloud and managed service provider, develops and operates IT infrastructures and platforms for larger Mittelstand companies. The company is specialized in providing customized services from architecture to operation concepts in the cloud. One special focus are IBM infrastructures. UBL also operates two data centers with direct redundant connection to the high-speed Rhine-Main fiber-optic network. The company was founded more than 30 years ago.

Under a purchase and transfer agreement dated August 15, 2019, the mobile fixed assets, inventories, software and other intangible assets of IT-Informatik GmbH were acquired from their insolvency estate. The transfer date was 21.08.2019. Additionally, the entire staff of IT-Informatik GmbH was taken over (transfer of undertakings according to § 613a BGB).

Founded in Ulm in 1987, IT-Informatik GmbH is specialized in SAP consulting and maintenance, cloud infrastructure and software development and supplies a broad portfolio of SME customers from various industries. The company filed for insolvency in May 2019. DATAGROUP intends to continue business operations at the Ulm location.

Under the above purchase and transfer agreement dated August 15, 2019 with IT-Informatik GmbH, 100 % of the shares in Mercoline GmbH (by DATAGROUP SE) and in IT-Digitalización 4.0 Industrial Internacional S.L. (by DATAGROUP Mobile Solutions AG) were acquired as well. The transfer date for this acquisition also was August 21, 2019.

Mercoline is specialized in SAP consulting and SAP solutions in supply chain management, business integration and business intelligence. The solutions of Mercoline are used in transport management, ATLAS (automated tariff and local customs clearance system) customs clearance, sanctions list screening, VAT ID examination, EDI and digital signature. As a certified SAP partner, Mercoline has more than 25 years of experience in the management of IT-supported business processes, from design to implementation and operation. As part of its communication services, Mercoline is a full-service-provider for the EDI integration of business partners and the optimization of invoicing processes such as digital signature, web EDI, scanning, printer and archiving services.

The Barcelona-based entity has around 10 employees focused on software development. Because of its specific expertise the unit is integrated into DATAGROUP Mobile Solutions AG that bundles the activities around the mobilization of business applications and the development of software robots.

DEPENDENCY REPORT

The Management Board compiled a report for FY 2018/2019 about relationships to affiliated companies in accordance with section 312 of the German Companies Act (AktG), which contains the following conclusion:

“We declare that according to the circumstances known to us at the time the legal transaction was executed, or the measure was implemented or omitted, our company received appropriate consideration for every legal transaction and has not been disadvantaged by the implementation or omission of any measure.”

Pliezhausen, January 20, 2020

DATAGROUP SE

THE MANAGEMENT BOARD



**Max H.-H. Schaber**  
CEO



**Dirk Peters**  
Chief Service  
Management Officer



**Andreas Baresel**  
Chief Production Officer



**Peter Schneck**  
Chief Officer Investor Relations,  
Legal, Mergers & Acquisitions

# Consolidated Financial Statements

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## Consolidated Income Statement

Figures in EUR	Notes	01.10.2018 – 30.09.2019	Changes from IFRS 15/16	01.10.2018 – 30.09.2019 prior to IFRS 15/16	01.10.2017 – 30.09.2018
<b>Revenue</b>	1	<b>306,764,901.15</b>	<b>-16,496,204.50</b>	<b>323,261,105.65</b>	<b>272,099,553.36</b>
Other own work capitalized	-	776,807.08		776,807.08	685,446.14
<b>Total revenues</b>		<b>307,541,708.23</b>	<b>-16,496,204.50</b>	<b>324,037,912.73</b>	<b>272,784,999.50</b>
Other operating income	2	11,102,034.88		11,102,034.88	5,660,437.94
Material expenses/Expenses for purchased services	3	99,206,227.94	-8,386,818.09	107,593,046.03	80,400,810.14
Personnel expenses	4	145,179,164.56	-8,062,321.83	153,241,486.39	134,734,405.87
Depreciation of property, plant and equipment and other intangible assets	5	23,254,922.98	7,006,478.92	16,248,444.06	14,039,638.46
Other operating expenses	6	27,377,864.37	-7,172,684.88	34,550,549.25	28,846,778.19
<b>Operating income</b>		<b>23,625,563.27</b>	<b>119,141.38</b>	<b>23,506,421.88</b>	<b>20,423,804.77</b>
Financial income		456,784.79		456,784.79	474,087.95
Financial expenses		2,392,436.98	337,364.30	2,055,072.67	2,419,299.04
<b>Financial result</b>	7	<b>-1,935,652.19</b>	<b>-337,364.30</b>	<b>-1,598,287.88</b>	<b>-1,945,211.09</b>
<b>Earnings before taxes</b>		<b>21,689,911.08</b>	<b>-218,222.92</b>	<b>21,908,134.00</b>	<b>18,478,593.68</b>
Taxes on income and profit	8	7,175,995.56	-68,166.00	7,244,161.56	5,605,283.03
<b>Net income</b>		<b>14,513,915.52</b>	<b>-150,056.92</b>	<b>14,663,972.44</b>	<b>12,873,310.65</b>

## Consolidated Statement of Comprehensive Income

Figures in EUR	Notes	01.10.2018 – 30.09.2019	Changes from IFRS 15/16	01.10.2018 – 30.09.2019 prior to IFRS 15/16	01.10.2017 – 30.09.2018
<b>Net income</b>		<b>14,513,915.52</b>	<b>-150,056.92</b>	<b>14,663,972.44</b>	<b>12,873,310.65</b>
<b>Other earnings before taxes<sup>1</sup></b>					
Recalculation of defined benefit obligations		-4,030,921.00		-4,030,921.00	-2,022,258.29
Change in balancing items from currency conversion		-24.05		-24.05	-24.20
<b>Other earnings before taxes</b>	9	<b>-4,030,945.05</b>	<b>0.00</b>	<b>-4,030,945.05</b>	<b>-2,022,234.09</b>
<b>Income tax effetics on other income</b>	9	<b>-1,261,000.93</b>		<b>-1,261,000.93</b>	<b>-571,329.00</b>
<b>Comprehensive income</b>		<b>11,743,971.40</b>	<b>-150,056.92</b>	<b>11,894,028.31</b>	<b>11,422,405.56</b>

<sup>1</sup> Exclusively items which are not reclassified to the consolidated income statement

Consolidated Statement of Financial Position

Figures in EUR	Notes	30.09.2019	Changes from IFRS 15/16	30.09.2019 prior to adoption of IFRS 15/16	30.09.2018
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	1	64,027,252.93		64,027,252.93	46,555,845.34
Other intangible assets	2	18,621,571.41		18,621,571.41	15,258,183.90
Property, plant and equipment	3	60,072,310.90	26,805,609.91	33,266,700.99	22,351,099.31
Non-current financial assets	4	14,092,516.71		14,092,516.71	1,825,736.14
Claims from reinsurance coverage for pension obligations		5,021,496.20		5,021,496.20	5,112,617.60
Other non-current assets	5	924,904.80		924,904.80	18,717,631.85
Deferred taxes	6	8,553,421.02	46,575.61	8,506,845.41	4,626,597.85
		<b>171,313,473.97</b>	<b>26,852,185.52</b>	<b>144,461,288.45</b>	<b>114,447,711.99</b>
<b>Current assets</b>					
Inventories	7	19,062,527.97	15,836,238.01	3,226,289.96	1,972,027.83
Contract assets <sup>1</sup>	8	8,734,112.08	-7,418,949.38	16,153,061.46	6,464,163.64
Trade receivables	9	45,591,448.88	-1,552,572.95	47,144,021.83	31,236,083.95
Current financial assets	4	4,452,763.44		4,452,763.44	1,292,923.37
Other current assets	10	23,457,331.58		23,457,331.58	21,336,171.40
Cash and cash equivalents	11	47,464,919.66		47,464,919.66	38,700,491.68
		<b>148,763,103.61</b>	<b>6,864,715.68</b>	<b>141,898,387.93</b>	<b>101,001,861.87</b>
		<b>320,076,577.58</b>	<b>33,716,901.20</b>	<b>286,359,676.38</b>	<b>215,449,573.86</b>
<b>Liabilities</b>					
<b>Equity</b>					
	12				
Subscribed capital		8,349,000.00		8,349,000.00	8,349,000.00
Capital reserve		32,337,372.27		32,337,372.27	32,337,372.27
Repayment of capital		-98,507.73		-98,507.73	-98,507.73
Retained earnings		40,122,294.95	-150,056.91	40,272,351.86	30,607,254.84
Adjustments from first-time application of IFRS 15		46,561.89	46,561.89	0.00	0.00
Accumulated other comprehensive income		-6,710,435.17		-6,710,435.17	-3,940,515.10
Balancing item for foreign currency translation		0.15		0.15	24.20
		<b>74,046,286.36</b>	<b>-103,495.02</b>	<b>74,149,781.38</b>	<b>67,254,628.48</b>
<b>Non-current liabilities</b>					
Non-current financial liabilities	13	113,890,522.41	20,446,153.54	93,444,368.87	42,563,987.06
Pension provisions	15	37,701,654.98		37,701,654.98	40,609,607.36
Other provisions	15	1,913,629.79		1,913,629.79	1,025,527.16
Other non-current liabilities	18	1,001,526.60		1,001,526.60	1,563,513.35
Deferred taxes	6	2,501,195.19		2,501,195.19	944,127.49
		<b>157,008,528.97</b>	<b>20,446,153.54</b>	<b>136,562,375.43</b>	<b>86,706,762.42</b>
<b>Current liabilities</b>					
Current financial liabilities	13	17,483,040.02	6,530,614.24	10,952,425.78	12,337,501.81
Provisions	15	9,197,472.05		9,197,472.05	7,284,928.04
Contract liabilities <sup>2</sup>	16	11,008,043.40	10,819,950.17	188,093.23	151,477.31
Trade payables	17	9,126,446.40		9,126,446.40	5,419,052.91
Income tax liabilities	-	7,367,712.83		7,367,712.83	6,739,586.79
Other current liabilities	18	34,839,047.55	-3,976,321.73	38,815,369.28	29,555,636.10
		<b>89,021,762.25</b>	<b>13,374,242.68</b>	<b>75,647,519.57</b>	<b>61,488,182.96</b>
		<b>320,076,577.58</b>	<b>33,716,901.20</b>	<b>286,359,676.38</b>	<b>215,449,573.86</b>

<sup>1</sup> Prior-year figures: Construction contracts in progress  
<sup>2</sup> Prior-year figures: Surplus of liabilities from construction contracts

Consolidated Statement of Cash Flows

Figures in EUR	01.10.2018 – 30.09.2019 prior to IFRS 15/16	Changes from IFRS 15/16	01.10.2018 – 30.09.2019 prior to IFRS 15/16	01.10.2017 – 30.09.2018
<b>Cash flow from operating activities</b>				
Net income for the period	14,513,915.52	-150,056.91	14,663,972.43	12,873,310.65
Interest received	-359,213.98		-359,213.98	-152,676.58
Interest paid	1,138,664.94	0.00	1,138,664.94	1,391,851.74
Depreciation and amortization of non-current assets	23,337,058.58	7,006,478.92	16,330,579.66	14,040,999.46
Changes in pension provisions	795,976.98		795,976.98	1,148,346.14
Gains (-)/losses (+) on disposals of non-current assets	35,937.18		35,937.18	189,447.33
Increase (-)/decrease (+) of receivables or liabilities to shareholders, related and associated companies	-294,414.10		-294,414.10	-898,661.95
Increase (-)/decrease (+) of inventories, trade receivables and other assets	-47,191,372.88	-6,911,291.29	-40,280,081.59	-5,300,762.81
Increase (+)/decrease (-) of trade payables and other liabilities	12,587,716.75	6,843,628.44	5,744,088.31	-4,292,643.16
Other non-cash transactions	-41,795.80	46,561.88	-88,357.68	-9,189.51
<b>Cash flow from operating activities</b>	<b>4,522,473.19</b>	<b>6,835,321.04</b>	<b>-2,312,847.85</b>	<b>18,990,021.30</b>
<b>Cash flow from investing activities</b>				
Cash inflow from sale of property, plant and equipment	140,869.45		140,869.45	26,624.82
Cash outflow for investment in property, plant and equipment	-15,610,402.02		-15,610,402.02	-11,284,553.23
Cash inflow from intangible assets	17,151.27		17,151.27	357,467.51
Cash outflow for investments in intangible assets	-3,061,652.10		-3,061,652.10	-3,522,803.36
Cash inflow from liquidation of affiliated companies	343,675.40		343,675.40	128,200.13
Cash outflow for investments in financial assets	-1,039,750.00		-1,039,750.00	-142,213.00
Cash outflow for investments in fully consolidated companies	-21,715,884.73		-21,715,884.73	-4,819,076.53
Interest received	359,213.98		359,213.98	152,676.58
<b>Net cash used in investing activities</b>	<b>-40,566,778.75</b>	<b>0.00</b>	<b>-40,566,778.75</b>	<b>-19,103,677.08</b>
<b>Cash flow from financing activities</b>				
Cash outflow for dividend paid	-4,998,875.40		-4,998,875.40	-3,749,156.55
Cash inflow (+)/outflow (-) for finance lease contracts as part of investments in own property, plant and equipment (as a lessee)	-8,296,724.39	-6,835,321.04	-1,461,403.35	-973,983.07
Cash outflow for the repayment of liabilities to banks	-9,916,668.00		-9,916,668.00	-8,250,001.00
Cash inflow from receipt of liabilities to banks	69,000,000.00		69,000,000.00	0.00
Interest paid	-1,138,664.94		-1,138,664.94	-1,391,851.74
<b>Net cash used in financing activities</b>	<b>44,649,067.27</b>	<b>-6,835,321.04</b>	<b>51,484,388.31</b>	<b>-14,364,992.36</b>
<b>Changes in cash and cash equivalents</b>				
<b>Changes in cash and cash equivalents</b>	<b>8,604,761.71</b>		<b>8,604,761.71</b>	<b>-14,478,648.14</b>
Cash and cash equivalents at the beginning of the period	38,700,224.48		38,700,224.48	53,178,872.62
Cash and cash equivalents at the end of the period	47,304,986.19		47,304,986.19	38,700,224.48

For further details, please refer to the notes to the consolidated financial statements, section VI. Notes to the Cash Flow Statement.



Consolidated Statement of Changes in Equity

01.10.2018 – 30.09.2019

Figures in EUR	Subscribed capital	Capital reserve	Repayment of capital	Retained earnings	Accumulated other comprehensive income			Balancing item for foreign currency translation	Total
					Changes without effects on net income	Result from actuarial gains and losses	Sum		
Balance at the beginning of the fiscal year	8,349,000.00	32,337,372.27	-98,507.73	30,607,254.85	-1,625,377.21	-2,315,137.89	-3,940,515.10	24.20	67,254,628.49
Adjustments from first-time application of IFRS 15	0.00	0.00	0.00	46,561.88	0.00	0.00	0.00	0.00	46,561.88
Dividend distribution	0.00	0.00	0.00	-4,998,875.40	0.00	0.00	0.00	0.00	-4,998,875.40
Consolidated profit	0.00	0.00	0.00	14,513,915.51	0.00	0.00	0.00	0.00	14,513,915.51
Thereof effect from IFRS 15/16				-150,056.91					
Other comprehensive income	0.00	0.00	0.00	0.00	0.00	-2,769,920.07	-2,769,920.07	-24.05	-2,769,944.12
Balance at the end of the fiscal year	8,349,000.00	32,337,372.27	-98,507.73	40,168,856.84	-1,625,377.21	-5,085,057.96	-6,710,435.17	0.15	74,046,286.36

01.10.2017 – 30.09.2018

Figures in EUR	Subscribed capital	Capital reserve	Repayment of capital	Retained earnings	Accumulated other comprehensive income			Balancing item for foreign currency translation	Total
					Changes without effects on net income	Result from actuarial gains and losses	Sum		
Balance at the beginning of the fiscal year	8,349,000.00	32,337,372.27	-98,507.73	21,483,100.75	-1,625,377.21	-864,208.60	-2,489,585.81	0.00	59,581,379.48
Dividend distribution	0.00	0.00	0.00	-3,749,156.55	0.00	0.00	0.00	0.00	-3,749,156.55
Consolidated profit	0.00	0.00	0.00	12,873,310.65	0.00	0.00	0.00	0.00	12,873,310.65
Other comprehensive income	0.00	0.00	0.00	0.00	0.00	-1,450,929.29	-1,450,929.29	24.20	-1,450,905.09
Balance at the end of the fiscal year	8,349,000.00	32,337,372.27	-98,507.73	30,607,254.85	-1,625,377.21	-2,315,137.89	-3,940,515.10	24.20	67,254,628.49

Development of Fixed Assets

The table below provides an overview of the performance of the intangible assets, property, plant and equipment and financial assets:

01.10.2018 – 30.09.2019

	Acquisition and production costs							Accumulated depreciation and amortisation						
Figures in EUR	As at 01.10.2018	Adjustment from first-time adoption of IFRS 16	Additions	Changes in the scope of consolidation	Disposals	Reclassification	As at 30.09.2019	As at 01.10.2018	Additions	Changes in the scope of consolidation	Disposals	As at 30.09.2019	As at 30.09.2019	As at 30.09.2018
Goodwill	46,555,845.34	0.00	0.00	17,471,407.59	0.00	0.00	64,027,252.93	0.00	0.00	0.00	0.00	0.00	64,027,252.93	46,555,845.34
Other intangible assets														
1. Order backlog	5,733,000.00	0.00	0.00	2,555,000.00	0.00	0.00	8,288,000.00	2,688,418.00	1,452,248.00	0.00	0.00	4,140,666.00	4,147,334.00	3,044,582.00
2. Customer bases	23,252,400.00	0.00	0.00	3,642,000.00	0.00	0.00	26,894,400.00	17,607,251.00	2,593,740.00	0.00	0.00	20,200,991.00	6,693,409.00	5,645,149.00
3. Internally developed intangible assets														
Software	3,526,637.50	0.00	678,490.28	0.00	0.00	0.00	4,205,127.79	1,763,196.26	411,429.04	0.00	0.00	2,174,625.30	2,030,502.48	1,763,441.24
4. Acquired intangible assets														
Software etc.	24,718,589.07	0.00	2,379,362.69	1,232,786.95	452,671.76	0.00	27,878,066.95	19,913,577.40	1,976,800.69	672,881.42	435,518.49	22,127,741.02	5,750,325.93	4,805,011.67
	57,230,626.57	0.00	3,057,852.97	7,429,786.95	452,671.76	0.00	67,265,594.74	41,972,442.66	6,434,217.73	672,881.42	435,518.49	48,644,023.32	18,621,571.41	15,258,183.91
Property, plant and equipment														
1. Land and buildings	0.00	17,118,699.52	10,157,513.93	2,930,559.59	1,292,572.91	0.00	28,914,200.13	0.00	5,624,331.79	0.00	1,292,572.91	4,331,758.88	24,582,441.25	0.00
thereof effects from first-time adoption of IFRS 16		17,118,699.52	10,157,513.93	2,930,559.59	1,292,572.91		28,914,200.13		5,624,331.79		1,292,572.91	4,331,758.88	24,582,441.25	
2. Technical equipment and machinery	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other equipment, furniture and office equipment	67,747,493.37	1,880,499.82	15,497,297.44	8,212,124.85	2,939,695.87	48,841.99	90,446,561.60	45,445,236.05	11,196,373.46	2,708,483.99	2,758,655.64	56,591,437.86	33,855,123.74	22,302,257.32
thereof effects from first-time adoption of IFRS 16		1,880,499.82	1,347,183.63	377,632.33	185,999.61		3,419,316.17		1,382,147.13		185,999.61	1,196,147.52	2,223,168.65	
4. Prepayments	48,841.99	0.00	1,634,745.91	0.00	0.00	-48,841.99	1,634,745.91	0.00	0.00	0.00	0.00	0.00	1,634,745.91	48,841.99
	67,796,335.36	18,999,199.34	27,289,557.28	11,142,684.44	4,232,268.78	0.00	120,995,507.64	45,445,236.05	16,820,705.25	2,708,483.99	4,051,228.55	60,923,196.74	60,072,310.90	22,351,099.31
Long-term financial assets														
1. Shares in affiliated companies not included in the scope of consolidation	0.00	0.00	1.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00
2. Investments	395,722.28	0.00	0.00	0.00	343,675.40	0.00	52,046.88	0.00	0.00	0.00	0.00	0.00	52,046.88	395,722.28
3. Securities	142,213.00	0.00	1,039,749.00	0.00	0.00	0.00	1,181,962.00	1,361.00	77,900.00	0.00	0.00	79,261.00	1,102,701.00	140,852.00
4. Receivables from lessees	1,279,811.86	0.00	0.00	0.00	1,142,841.34	0.00	136,970.52	0.00	0.00	0.00	0.00	0.00	136,970.52	1,279,811.86
5. Other loans	9,383.88	0.00	0.00	0.00	0.00	0.00	9,383.88	33.88	0.00	0.00	0.00	33.88	9,350.00	9,350.00
	1,827,131.02	0.00	1,039,750.00	0.00	1,486,516.74	0.00	1,380,364.28	1,394.88	77,900.00	0.00	0.00	79,294.88	1,301,069.40	1,825,736.14
	173,409,938.28	18,999,199.34	31,387,160.26	36,043,878.98	6,171,457.28	0.00	253,668,719.58	87,419,073.59	23,332,822.98	3,381,365.41	4,486,747.04	109,646,514.94	144,022,204.64	85,990,864.69

Development of Fixed Assets

01.10.2017 – 30.09.2018

	Acquisition and production costs						Accumulated depreciation and amortisation						
Figures in EUR	As at 01.10.2017	Additions	Changes in the scope of consolidation	Disposals	As at 30.09.2018		As at 01.10.2017	Additions	Changes in the scope of consolidation	Disposals	As at 30.09.2018	As at 30.09.2018	As at 30.09.2017
Goodwill	39,630,139.23	0.00	6,925,706.11	0.00	46,555,845.34		0.00	0.00	0.00	0.00	0.00	46,555,845.34	39,630,139.23
Other intangible assets													
1. Order backlog	5,197,000.00	0.00	536,000.00	0.00	5,733,000.00		1,397,417.00	1,291,001.00	0.00	0.00	2,688,418.00	3,044,582.00	3,799,583.00
2. Customer bases	21,754,400.00	0.00	1,498,000.00	0.00	23,252,400.00		15,068,420.00	2,538,831.00	0.00	0.00	17,607,251.00	5,645,149.00	6,685,980.00
3. Internally developed intangible assets													
Software	3,016,800.60	509,836.90	0.00	0.00	3,526,637.50		1,368,904.10	394,292.16	0.00	0.00	1,763,196.26	1,763,441.24	1,647,896.50
4. Acquired intangible assets													
Software etc.	22,405,204.91	3,012,966.46	87,870.89	787,453.19	24,718,589.07		18,605,804.37	1,670,035.82	67,720.89	429,983.68	19,913,577.40	4,805,011.67	3,799,400.54
	52,373,405.51	3,522,803.36	2,121,870.89	787,453.19	57,230,626.57		36,440,545.47	5,894,159.98	67,720.89	429,983.68	41,972,442.66	15,258,183.91	15,932,860.04
Property, plant and equipment													
1. Technical equipment and machinery	60,196.27	0.00	0.00	60,196.27	0.00		47,192.27	13,002.00	0.00	60,194.27	0.00	0.00	13,004.00
2. Other equipment, furniture and office equipment	63,021,091.87	11,235,711.24	342,957.74	6,852,267.48	67,747,493.37		43,796,778.16	8,132,476.48	165,440.74	6,649,459.33	45,445,236.05	22,302,257.32	19,224,313.71
3. Prepayments	13,260.00	48,841.99	0.00	13,260.00	48,841.99		0.00	0.00	0.00	0.00	0.00	48,841.99	13,260.00
	63,094,548.14	11,284,553.23	342,957.74	6,925,723.75	67,796,335.36		43,843,970.43	8,145,478.48	165,440.74	6,709,653.60	45,445,236.05	22,351,099.31	19,250,577.71
Long-term financial assets													
1. Investments	523,922.41	0.00	0.00	128,200.13	395,722.28		0.00	0.00	0.00	0.00	0.00	395,722.28	523,922.41
2. Securities	0.00	142,213.00	0.00	0.00	142,213.00		0.00	1,361.00	0.00	0.00	1,361.00	140,852.00	0.00
3. Receivables from lessees	2,112,078.40	582,853.42	0.00	1,415,119.96	1,279,811.86		0.00	0.00	0.00	0.00	0.00	1,279,811.86	2,112,078.40
4. Other loans	9,383.88	0.00	0.00	0.00	9,383.88		33.88	0.00	0.00	0.00	33.88	9,350.00	9,350.00
	2,645,384.69	725,066.42	0.00	1,543,320.09	1,827,131.02		33.88	1,361.00	0.00	0.00	1,394.88	1,825,736.14	2,645,350.81
	157,743,477.56	15,532,423.00	9,390,534.74	9,256,497.03	173,409,938.28		80,284,549.78	14,040,999.46	233,161.63	7,139,637.28	87,419,073.59	85,990,864.69	77,458,927.78



# Notes to the Consolidated Financial Statements

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## I. Basic Principles of the Consolidated Financial Statements

### 1. General Information

DATAGROUP SE is the holding company of the DATAGROUP Group. The company is located in Wilhelm-Schickard-Straße 7, 72124 Pliezhausen, Germany and is registered at the Commercial Register of Stuttgart under HRB 758721.

DATAGROUP Group’s business activities include the operation of IT infrastructures, the distribution and provision of IT services, technology consulting and the development of IT solutions. The group’s companies are subdivided into two segments:

- The “Services” segment comprises all subsidiaries primarily providing IT services. In particular, these IT services include the provision of IT workplaces (selection and procurement, on-site implementation, exchange and disposal of old equipment), data center services from our certified DATAGROUP data centers as well as service desk services – the helping hand for all IT-related problems and questions of the users.
- The “Solutions and Consulting” segment comprises the group companies whose service offering consists of highly qualified and specialized technology and solutions consultants as well as software developers.

### 2. Accounting Policies Under International Financial Reporting Standards (IFRS)

The first-time application of IFRS 15 and IFRS 16 is of key importance for the consolidated financial statements of DATAGROUP SE. For this reason, we have provided an overview below of the impacts on the consolidated income statement for the period from 01.10.2018 to 30.09.2019, the statement of financial position as at 30.09.2019 and the statement of cash flows for the period from 01.10.2018 to 30.09.2019:

#### CONSOLIDATED INCOME STATEMENT WITH RECONCILIATION

Figures in EUR	Notes	01.10.2018 – 30.09.2019	Adjustment IFRS 15/16	01.10.2018 – 30.09.2019 prior to IFRS 15/16	01.10.2017 – 30.09.2018
<b>Revenues</b>	1	<b>306,764,901.15</b>	<b>-16,496,204.50</b>	<b>323,261,105.65</b>	<b>272,099,553.36</b>
Other own work capitalised	-	776,807.08		776,807.08	685,446.14
<b>Total revenues</b>		<b>307,541,708.23</b>	<b>-16,496,204.50</b>	<b>324,037,912.73</b>	<b>272,784,999.50</b>
Other operating income	2	11,102,034.88		11,102,034.88	5,660,437.94
Material expenses / expenses for purchased services	3	99,206,227.94	-8,386,818.09	107,593,046.03	80,400,810.14
Personnel expenses	4	145,179,164.56	-8,062,321.83	153,241,486.39	134,734,405.87
Depreciation of property, plant and equipment and other intangible assets	5	23,254,922.98	7,006,478.92	16,248,444.06	14,039,638.46
Other operating expenses	6	27,377,864.37	-7,172,684.88	34,550,549.25	28,846,778.19
<b>Operating income</b>		<b>23,625,563.27</b>	<b>119,141.38</b>	<b>23,506,421.88</b>	<b>20,423,804.77</b>
Financial income		456,784.79		456,784.79	474,087.95
Financial expenses		2,392,436.98	337,364.30	2,055,072.67	2,419,299.04
<b>Financial result</b>	7	<b>-1,935,652.19</b>	<b>-337,364.30</b>	<b>-1,598,287.88</b>	<b>-1,945,211.09</b>
<b>Earnings before taxes</b>		<b>21,689,911.08</b>	<b>-218,222.92</b>	<b>21,908,134.00</b>	<b>18,478,593.68</b>
Taxes on income and profit	8	7,175,995.56	-68,166.00	7,244,161.56	5,605,283.03
<b>Net income</b>		<b>14,513,915.52</b>	<b>-150,056.92</b>	<b>14,663,972.44</b>	<b>12,873,310.65</b>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION WITH RECONCILIATION

Figures in EUR	Notes	30.09.2019	Adjustment IFRS 15/16	30.09.2019 prior to IFRS 15/16	30.09.2018
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	1	64,027,252.93		64,027,252.93	46,555,845.34
Other intangible assets	2	18,621,571.41		18,621,571.41	15,258,183.90
Property, plant and equipment	3	60,072,310.90	26,805,609.91	33,266,700.99	22,351,099.31
Non-current financial assets	4	14,092,516.71		14,092,516.71	1,825,736.14
Claims from reinsurance coverage for pension obligations		5,021,496.20		5,021,496.20	5,112,617.60
Other non-current assets	5	924,904.80		924,904.80	18,717,631.85
Deferred taxes	6	8,553,421.02	46,575.61	8,506,845.41	4,626,597.85
		<b>171,313,473.97</b>	<b>26,852,185.52</b>	<b>144,461,288.45</b>	<b>114,447,711.99</b>
<b>Current assets</b>					
Inventories	7	19,062,527.97	15,836,238.01	3,226,289.96	1,972,027.83
Contract assets <sup>1</sup>	8	8,734,112.08	-7,418,949.38	16,153,061.46	6,464,163.64
Trade receivables	9	45,591,448.88	-1,552,572.95	47,144,021.83	31,236,083.95
Current financial assets	4	4,452,763.44		4,452,763.44	1,292,923.37
Other current assets	10	23,457,331.58		23,457,331.58	21,336,171.40
Cash and cash equivalents	11	47,464,919.66		47,464,919.66	38,700,491.68
		<b>148,763,103.61</b>	<b>6,864,715.68</b>	<b>141,898,387.93</b>	<b>101,001,861.87</b>
		<b>320,076,577.58</b>	<b>33,716,901.20</b>	<b>286,359,676.38</b>	<b>215,449,573.86</b>
<b>Liabilities</b>					
<b>Equity</b>					
Subscribed capital	12	8,349,000.00		8,349,000.00	8,349,000.00
Capital reserve		32,337,372.27		32,337,372.27	32,337,372.27
Capital reserve		-98,507.73		-98,507.73	-98,507.73
Retained earnings		40,122,294.95	-150,056.91	40,272,351.86	30,607,254.84
Adjustment from first-time adoption IFRS 15		46,561.89	46,561.89	0.00	0.00
Accumulated other comprehensive income		-6,710,435.17		-6,710,435.17	-3,940,515.10
Balancing item for foreign currency translation		0.15		0.15	24.20
		<b>74,046,286.36</b>	<b>-103,495.02</b>	<b>74,149,781.38</b>	<b>67,254,628.48</b>
<b>Non-current liabilities</b>					
Non-current financial liabilities	13	113,890,522.41	20,446,153.54	93,444,368.87	42,563,987.06
Pension provisions	15	37,701,654.98		37,701,654.98	40,609,607.36
Other provisions	15	1,913,629.79		1,913,629.79	1,025,527.16
Other non-current liabilities	18	1,001,526.60		1,001,526.60	1,563,513.35
Deferred taxes	6	2,501,195.19		2,501,195.19	944,127.49
		<b>157,008,528.97</b>	<b>20,446,153.54</b>	<b>136,562,375.43</b>	<b>86,706,762.42</b>
<b>Current liabilities</b>					
Current financial liabilities	13	17,483,040.02	6,530,614.24	10,952,425.78	12,337,501.81
Provisions	15	9,197,472.05		9,197,472.05	7,284,928.04
Contract liabilities <sup>2</sup>	16	11,008,043.40	10,819,950.17	188,093.23	151,477.31
Trade payables	17	9,126,446.40		9,126,446.40	5,419,052.91
Income tax liabilities	-	7,367,712.83		7,367,712.83	6,739,586.79
Other liabilities	18	34,839,047.55	-3,976,321.73	38,815,369.28	29,555,636.10
		<b>89,021,762.25</b>	<b>13,374,242.68</b>	<b>75,647,519.57</b>	<b>61,488,182.96</b>
		<b>320,076,577.58</b>	<b>33,716,901.20</b>	<b>286,359,676.38</b>	<b>215,449,573.86</b>

<sup>1</sup> Previous year: Construction contracts in progress    <sup>2</sup> Previous year: Surplus of liabilities from construction contracts

CONSOLIDATED STATEMENT OF CASH FLOWS WITH RECONCILIATION

Figures in EUR	01.10.2018 – 30.09.2019	Adjustment IFRS 15/16 01.10.2018 – 30.09.2019	01.10.2018 – 30.09.2019 prior to IFRS 15/16	01.10.2017 – 30.09.2018
<b>Cash flows from operating activities</b>				
Net income for the period	14,513,915.52	-150,056.91	14,663,972.43	12,873,310.65
Interest received	-359,213.98		-359,213.98	-152,676.58
Interest paid	1,138,664.94	0.00	1,138,664.94	1,391,851.74
Depreciation and amortization of non-current assets	23,337,058.58	7,006,478.92	16,330,579.66	14,040,999.46
Depreciation and amortization of non-current assets	795,976.98		795,976.98	1,148,346.14
Gains (-) / losses (+) on disposals of non-current assets	35,937.18		35,937.18	189,447.33
Increase (-) / decrease (+) of receivables or liabilities to shareholders, related and associated companies	-294,414.10		-294,414.10	-898,661.95
Increase (-) / decrease (+) of inventories, trade receivables and other assets	-47,191,372.88	-6,911,291.29	-40,280,081.59	-5,300,762.81
Increase (+) / decrease (-) of trade payables and other liabilities	12,587,716.75	6,843,628.44	5,744,088.31	-4,292,643.16
Other non-cash transactions	-41,795.80	46,561.88	-88,357.68	-9,189.51
<b>Cash flow from operating activities</b>	<b>4,522,473.19</b>	<b>6,835,321.04</b>	<b>-2,312,847.85</b>	<b>18,990,021.30</b>
<b>Cash flow from investing activities</b>				
Cash inflow from sale of property, plant and equipment	140,869.45		140,869.45	26,624.82
Cash outflow for investment in property, plant and equipment	-15,610,402.02		-15,610,402.02	-11,284,553.23
Cash inflow from intangible assets	17,151.27		17,151.27	357,467.51
Cash outflow for investments in intangible assets	-3,061,652.10		-3,061,652.10	-3,522,803.36
Cash inflow from liquidation of affiliated companies	343,675.40		343,675.40	128,200.13
Cash outflow for investments in financial assets	-1,039,750.00		-1,039,750.00	-142,213.00
Cash outflow for investments in fully consolidated companies	-21,715,884.73		-21,715,884.73	-4,819,076.53
Interest received	359,213.98		359,213.98	152,676.58
<b>Net cash used in investing activities</b>	<b>-40,566,778.75</b>	<b>0.00</b>	<b>-40,566,778.75</b>	<b>-19,103,677.08</b>
<b>Cash flow from financing activities</b>				
Cash outflow for dividend paid	-4,998,875.40		-4,998,875.40	-3,749,156.55
Cash inflow / outflow for finance lease contracts as part of investments in own property, plant and equipment (as lessee)	-8,296,724.39	-6,835,321.04	-1,461,403.35	-973,983.07
Cash outflow for the repayment of liabilities to banks	-9,916,668.00		-9,916,668.00	-8,250,001.00
Cash inflow from receipt of liabilities to banks	69,000,000.00		69,000,000.00	0.00
Interest paid	-1,138,664.94		-1,138,664.94	-1,391,851.74
<b>Net cash used in financing activities</b>	<b>44,649,067.27</b>	<b>-6,835,321.04</b>	<b>51,484,388.31</b>	<b>-14,364,992.36</b>
<b>Changes in cash and cash equivalents</b>				
<b>Changes in cash and cash equivalents</b>	<b>8,604,761.71</b>		<b>8,604,761.71</b>	<b>-14,478,648.14</b>
Cash and cash equivalents at the beginning of the period	38,700,224.48		38,700,224.48	53,178,872.62
Cash and cash equivalents at the end of the period	47,304,986.19		47,304,986.19	38,700,224.48

The consolidated financial statements of DATAGROUP SE for the fiscal year ending September 30, 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU). The IFRS are applied on a voluntary basis. The consolidated financial statements were submitted by the Management Board to the Supervisory Board for approval.

In addition, the accounting principles set out in § 315e para. 1 HGB (“Handelsgesetzbuch”, German Commercial Code) have been considered for the preparation of the consolidated financial statements. DATAGROUP has applied all International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations of the International Financial Interpretations Committee (IFRIC), whose application was obligatory on the reporting date.

The consolidated financial statements of DATAGROUP SE were prepared in euro (EUR) using uniform recognition and measurement policies. In the interest of better readability, amounts were rounded up to thousand euros (TEUR) or million euros (EUR m). The presentation of the consolidated income statement is based on total cost accounting. The information required to explain the balance sheet and the income statement has been included in the notes.

NEW ACCOUNTING STANDARDS

All valid International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretation Committee, whose application was obligatory on the reporting date, were considered, if they were of relevance to the DATAGROUP Group.

The following standards, amendments of standards and interpretations, provided they may fundamentally be of relevance to the DATAGROUP Group, had to be applied for the first time in FY 2018/2019:

New or amended standards		Contents	First-time application	EU-endorsed	Major impact on the Group
IFRS 15	New	Revenue from contracts with customers	FY 2018/2019	yes	see below
IFRS 9	New	Financial instruments: revision and replacement of all existing standards - classification and measurement of financial assets	FY 2018/2019	yes	see below
IFRS 16	New	Leases	FY 2019/2020	yes	see below
IFRS 2	Amended	Classification and measurement of share-based payment transactions (clarifications)	presumably FY 2018/2019	yes	none
IFRS 4	Amended	Categorization and measurement of financial assets	presumably FY 2018/2019	yes	none
IAS 40	Amended	Clarifies the classification of properties not completed yet	FY 2018/2019	yes	none
IFRIC 22	New	Clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency	FY 2018/2019	yes	none

**IFRS 15** establishes a comprehensive framework to determine whether, at what amount and at which point in time revenue is recognized. It replaces existing guidelines for revenue recognition, including IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and IFRIC 13 “Customer Loyalty Programs”. According to IFRS 15, revenue is recognized when control of the goods or services is passed to the customer. It requires judgment to determine whether control is passed over time or at a point in time.

The Group has applied the modified retroactive transition method on initial application of IFRS 15, according to which the accumulated adjusted contributions are recognized on October 1, 2018. As a result, the comparative information for FY 2017/2018 has not been adjusted but was shown as before, i.e. in accordance with IAS 18, IAS 11 and the corresponding interpretations. Furthermore, the disclosure requirements according to IFRS 15 have not been applied to the comparative information.

DATAGROUP provides its services both through separately identifiable contracts with customers, as well as in a combination of goods and/or different services. For contracts in which the sale of goods is the only performance obligation, the new regulations did not have a major impact on the consolidated financial statements.

When services are provided, revenue is realized over time, as the customer simultaneously receives and consumes the benefit provided in the respective period. Consequently, these service contracts are not expected to have a major impact.

When software has been passed to the customer, DATAGROUP still acts as a principal. DATAGROUP acts as a contact for the customer, bears the major technical as well as economic risks and has the pricing.

The contracts with a combination of different services may lead to revenue and the respective project-related margin being deferred into subsequent periods due to the identification of the individual performance obligations, the respective allocation of the transaction price and the date when revenue is recognized.

For those project orders which are not yet finalized and have been recognized as production orders according to IAS 11 so far, DATAGROUP provides a customer-specific asset without an alternative use and is entitled to payment at any time. Revenue is thus recognized over time according to IFRS 15.35c. The degree of completion is mainly determined on the basis of input-oriented methods.

Some contracts are designed in such a way that DATAGROUP carries out activities at the start of the project, which are not related to the fulfillment of performance obligations towards customers in the sense of IFRS 15. This is especially the case for large-scale changeover projects with a transition phase. For this reason, DATAGROUP initially does not recognize revenue for these contracts. These costs are capitalized in inventories as costs incurred in fulfilling the contract. Revenue will be recognized when the performance obligation towards the customer is fulfilled in a later phase of the respective project. Payments that may have been received from the customer prior to the delivery of services, if any, will be carried as advance payments on the liabilities side.

Prior to the first-time application of IFRS 15, the transition phase was treated as a provision of services. As such, services were already recognized during the transition phase. The effect caused by the conversion to IFRS 15 is mainly due to these circumstances.

Overall, the adoption of IFRS 15 leads to revenue being recognized at a later stage, while the corresponding expenses will also be shown at a later stage.

The first-time application of IFRS 15 on October 1, 2018 resulted in the following adjustments in the opening balance on October 1, 2018. The previous year’s figures have not been adjusted. Effects from the first-time application were recognized in the retained earnings without effect on profit or loss.



Figures in EUR	Presentation in- cluding IFRS 15 01.10.2018	Adjustment IFRS 15 01.10.2018	01.10.2018 prior to IFRS 15
<b>Assets</b>			
<b>Long-term assets</b>			
Deferred taxes	4,605,007.92	-21,589.93	4,626,597.85
<b>Short-term assets</b>			
Inventories	3,254,019.52	1,281,991.69	1,972,027.83
Contract assets <sup>1</sup>	7,132,316.93	668,153.29	6,464,163.64
Trade receivables	30,567,930.66	-668,153.29	31,236,083.95
<b>Liabilities</b>			
<b>Equity</b>			
Retained earnings			
Adjustment from first-time application of IFRS 15	46,561.89	46,561.89	0.00
<b>Short-term liabilities</b>			
Contract liabilities <sup>2</sup>	4,756,864.26	4,605,386.95	151,477.31
Other liabilities	26,164,089.02	-3,391,547.08	29,555,636.10

<sup>1</sup> Previous year: Construction contracts in progress

<sup>2</sup> Previous year: Surplus of liabilities from construction contracts

The table below shows the impact of the first-time application of IFRS 15 on the statement of financial position and the income statement on the balance sheet date of September 30, 2019:

Figures in EUR	30.09.2019	Adjustment IFRS 15 30.09.2019	30.09.2019 prior to IFRS 15
<b>Assets</b>			
<b>Long-term assets</b>			
Deferred taxes	8,553,421.02	-6,688.72	8,560,109.74
<b>Short-term assets</b>			
Inventories	19,062,527.97	15,836,238.01	3,226,289.96
Contract assets <sup>1</sup>	8,734,112.08	-7,418,949.38	16,153,061.46
Trade receivables	45,591,448.88	-1,552,572.95	47,144,021.83
<b>Liabilities</b>			
<b>Equity</b>			
Retained earnings	40,122,294.95	-32,163.37	40,154,458.32
Adjustment from first-time application of IFRS 15	46,561.89	46,561.89	0.00
<b>Short-term liabilities</b>			
Contract liabilities <sup>2</sup>	11,008,043.40	10,819,950.17	188,093.23
Other liabilities	34,839,047.55	-3,976,321.73	38,815,369.28

<sup>1</sup> Previous year: Construction contracts in progress

<sup>2</sup> Previous year: Surplus of liabilities from construction contracts

Figures in EUR	01.10.2018 – 30.09.2019	Adjustment IFRS 15 01.10.2018 – 30.09.2019	01.10.2018 – 30.09.2019 prior to IFRS 15
Revenues	306,764,901.15	-16,496,204.50	323,261,105.65
Material expenses / expenses for purchased services	99,206,227.94	-8,386,818.09	107,593,046.03
Personnel expenses	145,179,164.56	-8,062,321.83	153,241,486.39
Taxes on income and profit	7,175,995.56	-14,901.21	7,190,896.77

Together with IFRS 15, DATAGROUP has voluntarily applied the new **IFRS 16** “Leases” for the first time from October 1, 2018 by means of a modified retrospective method, so that any changeover effects on October 1, 2018 were recorded in the respective balance sheet items. The comparison period is presented in accordance with the previous regulations.

According to IFRS 16 a lease exists if a contract between lessee and lessor conveys the right to control the use of an identifiable asset for a fixed period of time in exchange for considerations. Based on the single lessee accounting model, the lessee has to capitalize a right of use asset in the lease asset and recognize a lease liability in the amount of the present value of future leasing payments for these lease contracts. The new standard stipulates that rental and leasing agreements which have not been recognized so far will have to be recognized in the balance sheet in the future, comparable to the present recognition of finance lease agreements. The new regulations will primarily have an impact on how DATAGROUP recognizes operating lease agreements where DATAGROUP is a lessee. This mainly relates to real estate and car leasing agreements.

Recognizing the right of use assets as well as the corresponding lease liabilities leads to a balance sheet extension. This adjustment does not only have an impact on the statement of financial position but also on the income statement, as the Group does not only have to deduct rental/leasing expenses as operating expenses but also the depreciation of the right of use asset and the interest expenses related to the liability.

These impacts lead to higher EBITDA and EBIT. Consequently, this also leads to changes in various profitability figures related to the income statement.

The costs at initial recognition are decisive for the initial measurement of the right of use asset. These costs include the initial lease liability, the lease payments made less incentives received, and the initial direct costs related to the acquisition of the lease. The lease liability results from the present value of the lease payments during the term of the contract.

The determination of lease payments takes account of fixed payments, including de facto lease payments as well as variable payments that depend on an index or rate. Payments prior to the commencement date of the lease cannot be allocated to the leasing liability as they do not create a liability. The leasing payments are discounted with a rate based on the leases. If the rate cannot be determined, the Group uses its incremental borrowing rate, which is based on comparable financings.

The right of use asset is subsequently measured at amortized cost. This requires taking into account depreciation and amortization as well as changes in the fair value of the lease liability.

The term of the leasing contract is defined as a non-terminable period of time which may include purchase options, extension options and termination rights. To be able to consider these options and rights when the term of the contract is determined, the lessee must be reasonably certain to exercise them or not. To assess the probability of an exercise or non-exercise, all important facts and circumstances have to be examined as to whether they provide a reasonable economic incentive for the lessee.

The term of a leasing contract must be remeasured when the non-terminable period of time has changed. The revaluation of the contract term also are to include relevant events that have an impact on the probability of exercise options.

DATAGROUP will make use of its optional right to write down the right of use for onerous contracts on the date of initial application. The recognition of the right of use and the lease liability includes extension and purchasing options provided they are considered probable.

Upon first-time application, agreements covered by IAS 17 and IFRIC 4 were classified as leases according to IFRS 16.C3 and have not been reviewed in order to verify whether they are leases according to IFRS 16.

The first-time application of IFRS 16 on October 1, 2018 resulted in the following adjustments in the opening balance on October 1, 2018. The prior-year figures have not been adjusted:

Figures in EUR	Presentation in- cluding IFRS 16 01.10.2018	Adjustment IFRS 16 01.10.2018	01.10.2018 prior to IFRS 16
Assets			
Long-term assets			
Property, plant and equipment	41,350,298.65	18,999,199.34	22,351,099.31
Liabilities			
Long-term liabilities			
Long-term financial liabilities	56,407,661.66	13,843,674.60	42,563,987.06
Short-term liabilities			
Short-term financial liabilities	17,493,026.55	5,155,524.74	12,337,501.81

The following table shows the impact of the first-time application of IFRS 16 on the statement of financial position and the income statement on the balance sheet date as of September 30, 2019:

Figures in EUR	30.09.2019	Adjustment IFRS 16 30.09.2019	30.09.2019 prior to IFRS 16
Assets			
Long-term assets			
Property, plant and equipment	60,072,310.90	26,805,609.91	33,266,700.99
Deferred taxes	8,553,421.02	53,264.33	8,500,156.69
Liabilities			
Equity			
Retained earnings	40,122,294.95	-117,893.55	40,240,188.50
Long-term liabilities			
Long-term financial liabilities	113,890,522.41	20,446,153.54	93,444,368.87
Short-term liabilities			
Short-term financial liabilities	17,483,040.02	6,530,614.24	10,952,425.78

Figures in EUR	01.10.2018 – 30.09.2019	Adjustment IFRS 16 01.10.2018 – 30.09.2019	01.10.2018 – 30.09.2019 prior to IFRS 16
Depreciation of property, plant and equipment and other intangible assets	23,254,922.98	7,006,478.92	16,248,444.06
Other operating expenses	27,377,864.37	-7,172,684.88	34,550,549.25
Financial expenses	2,392,436.98	337,364.30	2,055,072.67
Taxes on income and profit	7,175,995.56	-53,264.79	7,229,260.35

**IFRS 9** “Financial Instruments” has been applied by DATAGROUP for the first time in FY 2018/2019. The first-time application of IFRS 9 on October 1, 2018 did not result in any material changes in the fair value of financial assets and liabilities, so recognition in retained earnings is not necessary. There will be no adjustment of the comparison period regarding the changes in classification and measurement.

In comparison to IAS 39 “Financial Instruments: Recognition and Measurement”, the requirements of IFRS 9 for the scope of application and the recognition and derecognition of financial instruments are largely unchanged. However, the standard requires a new classification model for financial assets. The subsequent measurement will depend on three categories. This categorization depends on the contractual cash flows of the instrument and the business model in which the instrument is held.

The table below shows the classification on 30.09.2018 and on 30.09.2019:

	30.09.2018	30.09.2018	30.09.2018	30.09.2018		30.09.2019	30.09.2019	30.09.2019
	Prior category IAS 39	Prior category IAS 39	Prior category IAS 39	Prior category IAS 39		New category IFRS 9	New category IFRS 9	New category IFRS 9
	Assets measured at fair value through profit or loss	Loans and receivables	Liabilities	Derivative financial instrument (hedging instrument)		Measured at amortized cost	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
Figures in EUR								
Assets								
Receivables from finance lease agreements		x				x		
Trade receivables		x				x		
Cash and cash equivalents		x				x		
Other financial assets and other assets								
Securities	x						x	
Other		x				x		
Financial receivables								
Liabilities								
Liabilities from finance lease agreements			x			x		
Trade payables			x			x		
Liabilities to banks			x			x		
Other (financial) liabilities								
Derivative financial instrument				x			x	
Others			x			x		
Financial liabilities								



Additionally, IFRS 9 requires the introduction of a new **impairment model**. The basic principle of this model is that in the future expected losses will be recognized from the date of the first-time application of a financial asset and before the loss event has occurred.

DATAGROUP applies the simplified impairment model to all trade receivables. This model determines the expected losses for impairments.

**Contract assets and receivables from finance lease contracts with customers** (shown in the non-current and current financial assets) mainly result from project business. The expected credit losses for these assets were determined using a two-stage approach. In a first step, the Group has used the ratings of customers for whom a probability of default could be determined based on the present ratings. In a second step, the expected credit losses of the remaining positions were determined on the basis of actual losses incurred in the past.

Step one resulted in probabilities of default of less than 0.01 %. The actual losses incurred in the past, determined in step two, did not result in any probability of default for the remaining positions. Overall, the Group did not recognize a loss allowance owing to the lack of materiality.

The probability of default for trade receivables was determined on the basis of actual historical bad debt losses. The measurement based on individual companies did not result in any differences to the devaluation determined to date. The expected probability of default amounts to some 0.6 %, a loss allowance of TEUR 544 was recognized for expected credit losses.

Furthermore, the Group has recognized an allowance of TEUR 527 for the year under review related to individual facts, where the actual circumstances lead to a very high probability of default.

The application of the impairment regulations of IFRS 9 does not lead to any material impairments for cash and other assets. The expected credit losses for cash and other assets are determined on the basis of available ratings. If no ratings exist, expected credit losses are determined on the basis of historical losses. No material probabilities of default have been determined for cash and other assets, so the Group did not recognize a loss allowance.

ISSUED ACCOUNTING STANDARDS THAT DO NOT YET HAVE TO BE APPLIED IN THE CURRENT FISCAL YEAR

The International Accounting Standards Board (IASB) has issued the following new standards, interpretations and amendments to existing standards, which have not been applied yet:

New or amended standards		Contents	First-time application	EU-endorsed	Major impact on the Group
IFRS 17	New	Principles in relation to recognition, measurement and presentation and statements of insurance contracts	presumably FY 2021/2022	open	none
IFRIC 23	New	Clarifies interpretations of uncertainties over income tax treatments	FY 2019/2020	yes	none
IAS 28	Amended	Clarification that IFRS 9 is to be applied in certain cases on long-term interest in associates and joint ventures and thus has priority over the regulations of IAS 28	FY 2019/2020	yes	none
Improvements to IFRS (2015 – 2017)	Amended	Amendments of standards IFRS 3, IFRS 11, IFRS 12, IFRS 23	FY 2019/2020	yes	none
IAS 19	Amended	Clarification that the net defined benefit liability has to be remeasured in cases of changes	FY 2019/2020	yes	none
IFRS 9	Amended	Financial assets with negative compensation	FY 2019/2020	yes	none

The adoption of some standards and amendments requires their implementation within the scope of the IFRS endorsement procedure. Any new or amended standard will only be adopted if the adoption is mandatory and the endorsement procedure was implemented.

3. Scope of Consolidation

DEFINITION OF THE SCOPE OF CONSOLIDATION

The consolidated financial statements include the subsidiaries on which the Group is able to exercise dominant control according to IFRS10. In addition to the holding company, DATAGROUP SE, 24 other domestic subsidiaries and one foreign subsidiary have been included by full consolidation:

No.	Name and location of the company	Stake in %
1	DATAGROUP SE, Pliezhausen	100.0
2	DATAGROUP Stuttgart GmbH, Stuttgart	100.0
3	DATAGROUP Bremen GmbH, Bremen	100.0
4	DATAGROUP Offenburg GmbH, Offenburg	100.0
5	DATAGROUP Ludwigsburg GmbH, Ludwigsburg	100.0
6	DATAGROUP Hamburg GmbH, Hamburg	100.0
7	DATAGROUP Operate IT GmbH, Hamburg	100.0
8	DATAGROUP Invest 3 GmbH, Pliezhausen	100.0
9	DATAGROUP Köln GmbH, Köln	100.0
10	DATAGROUP IT Solutions GmbH, Pliezhausen	100.0
11	DATAGROUP Consulting GmbH, Pliezhausen	100.0
12	DATAGROUP Consulting Services GmbH, Mainz	100.0
13	DATAGROUP Business Solutions GmbH, Siegburg	100.0
14	DATAGROUP Inshore Services GmbH, Rostock	100.0
15	DATAGROUP Automotive Services Sp. z o.o., Krakow/Polen	100.0
16	DATAGROUP Mobile Solutions AG, Stuttgart	100.0
17	DATAGROUP Invest 5 GmbH, Pliezhausen	100.0
18	DATAGROUP Financial IT Services GmbH, Düsseldorf	100.0
19	Almato GmbH, Reutlingen	100.0
20	DATAGROUP Service Desk GmbH, Pliezhausen	100.0
21	DATAGROUP Data Center GmbH, Frankfurt am Main	100.0
22	DATAGROUP Enterprise Services GmbH, Siegburg	100.0
23	DATAGROUP Defense IT Services GmbH, Siegburg	100.0
24	UBL Informationssysteme GmbH, Neu-Isenburg	100.0
25	DATAGROUP Ulm GmbH, Ulm	100.0
26	Mercoline GmbH, Berlin	100.0

Another company – IT-Digitalizacion 4.0 Industrial Internacional S.L., Barcelona/Spain – has not been fully consolidated in the consolidated financial statements despite a control according to the principle of materiality. The company will be consolidated at amortized cost.

The company InDemand Printing Solutions GmbH i.L., Cologne has not been included in the consolidated financial statements because of ongoing insolvency proceedings. This company was acquired as part of the arxes acquisition (today DATAGROUP Köln GmbH), which resulted from the insolvency of TDMiAG.

CHANGES IN THE SCOPE OF CONSOLIDATION

The following changes in the scope of consolidation occurred in FY 2018/2019:

- Acquisition of 100 % of the shares in UBL Informationssysteme GmbH
- Acquisition of business from insolvency from IT-Informatik GmbH. DATAGROUP acquired the movable fixed assets, inventories, software and other intangible assets of IT-Informatik GmbH. Additionally, the entire staff of IT-Informatik GmbH was taken over (transfer of undertakings according to § 613a BGB). The acquisition was made through the newly acquired NEUE RABEN fünfhundertvierundneunzigste Verwaltungsgesellschaft mbH, which now operates under the name of DATAGROUP Ulm GmbH.
- Acquisition of 100 % of the shares in Mercoline GmbH
- Acquisition of 100 % of the shares in IT-Digitalizacion 4.0 Industrial Internacional S.L.
- Foundation of DATAGROUP Defense IT Services GmbH

ACQUISITION OF 100 % OF THE SHARES IN UBL INFORMATIONSSYSTEME GMBH

Under a purchase agreement dated April 9, 2019, DATAGROUP SE has acquired 100 % of the shares in UBL Informationssysteme GmbH. The transfer date was April 10, 2019.

UBL Informationssysteme GmbH, the multi-cloud and managed service provider, develops and operates IT infrastructures and platforms for larger Mittelstand companies. The company is specialized in providing customized services from architecture to operation concepts in the cloud. One special focus are IBM infrastructures. UBL also operates two data centers with direct redundant connection to the high-speed Rhine-Main fiber-optic network. The company was founded more than 30 years ago.

ACQUIRED ASSETS AND LIABILITIES

The fair values of the identifiable assets and liabilities of UBL Informationssysteme GmbH at the time of the acquisition were as follows:

Figures in EUR	Book values	Fair values at acquisition date
<b>Assets</b>		
Intangible assets	166,119.53	6,173,119.53
Property, plant and equipment	7,673,345.48	7,673,345.48
Trade receivables	1,256,576.27	1,256,576.27
Other assets	1,235,427.00	1,235,427.00
Cash and cash equivalents	3,388,126.65	3,388,126.65
	<b>13,719,594.93</b>	<b>19,726,594.93</b>
<b>Liabilities</b>		
Financial liabilities	6,814,285.29	6,814,285.29
Other provisions	519,001.21	519,001.21
Contract liabilities	211,950.00	211,950.00
Trade payables	126,827.77	126,827.77
Income tax liabilities	12,273.45	12,273.45
Other liabilities	2,615,022.96	2,615,022.96
Deferred tax	0.00	1,869,378.40
<b>Balance of identifiable</b>	<b>10,299,360.68</b>	<b>12,168,739.08</b>
<b>Net assets</b>	<b>3,420,234.25</b>	<b>7,557,855.85</b>

CONSIDERATION

The fixed purchase price was EUR 20,000,000.00.

GOODWILL

The goodwill of EUR 12,442,144.15 comprises the value of synergies expected from the acquisition and the employees taken over. It is fully assigned to the cash-generating “Services” segment.

ANALYSIS OF THE CASH OUTFLOW BASED ON THE ACQUISITION

The transaction resulted in the following cash flows:

Figures in EUR	
Purchase price cash component	-20,000,000.00
Transactions costs of company acquisition	-133,877.87
Cash acquired in connection with the subsidiary	3,388,126.65
<b>Total</b>	<b>-16,745,751.22</b>

IMPACT ON REVENUE AND EARNINGS BEFORE TAX

In the period just ended, UBL Informationssysteme GmbH contributed an amount of EUR 11,747,490.14 (EUR 13,893,789.82 prior to the effects from IFRS 15/16) to revenue and EUR 1,584,444.27 to consolidated earnings (before taxes). If the merger had taken place at the beginning of the fiscal year, revenue from the continuing operations would have amounted to some EUR 25,000,000.

ACQUISITION OF THE BUSINESS OF IT-INFORMATIK GMBH FROM INSOLVENCY

As part of the acquisition of the operations of IT-Informatik GmbH, NEUE RABEN fünfhundertvierundneunzigste Verwaltungsgesellschaft mbH was acquired from Ebner Stolz Management Consultants GmbH under a purchase agreement dated August 8, 2019. The transfer date was August 8, 2019. The acquired company was renamed DATAGROUP Ulm GmbH by a resolution of the shareholder meeting on August 8, 2019.

As part of the acquisition, DATAGROUP acquired assets (bank deposits) in the amount of EUR 24,700.87. The purchase price amounted to EUR 28,500.00; goodwill of EUR 3,799.13 has been allocated to the “Services” segment. Under consideration of transaction costs in the amount of EUR 657.30, the acquisition of NEUE RABEN fünfhundertvierundneunzigste Verwaltungsgesellschaft mbH resulted in a cash outflow of EUR 4,456.43.

Figures in EUR	
Purchase price	-28,500.00
Transaction costs of company acquisition	-657.30
Cash acquired as part of the asset deal	24,700.87
<b>Total</b>	<b>-4,456.43</b>

Under a purchase and transfer agreement dated August 15, 2019, the mobile fixed assets, inventories, software and other intangible assets of IT-Informatik GmbH were acquired from their insolvency estate (asset deal). The transfer date was August 21, 2019. Additionally, the entire staff of IT-Informatik GmbH was taken over (transfer of undertakings according to § 613a BGB).

Founded in Ulm in 1987, IT-Informatik GmbH is specialized in SAP consulting and maintenance, cloud infrastructure and software development and supplies a broad portfolio of SME customers from various industries. The company filed for insolvency in May 2019. DATAGROUP intends to continue business operations at the Ulm location.



ACQUIRED ASSETS AND LIABILITIES

The fair values of the identifiable assets and liabilities from the asset deal with IT-Informatik GmbH at the time of the acquisition were as follows

Figures in EUR	Book values	Fair values at acquisition date
<b>Assets</b>		
Intangible assets	200,000.00	200,000.00
Property, plant and equipment	405,000.00	405,000.00
Inventories	85,000.00	85,000.00
Other assets	104,621.38	104,621.38
	<b>794,621.38</b>	<b>794,621.38</b>
<b>Liabilities</b>		
Other provisions	1,897,536.61	1,897,536.61
Other liabilities	1,269,852.77	1,269,852.77
	<b>3,167,389.38</b>	<b>3,167,389.38</b>
<b>Balance of acquired assets and liabilities</b>	<b>-2,372,768.00</b>	<b>-2,372,768.00</b>

The acquisition of contracts with customers and suppliers of the company was explicitly excluded. It is not certain which customer relationship can and will be continued in whatever form and volume. For this reason, it is not possible at this time to arrive at a final conclusion regarding a valuation of customer relationships. The purchase price allocation must be classified as preliminary.

CONSIDERATION

Based on the concluded purchase agreement, a purchase price of EUR 1,499,999.00 was paid to IT-Informatik GmbH.

GOODWILL

The preliminary goodwill of EUR 3,872,767.00 comprises the value of synergies expected from the acquisition and the employees taken over. It is fully assigned to the cash-generating “Services” segment.

ANALYSIS OF THE CASH OUTFLOW BASED ON THE ACQUISITION

The transaction resulted in the following cash flows:

Figures in EUR	
Purchase price	- 1,499,999.00
Transaction costs of company acquisition	-6,382.58
Cash acquired as part of the asset deal	0.00
<b>Total</b>	<b>-1,506,381.58</b>

IMPACT ON REVENUES AND EARNINGS BEFORE TAX

In the period just ended, DATAGROUP Ulm GmbH contributed an amount of EUR 3,467,691.98 (before and after the effects from IFRS 15/16) to revenues and EUR -651,004.79 to consolidated earnings (before taxes).

ACQUISITION OF 100 % OF THE SHARES IN MERCOLINE GMBH

Under a purchase and transfer agreement dated August 15, 2019 with IT-Informatik GmbH, DATAGROUP SE also acquired 100 % of the shares in Mercoline GmbH. The transfer date was August 21, 2019.

Mercoline GmbH is specialized in SAP consulting and SAP solutions in supply chain management, business integration and business intelligence. The solutions of Mercoline GmbH are used in transport management, ATLAS (automated tariff and local customs clearance system) customs clearance, sanctions list screening, VAT ID examination, EDI and digital signature. As a certified SAP partner, Mercoline GmbH has more than 25 years of experience in the management of IT-supported business processes, from design to implementation and operation. As part of its communication services, Mercoline is a full-service-provider for the EDI integration of business partners and the optimization of invoicing processes such as digital signature, web EDI, scanning, printer and archiving services.

ACQUIRED ASSETS AND LIABILITIES

The fair values of the identifiable assets and liabilities of Mercoline GmbH at the time of the acquisition were as follows:

Figures in EUR	Book values	Fair values at acquisition date
<b>Assets</b>		
Intangible assets	40,786.00	383,786.00
Property, plant and equipment	42,974.00	211,461.57
Trade receivables	919,234.27	919,234.27
Other assets	70,605.67	70,605.67
Cash and cash equivalents	925,987.62	925,987.62
	<b>1,999,587.56</b>	<b>2,511,075.13</b>
<b>Liabilities</b>		
Non-current liabilities	0.00	168,487.57
Other provisions	26,335.00	26,335.00
Trade payables	228,576.80	228,576.80
Contract liabilities	57,008.32	57,008.32
Income tax liabilities	168,625.58	168,625.58
Other liabilities	407,997.57	407,997.57
Deferred tax	0.00	106,741.60
	<b>888,543.27</b>	<b>1,163,772.44</b>
<b>Balance of identifiable net assets</b>	<b>1,111,044.29</b>	<b>1,347,302.69</b>

CONSIDERATION

The fixed purchase price was EUR 2,500,000.00.

GOODWILL

The goodwill of EUR 1,152,697.31 comprises the value of synergies expected from the acquisition and the employees taken over. It is fully assigned to the cash-generating “Solutions and Consulting” segment.

ANALYSIS OF THE CASH OUTFLOW BASED ON THE ACQUISITION

The transaction resulted in the following cash flows:

Figures in EUR	
Purchase price	-2,500,000.00
Transaction costs of company acquisition	-10,637.63
Cash acquired with the subsidiaries	925,987.62
Total	-1,584,650.01

IMPACT ON REVENUES AND EARNINGS BEFORE TAX

In the period just ended, Mercoline GmbH contributed an amount of EUR 1,006,750.41 (prior to and after the effects from IFRS 15/16) to revenues and EUR 140,314.18 to consolidated earnings (before taxes). If the merger had taken place at the beginning of the fiscal year, revenue from the continuing operations would have amounted to some EUR 6,000,000.

ACQUISITION OF 100 % OF THE SHARES IN IT-DIGITALIZACION 4.0 INDUSTRIAL INTERNACIONAL S.L.

Under a purchase and transfer agreement dated August 15, 2019 with IT-Informatik GmbH, 100 % of the shares in IT-Digitalización 4.0 Industrial Internacional S.L. were acquired as well. The acquirer was DATAGROUP’s subsidiary DATAGROUP Mobile Solutions AG. The transfer date was August 21, 2019.

The Barcelona-based entity has around 10 employees who are focused on software development. This company bundles the activities around the mobilization of business applications and the development of software robots.

IT-Digitalización has not been fully consolidated due to immateriality. The company will be measured at amortized cost in the amount of EUR 1.00.

FOUNDATION OF DATAGROUP DEFENSE IT SERVICES GMBH

On February 18, 2019, DATAGROUP Defense IT Services GmbH was founded by DATAGROUP Business Solutions GmbH, a subsidiary of DATAGROUP SE, by way of a notarized resolution. DATAGROUP Defense IT Services GmbH has a capital stock of EUR 25,000. This was entered into the commercial register on March 28, 2019.

At present, the company has no business operations.

4. Accounting and Measurement Methods

CONSOLIDATION PRINCIPLES

The balance sheet date of the fully consolidated subsidiaries included in the scope of consolidation is the balance sheet date of the consolidated financial statements, with the exception of DATAGROUP Ulm GmbH and Mercoline GmbH. The acquired UBL GmbH had a short fiscal year with September 30, 2019 as the balance sheet date because of its integration into the processes and structures of DATAGROUP. DATAGROUP Ulm GmbH and Mercoline GmbH, which were acquired in August 2019, have a fiscal year which is similar to the calendar year. It is planned to introduce a short fiscal year from January 1 to September 30, 2020.

Company mergers are recognized in accordance with the acquisition method. The purchase price of the acquired subsidiary is allocated to the acquired assets, liabilities and contingent liabilities. In this respect, the decisive factors are the value ratios at the time on which control of the subsidiary was achieved. The recognizable assets and the acquired liabilities and contingent liabilities initially are fully measured at their fair value. Any remaining difference on the assets side is then recognized as goodwill. Goodwill is subject to an impairment test at least once a year, which may lead to depreciation requirements. Any remaining difference on the liabilities side is then recognized in the income statement following another review. A subsidiary’s income and expenses are included in the consolidated financial statements from the date of acquisition. A subsidiary’s income and expenses will be consolidated until the date on which the parent company’s control ends.

As part of the debt consolidation, receivables are offset against the respective liabilities between the fully consolidated companies. The elimination of intra-company profits is applied to intra-company resales of property, plant and equipment and customer orders. The consolidation of income and expenses sets off revenue, other operating income, interest and similar income against the expenses related to them.

ACCOUNTING AND MEASUREMENT PRINCIPLES

Several standards and amendments of standards had to be adopted for the first time in this fiscal year. Resulting from the first-time application of IFRS 9, IFRS 15 and IFRS 16, the accounting and measurement methods had to be adjusted. Details can be found in section I.2.

ESTIMATES AND ASSUMPTIONS

Preparing the consolidated financial statements necessitated discretionary decisions and to a certain extent estimates had to be made as well. These estimates and assumptions had an impact on the amount and disclosure of the recognized assets, liabilities and contingent liabilities. Management assumes that existing risks are sufficiently covered by the assumptions and judgments made. These estimates and assumptions are based on experiences made in the past and other sources of information that are considered reasonable under current conditions. The estimates and assumptions are subject to permanent review. Actual results and developments may differ from these estimates and assumptions. Changes are recognized in the income statement when better information is available.

The discretionary decisions, estimates and assumptions taken are of particular significance for the following assets and liabilities:

- Intangible assets
- Contract assets (construction contracts)
- Receivables
- Earn-out obligations
- Provisions

The purchase method applicable to the accounting for business combinations uses estimated values for the determination of the fair values, particularly of intangible assets such as brands, order backlog and customer relationships and of earn-out obligations at the date of acquisition. In some cases, the purchase agreements contain earn-out clauses according to which the purchase price increases in dependence of the achievement of fixed targets. Both the expected useful life of the assets determined as part of the purchase price allocation and the fair values are based on management estimates. When assessing the fair values of intangible assets and earn-out obligations, estimates of future cash flows play a major role. The identified intangible assets were recorded in the balance sheet at a book value of EUR 11,006,643.00 (previous year EUR 8,842,547.00), goodwill stood at EUR 64,027,252.93 on September 30, 2019 (previous year EUR 46,555,845.34). There were no earn-out obligations on the balance sheet date (previous year EUR 2,095,266.00).

Project orders (mostly contractually agreed service contracts) which are not yet concluded are recognized over time – provided the respective conditions are met. The degree of completion is determined on the basis of input-oriented methods and has to be made by management with a certain level of discretion.

The risk of potential losses arising from the insolvency of customers was hedged by setting up valuation allowances for doubtful accounts. The valuation allowances were set up using an expected loss model according to IFRS 9.

For information regarding the newly applied accounting and measurement methods, especially IFRS 9, we refer to chapter I.2.

A provision is a present obligation resulting from an obligating event in the past, which is uncertain as to the date and/or amount of the outflow of resources. To recognize provisions of EUR 48,812,756.82 (previous year EUR 48,920,062.56) assumptions and estimates had to be made by the management on the magnitude and likelihood of occurrence of an outflow of resources.

BASIS OF CURRENCY TRANSLATION

The reporting currency is euro, which is also the functional currency of the parent company. Foreign currency transactions are translated with their current prices at the date of transaction. Monetary assets and liabilities denominated in foreign currency are converted into the functional currency using the exchange rate of the reporting date. The translation differences determined on the reporting date are reported in the income statement.

The assets and liabilities of foreign subsidiaries, whose functional currency is not euro, will be converted using the current rate method. Equity transactions are converted with historical rates at the time of the transaction. The items of the income statement, however, are converted using the average exchange rate of the fiscal year. Translation differences are reported in the adjustment item for exchange rate difference in equity.



RECOGNITION OF INCOME/REVENUE

Revenue is recognized when control of the goods or services is passed to the customer. Control can be passed either over time or at a point in time.

Revenue from the sale of goods is recognized for a point in time. The invoice is regularly issued upon delivery or directly thereafter.

DATAGROUP makes certain assets available to customers under finance lease agreements. Due to the nature of the agreements revenue from these agreements is recognized over time, as soon as the assets made available to the customers are ready for use and have been accepted by the customer.

When software has been handed over to the customer, DATAGROUP still acts as a principal. DATAGROUP acts as contact in the relationship with the customer, bears the major technical as well as economic risks and has the pricing power.

When services are provided, revenue is realized over time, as the customer simultaneously receives and consumes the benefit provided in the respective period.

Service revenues are based on orders in the form of work or service contracts. Services on the basis of service contracts are usually invoiced retrospectively at the end of the month on the basis of hours worked. Services provided within the scope of services contracts are invoiced after (partial) acceptance; interim payments are customary. Fixed fees for maintenance and other services are usually invoiced in advance on a monthly or quarterly basis.

The invoice usually has to be paid within fourteen days without deduction.

In terms of project orders on the basis of service contracts which are not yet concluded, and which had been recognized as construction contracts according to IAS 11 so far, DATAGROUP provides a customized asset without an alternative use and has a claim for payment at any time. Revenue thus is recognized over time according to IFRS 15.35c. The degree of completion is mainly determined on the basis of input-oriented methods.

Multi-component agreements, which include the supply of products or provision of services within a complete service portfolio, have to be separated into separately identifiable performance obligations, where a separate revenue contribution must be determined for every performance obligation which will then be recognized as revenue once the agreement is fulfilled.

Interest income is recognized over time under consideration of the effective interest rate.

Some contracts are designed in such a way that DATAGROUP performs activities at the start of the project, which are not related to the fulfillment of performance obligations towards customers in the sense of IFRS 15. This mainly applies to large-scale changeover projects with a transition phase. For this reason, no revenue will be recognized for these contracts at first; the costs incurred will be capitalized as costs for the fulfillment of a contract. Revenue will be recognized when the performance obligation towards the customer is fulfilled in a later phase of the respective project. Payments that may have been received from the customer prior to the delivery of services, if applicable, will be carried as advance payments on the liabilities side.

EARNINGS PER SHARE

Earnings per share are a key figure showing a public limited company’s earnings divided by the average number of shares outstanding. Undiluted earnings per share show the net income attributable to the ordinary shareholders of DATAGROUP SE divided by the weighted average number of common shares outstanding.

MERGERS AND GOODWILL

Mergers are recognized in accordance with the acquisition method. Goodwill that may arise is measured at amortized cost. The acquisition costs of goodwill are calculated as the excess of the consideration transferred, measured at fair value at the time of acquisition, and the value of the non-controlling interest in the acquired company with the help of the acquired identifiable assets on the one hand, and the acquired liabilities of the acquired company on the other hand.

On first-time application, goodwill is valued at acquisition cost. If the total consideration (initial purchase price, value of earn-out and other obligations) is below the fair value of the acquired subsidiary’s net assets, the difference will be recognized in the income statement after a renewed review.

After initial recognition, goodwill is valued at acquisition cost minus accumulated impairment losses. There is no write-up on goodwill once impairments are made. For the purposes of an impairment test, goodwill acquired through a merger is allocated to the cash generating units of the Group which are expected to benefit from it and is recognized from the time of acquisition. This is irrespective of whether other assets or liabilities of the acquired company are allocated to these cash-generating units.

Recoverability of goodwill and intangible assets with indefinite useful life is tested once a year (on September 30 of any given year). Additionally, a test has to be conducted, if circumstances indicate that the value may be impaired.

The impairment loss is determined by calculating the recoverable amount of the cash-generating units to which goodwill has been assigned. If the recoverable amount of the cash-generating unit is lower than the book value of this unit, an impairment loss will be recognized. A recorded impairment loss on goodwill may not be reversed in the subsequent reporting periods.

IMPAIRMENT TESTS FOR GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Goodwill acquired through mergers and intangible assets with indefinite useful life were allocated to the following cash-generating units to test the recoverability:

- The cash-generating unit “Services” comprises all subsidiaries primarily providing IT services.
- The cash-generating “Solutions and Consulting” unit comprises the group companies, whose range of services offered consists of highly qualified and specialized technology and solutions consultants as well as software developers.

GOODWILL OF CASH-GENERATING UNITS:

Figures in EUR	30.09.2019	30.09.2018	30.09.2017	30.09.2016	30.09.2015
Services segment	33,756,581.48	17,437,871.20	17,437,871.20	16,331,151.62	16,331,151.62
Solutions and Consulting segment	30,270,671.45	29,117,974.14	22,192,268.03	22,192,268.03	22,192,268.03
Goodwill	64,027,252.93	46,555,845.34	39,630,139.23	38,523,419.65	38,523,419.65

The recoverable amount of all cash-generating units is determined by calculating the fair value less cost to sell with the help of a discounted cash flow model. The underlying cash flows are based on a budget planning which was adopted by management. A growth rate of 1 % was taken as a basis to extrapolate the cash flow projections for future years. This growth rate is in line with the long-term growth rate for the IT services sector as expected by the management. This analysis did not provide any indications for an impairment loss.

The basic assumptions for the calculation of the fair value less cost to sell refer to the discount rates and the growth rate which were taken as a basis for the extrapolation of the cash flow projections for multi-annual planning.

DISCOUNT RATES

The discount rates reflect the current market estimates with regard to the risks allocated to the cash-generating units, taking into account the interest effect and the specific risks of the assets. The discount rate considers the Group’s and its segments’ and affiliated companies’ risk which would arise from a comparable investment on the capital market and is based on the weighted average cost of capital (WACC). A uniform discount rate of 6.10 % (2017/2018: 6.40 %) was applied for the calculation of the fair value.

SENSITIVITY OF THE UNDERLYING ASSUMPTIONS

DATAGROUP has prepared scenario analyses with deviating assumptions in the context of the impairment tests. For instance, comparative calculations were made with the discount rate fluctuating by 100 basis points and the growth rate by 0.5 %. The book value did not exceed the fair value in any of the scenarios considered possible.

OTHER INTANGIBLE ASSETS

The other intangible assets mainly include brands, order backlog, customer bases, internally developed and acquired software, licenses as well as non-competition obligations.

Acquired intangible assets with definite useful life are recognized at the cost of acquisition or production less the cumulative linear depreciation and under consideration of any unscheduled impairment. The expected economic useful life within the DATAGROUP Group is between three and fifteen years. Depreciation is determined using the linear method.

Brands acquired as part of company acquisitions are recognized to the extent of the benefit resulting from their brand rights. In connection with the DATAGROUP umbrella brand strategy it is generally assumed that acquired companies will be given the company name “DATAGROUP” in the medium term. For this reason, the acquired brand’s useful life is assumed to be limited. The acquisition costs for the capitalized brands are depreciated on a straight-line basis in accordance with their useful life.

Order backlogs and customer bases as well as non-competition obligations are measured at fair value. The valuation of order backlogs and customer bases as well as non-competition obligations linked to company acquisitions is based on the benefit for the acquiring company. The useful life is assumed to be between three and eight years.

Internally developed intangible assets are capitalized provided the conditions under IAS 38.57 are met. Internally developed intangible assets with a definite useful life are recognized at the cost of production less the cumulative straight-line depreciation and under consideration of any unscheduled impairment. The cost of production includes all directly attributable costs needed to bring the asset in the condition required for its intended operational use. Research expenses are recorded as expense in the period in which they occur. The expected economic useful life within the DATAGROUP Group is between three and ten years. Depreciation is determined using the linear method.

Given that intangible assets with an indefinite useful life are not subject to scheduled depreciation, recoverability is proven by an impairment test at least once a year. If it is not possible to attribute separate cash flows to the individual assets, recoverability is tested on the basis of the superior cash-generating unit of assets.

If the reasons for the previously recorded impairment loss cease to apply in whole or in part, a reversal of impairment is recognized in the income statement up to the amortized acquisition or production costs.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at amortized acquisition or production costs. They are depreciated according to their probable useful economic live using the straight-line method. The expected economic useful life within the DATAGROUP Group generally is between one and 15 years, but also up to 33 years in individual cases. Depreciation is determined using the linear method.

If there are indications of impairment, an impairment test is carried out. When the recoverable amount is lower than the amortized acquisition or production costs, property, plant and equipment are depreciated on a non-scheduled basis. As soon as the reasons for an unscheduled depreciation made in the previous years cease to apply, a write-up is recognized up to the amortized acquisition costs.

For information regarding the newly applied accounting and measurement methods, we refer to chapter I.2 for the recognition of right of use assets according to IFRS 16.

INVENTORIES

Inventories are measured at the lower of acquisition or production costs and the net realizable value. The purchase and production costs are determined on the basis of the weighted average cost of capital. The net realizable value is defined as the expected sales proceeds less the costs incurred until the sale.

Additionally, the costs for the fulfillment of a contract incurred during the transition phase of projects and distributed over the operating phase are capitalized as expense under inventories. The Group only capitalizes accrued costs, a (proportional) capitalization of contribution margins will not be recognized.

The amounts charged to the customers during the transition phase are not treated in this position but are deferred and recognized as a contract liability. The reversal of deferred credit leads to revenue which is distributed over the operating phase.

CONTRACT ASSETS

Contract assets are recognized if revenue was recorded due to the fulfillment of a contractual performance obligation before the customer has made any payments or – independent of the maturity – the conditions for invoicing and thus for recognizing a liability are in place.

If the outcome of a construction contract can be reliably estimated, overall revenues expected for the individual contract are capitalized in accordance with the percentage of completion method, i.e. the relation between total costs already paid and the expected overall costs of the individual project. Change requests are included in the assessment of the capitalized construction contracts. Identifiable losses are immediately and fully recognized as an expense. Advance payments already received are deducted from the construction contracts. If the result cannot be reliably assessed, the incurred acquisition and production costs are capitalized. An expected loss is recognized as an expense. As well as the initial amount of revenues agreed in the contract, payments for change requests are also considered when determining the overall revenues.

FINANCIAL INSTRUMENTS

Financial instruments are contracts which result in a financial asset with one company and a financial liability or an equity instrument with another. On the one hand, financial instruments comprise primary financing instruments such as receivables and trade payables or also financial receivables and financial liabilities. On the other hand, they also include derivative financial instruments such as options, forwards as well as interest rate swaps and currency swaps.

Financial assets and liabilities are categorized as follows:

- 1. Assets and liabilities measured at amortized cost
- 2. Assets and liabilities measured at fair value through profit or loss
- 3. Assets and liabilities measured at fair value through other comprehensive income

Additionally, the category “derivative financial instrument designated as hedge relationships” was added. In this connection, we refer to section III.14. Hedging Instrument.

A financial asset or a financial liability is initially measured at fair value plus, in the case of the first category, transaction costs.

The subsequent measurement of financial assets and liabilities of the first category is made at amortized cost or by using the effective interest method at the lower of the fair value. Risks are covered by impairment losses, which are recognized and reversed affecting net income.

Financial assets and liabilities of the second category are measured at fair value on the balance sheet date. Market fluctuations must be recognized in the income statement.

Pursuant to IFRS 7.25 the fair value for each class of financial instrument has to be disclosed.

The fair values which have to be disclosed for each class of financial instrument consistently correspond with the book values. This applies directly to assets and liabilities in categories 1 and 2 (assets and liabilities that are recognized at their fair value as well as assets available for sale). The book value can be considered a sufficient approximate value to the fair value for assets and liabilities of categories 3 to 5 (assets held until final maturity, loans and receivables as well as other financial liabilities).

To determine the effectiveness of the fair value of the financial instruments there are three different levels:

- Level 1: Valuation is based on quoted unchanged prices on active markets for identical assets and liabilities.
- Level 2: Valuation is made on the basis of input factors that can be observed for the asset or the liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation of assets and liabilities is not based on observable market data.

DERIVATIVE FINANCIAL INSTRUMENTS

Both initial recognition and subsequent measurement are made at fair value. Changes in fair value either can be included in the income statement or directly in equity – shown in the statement of comprehensive income. The decisive factor in this respect is whether the derivative financial instrument is included in an effective hedging relationship. If there is no effective hedging relationship between the hedge and the hedged item (ineffective part), changes in fair value are recognized in the income statement.



RECOGNITION OF HEDGING RELATIONSHIPS

Accounting and measurement methods valid until September 30, 2018.

Individual hedging instruments (e.g. embedded derivatives) are designated at fair value through profit or loss (fair value hedges). The hedging relationship between underlying transaction and hedge is documented at the beginning of hedge accounting including risk management targets. It is also regularly documented – both when the hedging relationship is entered into and on an ongoing basis – whether the hedging instrument designated in the hedging relationship is highly effective with regard to the compensation of fair value changes of the host business according to the hedged risk.

As a basic principle, the DATAGROUP Group does not enter into any derivative financial instruments and hedging transactions. DATAGROUP departed from this principle in one particular case. Please find additional details as well as the statements on the fair values of the derivatives used for hedging purposes in section III.14.

OTHER ASSETS

Other receivables and other assets are recognized at the lower of amortized cost or market value. Account is taken of all identifiable individual risks and general default risks by means of appropriate value reductions. Specific cases of default lead to the receivable in question being written off.

PROVISIONS FOR PENSIONS

Provisions for defined benefit plans are determined using the projected unit credit method according to IAS 19 “Employee Benefits”. The pension commitment is calculated in accordance with actuarial principles and also accounts for an increase in salaries and pensions to be expected in future. Plan assets are offset with the pension obligations at market value. Actuarial gains or losses are recorded in equity with no effect on net income after having considered deferred taxes and are shown in the statement of comprehensive income.

OTHER PROVISIONS

Provisions are recognized for current uncertain obligations arising from past events, if these obligations are likely to give rise to a future outflow of resources. The amount of the obligation has to be reliably estimated and takes into account all recognizable risks. The valuation is based on the best possible estimate of the amount to be paid; possible rights of recourse are not offset against provisions. Long-term provisions, provided the effect is material, are recorded at their discounted net present value with matching maturity. If it is not possible to make a reliable estimation, no provision will be made but a contingent liability will be disclosed in the notes to the consolidated financial statements.

CONTRACT LIABILITIES

A contract liability is recognized when a payment for customer is due (or already received, whichever is earlier) before the related performance obligation is satisfied and thus revenue was recognized.

Contract liabilities also include the amounts charged to customers for the transition phase which are due during the transition phase of projects. The reversal of deferred credit leads to revenue which is distributed over the operating phase.

OTHER LIABILITIES

Other liabilities are initially recognized at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method.

TAXES

The actual income tax expense is calculated on the basis of the taxable income using the tax rates applicable to the individual company. Actual tax assets and actual tax liabilities are recognized at the amount expected.

Pursuant to IAS 12 “Income Taxes”, deferred taxes are calculated using the balance sheet liability method for all temporary and quasi-permanent differences between the tax balance sheet and the consolidated statement of financial position. Additionally, deferred tax liabilities are recognized on tax losses carried forward that have not yet been used, provided that future taxable income will likely be generated against which the unused tax losses can be utilized. Deferred taxes are determined using the company-specific tax rate. This tax rate corresponds to the expected tax rate for the period in which an asset is recognized or a liability settled. Deferred tax assets and tax liabilities are only offset against each other if there is an identity of the tax creditor.

LEASES

At the beginning of the lease contract, the lessee recognizes assets and liabilities in the same amount, i.e. at fair value of the leased item or at the lower present value of the minimum lease payments for leases in the sense of IFRS 16. In the subsequent periods, leasing payments are divided into an interest portion and a portion to be deducted from receivables to determine the loans carried in the balance sheet. Financing costs shall be distributed over the term of the contract such that there is a constant interest rate on the respective remaining debt. The asset’s value, which was capitalized at the beginning, is amortized on a straight-line basis over the term of the contract under consideration of a remaining value that may have been agreed. The lessor, in turn, capitalizes a receivable in the amount of the present value of the minimum lease payment at the beginning of the lease contract. Incoming leasing rates are divided into an interest portion to be deducted from receivables, similar to the lessee.

GOVERNMENT GRANTS

Government grants are recognized in the income statement as other operating income in the period in which the expenses to be compensated through the respective grants are incurred. They are not recognized as income if it cannot be guaranteed with reasonable assurance that the conditions for the subsidies to be granted can be met.

II. Notes to the Consolidated Income Statement

1. Revenue

Revenue is divided as follows:

Figures in EUR	2018/2019	2018/2019 prior to IFRS 15/16	2017/2018
Service and maintenance	242,499,652.13	256,849,556.85	220,085,219.35
Trade	63,753,730.54	65,900,030.32	51,770,301.71
Others	511,518.47	511,518.47	244,032.30
Revenue	306,764,901.15	323,261,105.65	272,099,553.36

As in the previous years, DATAGROUP’s revenue increased significantly (by 12.7 %, adjusted – prior to IFRS 15/16 by 18.8 %). This increase has been generated both organically and inorganically. Organic growth amounts to 4.9 % (in a comparison prior to IFRS 15/16). The determination of organic growth does not include the companies which were acquired during the fiscal year and which are still in transformation nor does it include recurring revenue from large-scale projects.

The majority of revenue (79.1 %) has been generated with services and maintenance contracts, which is in line with the strategic focus of the Group. Retail revenues increased to an even stronger extent in comparison to the previous year by 23.1 % or 27.1 % (before and after IFRS 15/16), and this increase is mainly due to a one-off effect of the NRW.Bank project. DATAGROUP made available IT goods of EUR 15.7m at NRW.Bank as part of the transition. This is charged to the customers over the term of the contract in the form of a managed service in the complete package. This form of contract leads to an advance financing of the customers and is classified as finance lease. Economic ownership of the IT goods is allocated to the customer; the provisioning of goods is reflected as a sale followed by the allocation of a loan. A sum of EUR 15.7m of this event was recognized as revenue.

The presentation of revenue in the current fiscal year is strongly driven by the first-time application of IFRS 15 “Revenue from contracts with customers”. This has an impact on the date as to when the revenue from a project business which has a transition and a subsequent operation phase is recognized. Revenue that was shown in the transition phase before is now deferred and evenly distributed over the operating phase. As a result, no revenue is shown for large-scale projects which are in the transition phase even though a considerable amount of services is provided. This has reduced revenue by TEUR 16,496 in the current fiscal year. The majority (some EUR 10.5m) can be allocated to the NRW.Bank project.

Foreign business still only plays a minor role for the DATAGROUP Group; 1.2 % (previous year 1.9 %) of revenue was generated abroad. When adjusted for the effects from IFRS 15, this rate amounts to 1.1 % in the fiscal year.

More detailed information on the revenue development can be found in the Management Report under section 3. Net Assets, Financial Position and Results of Operations of the DATAGROUP Group.

2. Other Operating Income

Other operating income is composed as follows:

Figures in EUR	2018/2019	2017/2018
Income from offsetting remuneration in kind	2,071,534.03	1,765,112.21
Income from reversal of provisions and liabilities	4,546,548.75	1,611,012.82
Income from revaluation of assets and liabilities	239,800.84	36,876.18
Rental income	206,475.41	133,554.68
Income from insurance compensation	646,994.35	46,128.87
Decrease accrual item Upfront-Payment from HPE transaction	561,300.00	781,299.00
Refunding restructuring costs	1,074,251.00	402,366.00
Others	1,755,130.50	884,088.18
Other operating income	11,102,034.88	5,660,437.94

As part of the HanseCom acquisition (now DATAGROUP Operate IT GmbH) in FY 2016/2017 it was agreed that under certain conditions restructuring expenses may be forwarded to the seller up to a pre-defined total volume. Income from reimbursement of restructuring expenses of EUR 1,074,251.00 (previous year: EUR 402,366.00) is offset by personnel expenses of the same amount resulting from a provision for restructuring.

Similarly, this also applies to income from insurance compensation. A partial amount of EUR 589,626.19 is offset by corresponding expenses, as shown in the other operating expenses on the opposite side.

3. Material Expenses / Expenses for Purchased Services

Material expenses are composed as follows:

Figures in EUR	2018/2019	2018/2019 prior to IFRS 15/16	2017/2018
Material expenses	63,648,935.53	65,795,235.31	45,048,089.16
Expenses for purchased services	41,797,810.72	41,797,810.72	35,352,720.98
Delimitation from transition projects	-6,240,518.31	0.00	0.00
Material expenses / expenses for purchased services	99,206,227.94	107,593,046.03	80,400,810.14

The difference in material expenses of EUR 6,240,518.31 before and after the first-time application of IFRS 16 is related to the accrual of expenses which were accumulated during the transition phase (deferred order costs). These costs are distributed over the operating phase. In this respect, we also refer to chapter I.4 – Accounting and Measurement Methods.

4. Personnel Expenses

Personnel expenses are composed as follows:

Figures in EUR	2018/2019	2018/2019	
		prior to IFRS 15/16	2017/2018
Wages and salaries	130,440,751.92	130,440,751.92	115,834,903.64
Social contributions	20,864,642.08	20,864,642.08	18,175,291.46
Expenses for pensions and other other benefits	1,936,092.39	1,936,092.39	724,210.77
Delimitation from transition projects	-8,062,321.83	0.00	0.00
Personnel expenses	145,179,164.56	153,241,486.39	134,734,405.87

Personnel expenses have been reduced by EUR 8,062,321.83 due to the first-time application of IFRS 15. The personnel expenses accrued in the transition phase will be distributed over the operating phase. We refer to chapter I.4 – Accounting and Measurement Methods.

5. Depreciation and Amortization

Depreciation and amortization refer to the following assets:

Figures in EUR	2018/2019	2018/2019	
		prior to IFRS 15/16	2017/2018
On intangible assets			
Internally developed	411,429.04	411,429.04	394,292.16
Purchased	6,022,788.69	6,022,788.69	5,499,867.82
On property, plant and equipment	16,820,705.25	9,814,226.33	8,145,478.48
Depreciation and amortization	23,254,922.98	16,248,444.06	14,039,638.46

Depreciation and amortization are significantly higher in FY 2018/2019 which is mainly due to the changes in the accounting methods. The increase due to IFRS 16 “Leases” in the amount of EUR 7,006,478.92 relates to right of use assets for rented premises (EUR 5,624,331.79) and for vehicles (EUR 1,382,147.13).

Amortization of disclosed hidden reserves and charges as part of the purchase price allocation amounts to EUR 4,185,904.00 (previous year: EUR 3,964,628.00).

Without the effects of IFRS 16 and the effects of the purchase price allocation (PPA) depreciation and amortization rose by EUR 1,987,529.60. Of this amount, EUR 1,529,480.65 relate to newly acquired companies.

6. Other Operating Expenses

Other operating expenses are as follows:

Figures in EUR	2018/2019	2018/2019	
		prior to IFRS 15/16	2017/2018
Travel and vehicle expenses	4,944,474.66	6,366,608.75	5,510,083.53
Occupancy costs	3,165,482.70	8,916,033.02	8,439,723.09
Ancillary personnel expenses	4,751,427.53	4,751,427.53	3,490,749.99
Administration expenses	6,038,850.52	6,038,850.52	5,316,717.52
Advertising expenses	2,310,296.01	2,310,296.01	1,867,020.74
Legal and advisory costs	2,899,572.52	2,899,572.52	2,109,365.63
Insurance and other contributions, fees and bank charges	1,305,529.84	1,305,529.84	1,068,840.05
Others	1,962,230.58	1,962,231.05	1,044,277.64
Other operating expenses	27,377,864.37	34,550,549.25	28,846,778.19

IFRS 16 “Leases” results in a decline in other operating expenses, as the office rents and the car leasing costs are no longer recognized in this position. The remaining office rents after the application of IFRS 16 mainly include incidental rental costs. Travel and vehicle expenses include, amongst others, non-leasing components from car leasing agreements, e.g. service charges.

New companies contributed EUR 2,060,158.21 to this increase.

Expenses for research and development of the DATAGROUP Group had a manageable extent in the fiscal year. Regarding development activities of the DATAGROUP Group reference is made to the explanations in the consolidated management report under section 8. Other Information – Research and development activities. There were no directly attributable expenses recognized in this fiscal year.

The “Others” position mainly includes expenses from an increase of reserves for warranties and bad debts.

7. Financial Result

The financial result is as follows:

Figures in EUR	2018/2019	2018/2019	
		prior to IFRS 15/16	2017/2018
Financial income			
Investment income	133,624.28	133,624.28	133,498.48
Interest income from			
Finance lease	45,540.68	45,540.68	78,331.54
Others	212,353.83	212,353.83	262,257.93
Revaluation earn-out obligations	65,266.00	65,266.00	0.00
	456,784.79	456,784.79	474,087.95
Financial expenses			
Bank loans	1,136,539.19	1,136,539.19	982,514.46
Interest expenses on leasing	456,501.97	119,137.66	134,737.01
Effective interest method	344,240.28	344,240.28	915,268.50
Factoring	287,450.26	287,450.26	291,136.76
Revaluation earn-out obligations	0.00	0.00	16,532.00
Others	167,705.28	167,705.28	79,110.31
	2,392,436.98	2,055,072.67	2,419,299.04
Financial result	-1,935,652.19	-1,598,287.88	-1,945,211.09

Financial expenses for bank loans declined by ca. 16 % in the fiscal year. This increase is due to taking up promissory note loans in the amount of EUR 69,000,000.00. Both the finance lease business and the factoring volume are declining. The increase of interest expenses after IFRS 16 results from lease contracts for premises and car leasing agreements.

8. Income Taxes

In addition to actual taxes on income and profit, deferred taxes are reported as income taxes as well:

Figures in EUR	2018/2019	2018/2019	
		prior to IFRS 15/16	2017/2018
Actual taxes	10,282,462.32	10,282,462.32	6,687,096.87
Deferred taxes			
from different times of valuation	-2,822,700.08	-2,754,534.08	-1,171,490.58
from losses carried forward	-283,766.68	-283,766.68	89,676.74
	-3,106,466.76	-3,038,300.76	-1,081,813.84
Income taxes	7,175,995.56	7,244,161.56	5,605,283.03

Deferred taxes arising from temporary differences in valuation are taxes on amortization of assets capitalized as part of company acquisitions in the amount of EUR 1,302,653.33 (previous year EUR 1,256,415.89). They result in a decrease of the tax burden.

The DATAGROUP entities have paid taxes on income and profit exclusively in Germany so far. The individual tax rates – depending on the municipal rate fixed by the different municipalities – are between 27.900 % and 32.275 % (previous year 28.075 % and 32.275 %). The Group-wide tax rate was derived from the weighted average and stands at 31.6 % as in the previous year. When taking this group-wide tax rate as a basis the expected calculated tax rate expenses can be reconciled to the actual tax result as follows:

Figures in EUR	2018/2019	2018/2019	
		prior to IFRS 15/16	2017/2018
Earning before taxes	21,689,911.07	21,908,134.00	18,478,593.67
Group tax rate: 31.60 % (LFY 31.60 %)			
Expected tax expenses	6,854,011.90	6,922,970.19	5,839,235.60
Tax expenses and income of earlier years	-64,681.85	-64,681.85	-243,012.70
Non-deductible operating expenses as well as trade tax additions and reductions	362,187.20	362,187.20	344,125.13
Non-recognised deferred taxes on permanent differences	23,832.21	23,832.21	-2,559.39
Tax rate change for deferred taxes	-94,285.08	-94,285.08	20,584.66
Differences to local tax rates	-57,993.97	-58,786.27	-15,121.61
Impact from the revaluation of tax losses carried forward	152,925.15	152,925.15	-337,968.67
Actual tax expense	7,175,995.56	7,244,161.56	5,605,283.03
Actual tax rate: 33.08 % (LFY 30.33 %)			
(corresponds to the relations between actual tax expenses and earnings before taxes)			

In FY 2018/2019, the actual tax rate is 33.08 % (previous year: 30.33 %). The yoy increase is due to special effects from the revaluation of tax-loss carry-forwards in the previous year.



## 9. Other Comprehensive Income

The other comprehensive income includes the following items:

Figures in EUR	2018/2019	2017/2018
<b>Other earnings before taxes</b>		
<b>Recalculation of defined benefit obligations</b>		
Pension provisions	-4,030,921.00	-1,868,073.29
Claims from reinsurance coverage for pension obligations	0.00	-37,390.00
Hedging instrument	0.00	-116,795.00
	<b>-4,030,921.00</b>	<b>-2,022,258.29</b>
Change in balancing items from currency conversion	-24.05	24.20
<b>Other earnings before taxes</b>	<b>-4,030,945.05</b>	<b>-2,022,234.09</b>
<b>Income tax effects on other income</b>	-1,261,000.93	-571,329.00
<b>Comprehensive income</b>	<b>-2,769,944.12</b>	<b>-1,450,905.09</b>

The negative effect from the measurement of provisions for pensions results from the decline of actuarial interest rates in comparison to the prior year, which has increased the present value of obligations.

## III. Notes to the Consolidated Statement of Financial Position

### 1. Goodwill

Goodwill changes in the fiscal year were as follows:

Figures in EUR	2018/2019	2017/2018
<b>Services</b>		
Opening balance	17,437,871.20	17,437,871.20
Additions	16,318,710.28	0.00
	<b>33,756,581.48</b>	<b>17,437,871.20</b>
<b>Solutions and Consulting</b>		
Opening balance	29,117,974.14	22,192,268.03
Addition	1,152,697.31	6,925,706.11
	<b>30,270,671.45</b>	<b>29,117,974.14</b>
<b>Goodwill</b>	<b>64,027,252.93</b>	<b>46,555,845.34</b>

### 2. Other Intangible Assets

In a comparison with last year’s reporting date, other intangible assets are composed as follows:

Figures in EUR	30.09.2019	30.09.2018
Order backlog / customer bases	10,840,743.00	8,689,731.00
Internally developed intangible assets		
Software	2,030,502.48	1,763,441.24
Purchased intangible assets	5,750,325.93	4,805,011.67
<b>Other intangible assets</b>	<b>18,621,571.41</b>	<b>15,258,183.91</b>

An economic useful life of between two and five years was determined for the capitalized order backlog; customer relationships have useful lives of between three and eight years. The acquired intangible assets are generally amortized over a period of between three and five years, in some cases also up to 15 years. Internally developed intangible assets have useful lives of between three and ten years.

Expenses for research and development of the DATAGROUP Group had a manageable extent in the fiscal year. Regarding development activities of the DATAGROUP Group, reference is made to the explanations in the consolidated management report under section 8. Other Information – Research and development activities. There were no directly attributable expenses recognized in this fiscal year.

3. Property, Plant and Equipment

Figures in EUR	30.09.2019	30.09.2019 prior to IFRS 15/16	30.09.2018
Land and buildings	24,582,441.27	0.00	0.00
Furniture and office equipment	33,855,123.72	31,631,955.08	22,302,257.32
Advance payments charged	1,634,745.91	1,634,745.91	48,841.99
PPE	60,072,310.90	33,266,700.99	22,351,099.31

Land and building exclusively include right of use assets for rented office and server space as well as car parking spaces which are capitalized according to IFRS 16 “Leases”. The effect of IFRS 16 in furniture and office equipment relates to right of use assets for leased vehicles.

Furthermore, furniture and office equipment include assets of EUR 3,753,302.35 (previous year: EUR 1,426,555.60) acquired within the context of leasing contracts (thereof newly acquired companies: EUR 3,160,918.98) These leasing agreements have already been classified according to IAS 17 “Leases”, which had been applied up to date, and also had to be capitalized before.

Property, plant and equipment includes the assets of new acquired companies – adjusted by IFRS 16 – in the amount of EUR 4,419,359.38. The remaining increase is mainly attributable to investments in servers, network, storage and data backup systems as well as in office equipment.

The useful lives of property, plant and equipment are between one and 15 years, in some cases also up to 33 years.

4. Non-Current and Current Financial Assets

Financial assets are composed as follows:

Figures in EUR	30.09.2019 Remaining term up to 1 year	30.09.2019 Remaining term 1 to 5 years	30.09.2019 Remaining term over 5 years	30.09.2019 Total
Shares in affiliated companies	0.00	0.00	1.00	1.00
Investments	0.00	0.00	52,046.88	52,046.88
Securities	50,014.00	180,601.00	922,100.00	1,152,715.00
Receivables from finance lease	1,142,841.34	136,970.52	0.00	1,279,811.86
Other loans	50,011.49	0.00	9,350.00	59,361.49
Financial assets	1,242,866.83	317,571.52	983,497.88	2,543,936.23
Receivables from customer lease	3,209,896.61	12,320,857.63	470,589.68	16,001,343.92
Financial assets	4,452,763.44	12,638,429.15	1,454,087.56	18,545,280.15

Figures in EUR	30.09.2018 Remaining term up to 1 year	30.09.2018 Remaining term 1 to 5 years	30.09.2018 Remaining term over 5 years	30.09.2018 Total
Shares in affiliated companies	0.00	0.00	0.00	0.00
Investments	0.00	0.00	395,722.28	395,722.28
Receivables from shareholder	547.42	0.00	0.00	547.42
Securities	53,105.00	140,852.00	0.00	193,957.00
Receivables from finance lease	1,239,270.95	1,279,811.86	0.00	2,519,082.81
Other loans	0.00	0.00	9,350.00	9,350.00
Financial assets	1,292,923.37	1,420,663.86	405,072.28	3,118,659.51
Receivables from customer lease	0.00	0.00	0.00	0.00
Financial assets	1,292,923.37	1,420,663.86	405,072.28	3,118,659.51

Receivables from customer leasing relate to the NRW.Bank project. The IT goods that were purchased and provided to the customer are pre-financed and will be settled by the customer over their lifetime as part of Managed Services.

The increase in securities is due to the acquisition of investment fund shares.

5. Other Non-Current Assets

Figures in EUR	30.09.2019	30.09.2018
Receivables from tax authorities	354,902.92	166,808.44
Deposits	486,773.50	473,269.53
Others	83,228.37	18,077,553.88
Other non-current assets	924,904.79	18,717,631.85

In the previous year, the position “Others” mainly referred to Hewlett-Packard GmbH (HPE, now DXC Technology) and resulted from the transaction carried out in FY 2015/2016 in the context of which employees were taken over. It referred to the interest-bearing long-term component of the compensation from the takeover of pension obligations. They were contributed into a trust in the current fiscal year and therefore were netted with provisions for pensions as at September 30, 2019.

6. Deferred Taxes

Figures in EUR	30.09.2019	30.09.2019 prior to IFRS 15/16	30.09.2018
Deferred tax assets on			
Losses carried forward	3,096,280.00	3,096,280.00	2,812,515.60
Property, plant and equipment	0.00	4,147,994.30	174,148.40
Contract assets	0.00	449,197.65	39,071.26
Other assets	0.00	0.00	56,952.44
Provisions	18,578,516.40	18,578,516.40	12,316,123.02
Contract liabilities	1,500,773.00	0.00	3,636,973.94
Financial liabilities	9,938,427.38	1,543,257.24	0.00
	33,113,996.78	27,815,245.59	19,035,784.66
Balancing	-24,560,575.76	-19,308,400.18	-14,409,186.81
Deferred tax assets	8,553,421.02	8,506,845.41	4,626,597.85
Deferred tax liabilities on			
Goodwill	2,558.25	2,558.25	0.00
Other intangible assets	4,031,371.82	4,031,371.82	3,279,294.92
Property, plant and equipment	4,193,911.51	0.00	0.00
Financial assets	5,191,279.30	5,191,279.30	628,717.39
Inventories	137,821.73	137,821.73	0.00
Contract assets	1,702,532.96	0.00	0.00
Other assets	1,436,827.93	1,436,827.93	0.00
Other liabilities	10,365,467.45	11,009,736.34	11,445,301.99
	27,061,770.95	21,809,595.37	15,353,314.30
Balancing	-24,560,575.76	-19,308,400.18	-14,409,186.81
Deferred tax liabilities	2,501,195.19	2,501,195.19	944,127.49

The difference before and after IFRS 15/16 is mainly attributable to the extended balance sheet as the right of use assets and corresponding leasing liabilities had to be recognized. As this is related to the same company, the recognized deferred taxes have only minor differences after the necessary balancing process.

Deferred taxes on losses carried forward are subject to a regular, at least quarterly, impairment test. It is examined whether and to which extent existing losses carried forward are expected to be offset against the positive results of an individual group company within the next five years. In the current and in the previous fiscal year, deferred taxes capitalized on losses carried forward were largely recognized without a need for valuation allowance.

Of the deferred taxes reported in the balance sheet, a total of EUR 1,261,000.93 (previous year: EUR 571,329.00) was recorded without influencing the income statement. They relate to the revaluation of defined benefit commitments.

Regarding the data prior to IFRS 15/16, the figures shown in “contract assets” relate to “construction contracts in progress” (analog to the balance sheet).

7. Inventories

The following assets are recorded under inventories:

Figures in EUR	30.09.2019	30.09.2019 prior to IFRS 15/16	30.09.2018
Work in progress	16,518,309.90	682,071.89	21,000.00
Finished goods and merchandise, gross	2,537,704.01	2,537,704.01	1,911,040.29
Prepayments	6,514.06	6,514.06	39,987.54
Inventories	19,062,527.97	3,226,289.96	1,972,027.83

The higher inventories are due to the changes in accounting after IFRS 15. The incurred costs for the fulfillment of a contract are capitalized and distributed as expense over the operating phase. The Group only capitalizes accrued costs, a (proportional) capitalization of contribution margins will not be recognized.

Work in progress of EUR 13,771,841.00 relates to several customer projects in the banking environment, especially the NRW.Bank project. The amounts charged to the customers during the transition phase are not processed in this position but are deferred and recognized as a contract liability. The reversal of deferred credit leads to revenue which is distributed over the operating phase. The operating phase of the NRW.Bank project has started on October 1, 2019, the framework agreement has a term of ten years, so the unfinished services capitalized during the transition phase and the invoice amounts on the liabilities side in the context of the transition will be reverse over a period of ten years.

Of the inventories, a total of EUR 107,616.22 (previous year: EUR 213,114.61) was pledged as collateral for loan liabilities to banks. The respective credit facility has not been utilized as at September 30, 2019.

8. Trade Receivables

At the balance sheet date, trade receivables were as follows:

Figures in EUR	30.09.2019	30.09.2019 prior to IFRS 15 / 16	30.09.2018
Trade receivables, gross	46,661,994.92	48,214,567.87	32,751,644.28
Valuation allowance	-1,070,546.04	-1,070,546.04	-1,515,560.33
Trade receivables	45,591,448.88	47,144,021.83	31,236,083.95
Factoring volume	12,917,619.78	12,917,619.78	13,899,398.96

Trade receivables have grown by 46 % compared to the prior year. New companies contributed EUR 6,202,276.40 to this increase.

Special effects are due to the NRW.Bank project. The amounts invoiced at the end of the transition phase had not been settled on September 30, 2019.

The effects from IFRS 15/16 relate to receivables that already exist but have not been invoiced yet. They will have to be reclassified from trade receivables to contract assets.

Over the course of the fiscal year, valuation allowances developed as follows:

Figures in EUR	2018/2019 Specific valuation allowance	2018/2019 General valuation allowance	2018/2019 Total	2018/2019 Trade receivables gross
Opening balance	1,167,260.33	348,300.00	1,515,560.33	32,751,644.28
Additions through changes in the scope of consolidation	16,478.22	0.00	16,478.22	
Consumption	187,934.51	32,700.00	220,634.51	
Reversal	910,000.00	0.00	910,000.00	
Additions	441,042.00	228,100.00	669,142.00	
Closing balance	526,846.04	543,700.00	1,070,546.04	46,661,994.92

With the exception of retention of title – agreed in commercial transactions to some extent – trade receivables are not collateralized. Hence, the DATAGROUP Group is exposed to the risk that bad debts may arise in an amount equal to the book values. This was taken into account by recognizing specific valuation allowances and entering further reductions to factor in expected impairments that may exceed this figure.

9. Contract Assets

Figures in EUR	30.09.2019	30.09.2019 prior to IFRS 15 / 16	30.09.2018
Construction contracts, gross	10,573,879.73	10,573,879.73	8,345,008.60
Prepayments received	3,392,340.60	3,392,340.60	1,880,844.96
Construction contracts net	7,181,539.13	7,181,539.13	6,464,163.64
Claims on customers – Service provided but not yet invoiced	1,552,572.95	0.00	0.00
Short-term contract assets	8,734,112.08	7,181,539.13	6,464,163.64

Receivables for services already rendered but not invoiced yet will be recognized here after the introduction of IFRS 15. They had been recognized under trade receivables so far.

10. Other Current Assets

Other assets shown under current assets are composed as follows:

Figures in EUR	30.09.2019	30.09.2018
Receivables from affiliated companies	78,418.00	33,227.57
Receivables from companies in which participating interests are held	345,513.60	456,083.72
Receivables from tax authorities	5,195,099.70	7,064,140.55
Receivables from factoring	5,088,402.26	3,135,417.05
Others	12,749,898.02	10,647,302.50
Other current assets	23,457,331.58	21,336,171.39

The position “Others” mainly includes deferred charge.

11. Cash and Cash Equivalents

Cash and cash equivalents only include bank deposits and cash:

Figures in EUR	30.09.2019	30.09.2018
Bank deposits	47,448,618.79	38,686,196.41
Cash on hand	16,300.87	14,295.27
Cash and cash equivalents	47,464,919.66	38,700,491.68



12. Equity

The equity development is shown in the overviews of the consolidated statement of changes in equity.

SUBSCRIBED CAPITAL

The company’s share capital amounts to EUR 8,349,000.00 and is distributed in 8,349,000 no-par value bearer shares. The pro rata amount of the share capital is EUR 1.00 per no-par share.

AUTHORIZED CAPITAL

The Management Board is authorized by a resolution of the Annual General Meeting of March 8, 2018, with the consent of the Supervisory Board, to increase the company’s share capital once or several times by a nominal amount of EUR 3,339,600.00 until March 7, 2023 by issuing new no-par value bearer shares with a pro rata amount of the share capital of EUR 1.00 per no-par share against contributions in cash and/or in kind (authorized capital I 2018). The Management Board has made no use of this authorization to date.

The Management Board is authorized by a resolution of the Annual General Meeting of March 8, 2018, with the consent of the Supervisory Board, to increase the company’s share capital once or several times up to a nominal amount of EUR 834,900.00 until March 7, 2023 by issuing new no-par value bearer shares with a pro rata amount of the share capital of EUR 1.00 per no-par share against contributions in cash and/or in kind (authorized capital II 2018). The Management Board has made no use of this authorization to date.

CONTINGENT CAPITAL

The Management Board is authorized by a resolution of the Annual General Meeting of March 12, 2015, with the consent of the Supervisory Board, to issue, once or several times, options or convertible bonds in the name of the bearer, profit participation rights or profit participating bonds, or a combination of these instruments (collectively “bonds”) up to a total nominal value of EUR 30,000,000.00 until March 11, 2020 with or without maturity date and to grant or impose on holders or creditors of the equally privileged bonds option rights or obligations or conversion rights or obligations relating to new no-par value bearer shares of DATAGROUP SE with a pro rata amount of the share capital up to a total of EUR 3,795,000.00, according to the conditions attached to these bonds. The bonds may feature a fixed or variable interest rate. Furthermore, the interest rate may fully or partially depend on the dividend amount of DATAGROUP SE, as is also the case for a participating bond. The Management Board has made no use of this authorization to date.

RETAINED EARNINGS

At the Annual General Meeting on March 14, 2019 it was resolved to distribute a dividend of EUR 0.60 per no-par share entitled to dividend for FY 2017/2018. The amount paid for 8,331,459 no-par shares totaled EUR 4,998,875.40.

For FY 2018/2019, the Management Board proposes to distribute a dividend of EUR 0.70 per no-par share entitled to dividend.

EARNINGS PER SHARE

In the fiscal year, the company generated earnings per share of 174 cents. The previous year’s value stood at 155 cents per share. Prior to the effects from the first-time introduction of IFRS 15/16, earnings per share amounted to 176 cents.

The calculation for “earnings per share” is based on the average weighted number of ordinary shares outstanding during the period under review. This number consistently stood at 8,331,459 during FY 2018/2019 and the previous year 2017/2018.

ACCUMULATED OTHER COMPREHENSIVE INCOME

Beyond the consolidated net income of EUR 14,513,915.52 (previous year EUR 12,873,310.65) generated in the fiscal year, accumulated other comprehensive income of EUR -2,769,920.07 (previous year EUR -1,450,929.29) was generated. Other comprehensive income relates to actuarial losses from the valuation of pension provisions of EUR -4,030,921.00, which are reduced by deferred taxes on this item in the amount of EUR -1,261,000.93.

In summary, the development of the accumulated other comprehensive income in FY 2018/2019 compared to FY 2017/2018 is as follows:

Figures in EUR	2018/2019	2017/2018
As at 01.10.	-3,940,515.10	-2,489,585.81
Other result	-2,769,920.07	-1,450,929.29
As at 30.09.	-6,710,435.17	-3,940,515.10

Another effect is due to the changes in the balancing item arising from the currency translation of financial statements prepared in foreign currencies using the exchange rate on the balance sheet date in the amount of EUR -24.05.

REPAYMENT OF CAPITAL/TREASURY SHARES

The company was authorized by the Annual General Meeting on March 22, 2017 to acquire treasury shares which in aggregate account for 10 % of the share capital existing at the time of the adoption of the resolution on March 22, 2017, or – if this value is lower – of the existing share capital registered at the time the shares are acquired. The shares acquired under this authorization together with other shares of the company which it has already acquired and still holds, or which are to be assigned to the company pursuant to §§ 71 et seq. of the German Stock Corporation Act (Aktiengesetz) may not, at any time, exceed 10 % of the respective share capital. This authorization is valid until March 21, 2022.

Treasury shares are mainly acquired with the aim to use them as consideration within the context of the acquisition of companies, parts of companies, share or other interests in companies.

In the fiscal year, the company’s shares held in treasury remained unchanged at 17,541 shares or nominally EUR 17,541.00. This corresponds to 0.21 % of the share capital.

13. Non-Current and Current Financial Liabilities

The tables below show the composition and maturity of the financial liabilities on September 30, 2019 and on September 30, 2018:

	30.09.2019	30.09.2019	30.09.2019	30.09.2019
	Remaining term	Remaining term	Remaining term	Total
Figures in EUR	up to 1 year	1 to 5 years	over 5 years	
Liabilities to financial institutions	8,728,887.40	54,779,620.11	35,578,276.58	99,086,784.09
Liabilities from finance lease	8,754,152.62	17,981,099.71	5,551,526.01	32,286,778.34
Financial liabilities	17,483,040.02	72,760,719.82	41,129,802.59	131,373,562.43

When adjusted for IFRS 15/16, figures are as follows:

	30.09.2019	30.09.2019	30.09.2019	30.09.2019
	Remaining term	Remaining term	Remaining term	Total
Figures in EUR	up to 1 year	1 to 5 years	over 5 years	
Liabilities to financial institutions	8,728,887.40	54,779,620.11	35,578,276.58	99,086,784.09
Liabilities from finance lease	2,223,538.38	3,086,399.45	0.00	5,309,937.83
Financial liabilities	10,952,498.51	57,866,019.56	35,578,276.58	104,396,794.65

The difference is due to liabilities, which had already been posted on the balance sheet and which related to lease agreements for buildings and car leasing agreements.

The prior-year figures are shown below:

	30.09.2018	30.09.2018	30.09.2018	30.09.2018
	Remaining term	Remaining term	Remaining term	Total
Figures in EUR	up to 1 year	1 to 5 years	over 5 years	
Liabilities to financial institutions	9,942,905.69	29,763,680.85	0.00	39,706,586.54
Liabilities from finance lease	2,089,596.12	1,914,639.57	0.00	4,004,235.69
Liabilities for the earn-out from the acquisition of subsidiaries	305,000.00	1,790,266.00	0.00	2,095,266.00
Fair value of derivative financial instruments	0.00	9,095,400.64	0.00	9,095,400.64
Financial liabilities	12,337,501.81	42,563,987.06	0.00	54,901,488.87

The increase in liabilities to banks is due to taking up promissory note loans in the amount of EUR 69,000,000.00. Earn-out obligations that existed in the previous year were settled in the year under review, and the Group has not entered into earn-out obligations in the context of new acquisitions. The derivative financial instruments were transferred to trust assets and the figures shown were offset against provisions for pensions as per September 30, 2019.

14. Hedging Instrument

In FY 2015/2016, DATAGROUP Enterprise Services GmbH acquired part of the business operations from Hewlett-Packard GmbH (HPE, now DXC Technology) on September 1, 2016. As part of this contract, the company took over pension obligations which were valued with EUR 50,793,008.00 in total on September 1, 2016. These obligations are backed by trust assets in the amount of EUR 21,085,249.36, which were transferred to the trustee appointed by DATAGROUP. The difference of EUR 29,707,758.64 was recognized as cash settlement claim as per September 30, 2016. It has a term until August 31, 2020. A derivative is embedded in the cash settlement claim in the form of an interest rate future. The value of the interest rate derivative is determined by the underlying interest rate at the respective valuation date.

The discount interest rate acts as a reference for the pension obligation portfolio determined on September 1, 2016, as stipulated in the contract. The interest rate is aligned to the interest rates for the IFRS valuation of pension obligations with a duration of 16 years.

ACCOUNTING UNTIL SEPTEMBER 30, 2018

Until September 30, 2018, underlying transaction and derivative were recognized as shown below by applying IAS 39:

Based on the contractual conditions, the derivative can significantly modify the cash flows from the host contract. The economic features and risks of the two components of the hybrid financial instrument are not closely related. As such, host contract and derivative must be recognized separately, as the company does not exercise the fair value option.

DATAGROUP has designated the derivative as hedging instrument on October 1, 2016 to offset the part of the change in value of the pension obligation which results from changes of the discount rate (fair value hedge).

According to the regulations of IAS 39 and by determining a company-specific approach in the sense of IAS 8.10, part of the pension obligations that were transferred to DATAGROUP when it acquired a division were designated as host of the hedging relationship. Only the interest-driven change in value of the pension obligation is designated as host, to hedge the existing individual risk of the financial debt.

Changes in the value of the hedging instrument and the host of a fair value hedge are basically recognized through profit and loss. As this would disrupt the principle of changes in value recognized directly in equity in the present case, the accounting rules of the host are applied to the hedging instrument. As well as the ineffective part of the changes in the fair value, changes in value related to the hedged risk are accounted for in the other comprehensive income.

The purpose of the hedging instrument is to offset interest-driven adjustments of pension provisions from the pension obligations acquired on September 1, 2016. The derivative has a term until August 31, 2020. The development of the pension provision from an offer or from other inventory changes is explicitly not hedged. Based on the chosen contractual structure, the hedging instrument is calculated at an actuarial interest resulting from an assumed remaining term of the pension obligation (duration) of 16 years. This was 1.18 % on September 30, 2016. The value of the instrument was EUR 0.00 as per September 30, 2016. A duration of more than 20 years has to be assumed for the determination of the pension provision; the respective actuarial interest was 1.40 % on September 30, 2016.

ACCOUNTING FROM OCTOBER 1, 2018

After the first-time application of IFRS 9 from October 1, 2018, the receivable from DXC Technology was recognized at fair value through profit or loss. According to the assignment agreement dated December 2018, the receivable from DXC Technology EntServ Deutschland GmbH was assigned to PensTrust e.V. along with the obligation to contribute the receivable and the related expected payments into the trust fund for securing the provision obligations of DATAGROUP Enterprise Services GmbH with economic effect from October 31, 2018. In the period from October 1 to October 31, 2018, the receivable which was recognized in profit or loss resulted in a profit of EUR 116,795.00. The positive result for the period from November 1, 2018 to September 30, 2019 in the amount of EUR 15,357,410.00 was offset against the insurance loss caused by the development of provisions for pensions in the amount of EUR 15,855,758.00.

15. Non-Current and Current Provisions

Provisions are composed as follows:

	30.09.2019	30.09.2019	30.09.2019	30.09.2018
Figures in EUR	Short-term	Long-term	Total	Total
Provisions for pensions	0.00	37,701,654.98	37,701,654.98	40,609,607.36
Other provisions				
for unfavourable contracts	85,300.00	7,100.00	92,400.00	174,600.00
for restructuring	2,918,078.57	0.00	2,918,078.57	1,623,844.35
for other personnel costs	1,132,376.26	1,738,402.92	2,870,779.18	1,942,338.86
for warranties	534,655.50	0.00	534,655.50	268,400.00
for other obligations	4,527,061.72	168,126.87	4,695,188.59	4,301,271.99
Provisions	9,197,472.05	39,615,284.77	48,812,756.82	48,920,062.56

Provisions in the fiscal year developed as follows:

	01.10.2018	2018/2019	2018/2019
Figures in EUR	As at	Changes in the scope of consolidation	Consumption
Provisions for Pensions	40,609,607.36	0.00	834,341.00
Other provisions			
for unfavourable contracts	174,600.00	0.00	83,900.00
for restructuring	1,623,844.35	1,382,536.61	1,012,035.08
for other personnel costs	1,942,338.86	26,335.00	1,277,028.05
for warranties	268,400.00	356,018.00	196,750.00
for other obligations	4,301,271.99	677,983.21	2,908,075.83
Provisions	48,920,062.56	2,442,872.82	6,312,129.96

	2018/2019	2018/2019	2018/2019	30.09.2019
Figures in EUR	Reversal	Allocation of interest	Allocation	As at
Provisions for pensions	490,782.00	228,443.00	-1,811,272.38	37,701,654.98
Other provisions				
from unfavourable contractual relationships	0.00	1,700.00	0.00	92,400.00
for restructuring	325,518.31	0.00	1,249,251.00	2,918,078.57
for other personnel costs	26,118.00	15,115.00	2,190,136.37	2,870,779.18
for warranties	0.00	17,200.00	89,787.50	534,655.50
for other obligations	1,075,807.32	0.00	3,699,816.54	4,695,188.59
Provisions	1,918,225.63	262,458.00	5,417,719.03	48,812,756.82

PROVISIONS FOR PENSIONS

Provisions for pensions are set up to cover defined benefit commitments made to individual – partially former – employees of DATAGROUP Enterprise Services GmbH, DATAGROUP Business Solutions GmbH, DATAGROUP Financial IT Services GmbH, DATAGROUP Data Center GmbH and DATAGROUP Stuttgart GmbH. The provisions of DATAGROUP Data Center GmbH, which were recognized for the first time, are related to the takeover of individual employees of DATAGROUP Financial IT Services GmbH.

Part of the financial funds that are necessary to cover the pension obligations of DATAGROUP Enterprise Services GmbH, DATAGROUP Financial IT Services GmbH and DATAGROUP Data Center GmbH are managed by a trustee, other pension obligations of DATAGROUP Enterprise Services GmbH and of DATAGROUP Business Solutions GmbH are partially covered by reinsurance policies.

The DATAGROUP entities have both defined contribution and defined benefit pension obligations.

Defined contribution obligations mainly exist in the context of the statutory pension obligation. In FY 2018/2019, employer contributions to statutory pension insurance amounted to EUR 10,000,000.00 (previous year ca. EUR 8,500,000.00) in the DATAGROUP Group.

Defined benefit obligations are based on individual pension commitments, which to some extent were acquired following the transfer of undertakings pursuant to § 613a German Civil Code (Bürgerliches Gesetzbuch, BGB). All of these are closed pension schemes; it is currently not planned that other active employees can acquire entitlements. There are obligations for employees, pensioners and also for individual former employees with vested pension entitlement.

Based on the existing pension schemes, old-age pensions, invalidity pensions as well as widow’s and orphan’s pensions are granted. The magnitude of pension obligations generally depends on the years of service and the salary of the eligible person. A one-off payment in the event of death is granted for part of the pension commitments provided that death occurs before the person reaches retirement age. In the event of survival, i.e. retirement age is reached, the pensioner can choose between a regular monthly payment or a one-off disbursement.

To cover the pension commitments, the company partially has signed trust agreements to secure the accrued trust assets as well as reinsurance policies. The trust assets available at the balance sheet date are fully netted out against pension provisions. Entitlements arising from the reinsurance policies are only netted out if they are pledged to the pension beneficiaries.

The provision is calculated with the projected unit credit method on the basis of the Heubeck actuarial charts 2018 G using the following parameters:

	2018/2019	2018/2019	2018/2019	2018/2019		2018/2019	2017/2018	2017/2018	2017/2018	2017/2018
Figures in %	DATAGROUP Enterprise Services GmbH	DATAGROUP Business Solutions GmbH	DATAGROUP Financial IT Services GmbH	DATAGROUP Data Center GmbH		DATAGROUP Stuttgart GmbH	DATAGROUP Enterprise Services GmbH	DATAGROUP Business Solutions GmbH	DATAGROUP Financial IT Services GmbH	DATAGROUP Stuttgart GmbH
Actuarial interest	1.15	0.75	1.00	1.00		0.85	2.25	1.80	2.05	1.80
Pension trend	1.75	1.75	1.75	1.75		1.75	1.75	1.75	1.75	1.75
Remuneration trend	2.00	2.00	2.50	2.50		0.00	2.00	2.00	2.00	0.00

In view of the divergent inventory structure, different actuarial interest rates were chosen for drawing up the reports of the individual group companies. While DATAGROUP Enterprise Services GmbH only has an active inventory, the other DATAGROUP entities have mixed inventories.

The pension obligations of DATAGROUP Stuttgart GmbH do not depend on salary.

The projected benefit obligation of the defined benefit obligation and the fair values of the plan assets arising from trust assets and reinsurance policies can be extrapolated as follows:

Figures in EUR	30.09.2019	30.09.2018	30.09.2017	30.09.2016		30.09.2015
Projected benefit obligation of the defined benefit obligation	90,897,809.53	69,714,205.36	66,503,433.62	64,661,039.33		14,573,986.00
Fair value of the plan assets	53,196,154.55	29,104,598.00	28,910,245.69	22,832,142.00		1,751,644.00
Provisions for pensions	37,701,654.98	40,609,607.36	37,593,187.93	41,828,897.33		12,822,342.00



Over the course of the fiscal year, the projected benefit obligation for the pension obligations has developed as follows:

	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019		2018/2019	2017/2018	2017/2018	2017/2018	2017/2018	2017/2018
	DATAGROUP Enterprise Services GmbH	DATAGROUP Business Solutions GmbH	DATAGROUP Financial IT Services GmbH	DATAGROUP Data Center GmbH	DATAGROUP Stuttgart GmbH		Total	DATAGROUP Enterprise Services GmbH	DATAGROUP Business Solutions GmbH	DATAGROUP Financial IT Services GmbH	DATAGROUP Stuttgart GmbH	Total
Figures in EUR												
Projected benefit obligation on 01.10.	44,570,090.00	13,872,201.36	10,884,104.00	0.00	387,810.00		69,714,205.36	40,649,898.40	14,429,543.36	11,029,795.86	394,196.00	66,503,433.62
Additions out of changes in the scope of consolidation / out of transfer of employees	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Current service cost	654,898.00	7,759.00	308,151.00	42,409.00	3,042.00		1,016,259.00	1,113,397.00	21,863.00	394,859.00	3,036.40	1,533,155.40
Pension payments	40,252.00	631,561.00	242,041.00	0.00	12,826.00		926,680.00	236,189.00	600,271.00	169,369.00	12,827.40	1,018,656.40
Interest expenses	1,002,374.00	244,016.00	201,807.00	14,338.00	6,865.00		1,469,400.00	868,889.00	247,265.00	216,110.00	6,786.00	1,339,050.00
Reclassification	625,845.00	0.00	-918,664.00	699,378.17	0.00		406,559.17	0.00	0.00	-209,258.42	0.00	-209,258.42
Expected projected benefit obligation on 30.09.	46,812,955.00	13,492,415.36	10,233,357.00	756,125.17	384,891.00		71,679,743.53	42,395,995.40	14,098,400.36	11,262,137.44	391,191.00	68,147,724.20
Actuarial gains and losses												
from changes in financial mathematical assumptions	15,855,758.00	1,757,267.00	1,465,911.00	75,109.00	64,021.00		19,218,066.00	-721,459.40	-174,691.00	-332,076.44	-3,381.00	-1,231,607.84
from changes based on experience	0.00	0.00	0.00	0.00	0.00		0.00	2,895,554.00	-51,508.00	-45,957.00	0.00	2,798,089.00
Total	15,855,758.00	1,757,267.00	1,465,911.00	75,109.00	64,021.00		19,218,066.00	2,174,094.60	-226,199.00	-378,033.44	-3,381.00	1,566,481.16
Projected benefit obligation on 30.09.	62,668,713.00	15,249,682.36	11,699,268.00	831,234.17	448,912.00		90,897,809.53	44,570,090.00	13,872,201.36	10,884,104.00	387,810.00	69,714,205.36

The projected benefit obligations are distributed among the pension beneficiaries as follows:

	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019		2018/2019	2017/2018	2017/2018	2017/2018	2017/2018	2017/2018
	DATAGROUP Enterprise Services GmbH	DATAGROUP Business Solutions GmbH	DATAGROUP Financial IT Services GmbH	DATAGROUP Data Center GmbH	DATAGROUP Stuttgart GmbH		Total	DATAGROUP Enterprise Services GmbH	DATAGROUP Business Solutions GmbH	DATAGROUP Financial IT Services GmbH	DATAGROUP Stuttgart GmbH	Total
Figures in EUR												
Active employees	56,453,122.00	309,319.36	5,251,946.00	801,510.17	124,327.00		62,940,224.53	41,164,748.00	652,735.00	6,016,629.00	95,530.00	47,929,642.00
Former employees with vested pension entitlement	4,694,063.00	2,211,088.00	2,085,478.00	29,724.00	85,306.00		9,105,659.00	2,181,647.00	1,963,588.00	1,299,013.00	89,451.00	5,533,699.00
Pensioners	1,521,528.00	12,729,275.00	4,020,065.00	0.00	191,028.00		18,461,896.00	1,223,695.00	11,255,878.36	3,568,462.00	158,168.00	16,206,203.36
Widows and orphans	0.00	0.00	341,779.00	0.00	48,251.00		390,030.00	0.00	0.00	0.00	44,661.00	44,661.00
Projected benefit obligations on 30.09.	62,668,713.00	15,249,682.36	11,699,268.00	831,234.17	448,912.00		90,897,809.53	44,570,090.00	13,872,201.36	10,884,104.00	387,810.00	69,714,205.36

Over the course of the fiscal year, the fair value of the plan assets has developed as follows:

	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019		2018/2019	2017/2018	2017/2018	2017/2018	2017/2018	2017/2018
	DATAGROUP Enterprise Services GmbH	DATAGROUP Business Solutions GmbH	DATAGROUP Financial IT Services GmbH	DATAGROUP Data Center GmbH	DATAGROUP Stuttgart GmbH			DATAGROUP Enterprise Services GmbH	DATAGROUP Business Solutions GmbH	DATAGROUP Financial IT Services GmbH	DATAGROUP Stuttgart GmbH	
Figures in EUR							Total					Total
Fair value of plan assets on 01.10.	21,327,971.00	1,739,370.00	6,037,257.00	0.00	0.00		29,104,598.00	21,050,699.00	1,742,349.00	6,117,197.69	0.00	28,910,245.69
Additions out of changes in the scope of consolidation / out of transfer of employees	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Additions to plan assets	7,737,969.00	17,824.00	0.00	0.00	0.00		7,755,793.00	0.00	16,976.00	127,856.00	0.00	144,832.00
Payments from plan assets	0.00	92,339.00	0.00	0.00	0.00		92,339.00	0.00	92,339.00	0.00	0.00	92,339.00
Expected income or expenses from plan assets	1,085,473.00	30,611.00	116,102.00	8,771.00	0.00		1,240,957.00	439,960.00	29,807.00	119,532.60	0.00	589,299.60
Reclassification	0.00	0.00	-427,882.00	427,882.00	0.00		0.00	0.00	0.00	-209,258.42	0.00	-209,258.42
Expected fair value of plan assets on 30.09.	30,151,413.00	1,695,466.00	5,725,477.00	436,653.00	0.00		38,009,009.00	21,490,659.00	1,696,793.00	6,155,327.87	0.00	29,342,779.87
Actuarial gains and losses	15,357,410.00	41,496.55	-202,990.00	-8,771.00	0.00		15,187,145.55	-162,688.00	42,577.00	-118,070.87	0.00	-238,181.87
Fair value of plan assets on 30.09.	45,508,823.00	1,736,962.55	5,522,487.00	427,882.00	0.00		53,196,154.55	21,327,971.00	1,739,370.00	6,037,257.00	0.00	29,104,598.00

The plan assets refer to trust assets and claims resulting from insurance policies.  
Pension expenses are reflected in the income statement as follows:

Figures in EUR	2018/2019	2017/2018
Current service = Personnel expenses	1,016,259.00	1,533,155.40
Interest income	1,240,957.00	589,299.60
Interest expenses	1,469,400.00	1,339,050.00

The revaluation of the defined benefit obligations is recognized in the other income. It is composed as follows:

Figures in EUR	2018/2019	2017/2018
Revaluation from defined benefit obligations from		
Pension provisions	-4,030,921.00	-1,868,073.29
Claims from reinsurance coverage for pension obligations	0.00	-37,390.00
Hedging instrument	0.00	-116,795.00
Total	-4,030,921.00	-2,022,258.29

To illustrate the range of possible fluctuations in the provision resulting from a change in the calculation of the underlying parameters, a sensitivity analysis was conducted with different scenarios. To this end, the most important parameters for the calculation of the provision have changed in two directions each. Only one parameter was adjusted in every single scenario, the other remained unchanged. The adjustment of the most important parameters led to the following results:

	2018/2019	2017/2018
	Increase or decrease of projected benefit obligation	Increase or decrease of projected benefit obligation
Figures in %		
Interest -0.5%	12.38	11.40
Interest +0.5%	-10.57	-9.61
Pension trend -0.5%	-6.69	-6.18
Pension trend +0.5%	7.44	6.84
Life expectancy -1 year	-3.17	-2.86
Life expectancy +1 year	3.17	2.84

The following cash inflows and outflows for pension obligations can be expected in the next fiscal year (- = inflows):

Figures in EUR	2019/2020
Pension payments	794,502.00
Annuity payments from plan assets	0.00
Employer's contribution for plan assets	156,447.00
Total	950,949.00

The average remaining time to maturity of the obligations (duration) is approximately 23 years.

16. Contract liabilities

Provisions are composed as follows:

Figures in EUR	30.09.2019	30.09.2019 prior to IFRS 15/16	30.09.2018
Payments received			
on transition projects	6,843,628.44	0.00	0.00
on production orders	188,093.23	188,093.23	151,477.31
Other	1,001,335.19	0.00	0.00
Payments received	8,033,056.86	188,093.23	151,477.31
Deferred income as far as customer relationship regarding	2,974,986.54	0.00	0.00
Short-term contract liabilities	11,008,043.40	188,093.23	151,477.31

The received prepayments and the deferred credit, provided they result from contracts with customers, are reclassified to contract liabilities.

This position – shown as “Prepayments received for transition projects” – also includes the amounts invoiced to customers for the transition. The reversal of deferred credit results in revenue which is distributed over the operating phase. Prepay-ments received for transition projects amounted to EUR 1,213,839.87 on October 1, 2018. Of this amount, EUR 799,757.29 were processed as revenue. The significant increase is due to the NRW.Bank project with EUR 4,633,368.06.

17. Trade Payables

Trade payables can be fully classified as current. If liabilities are related to deliveries, they are partially subject to the custom-ary retention of title.



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## 18. Other Liabilities

Other liabilities are composed as follows:

	30.09.2019	30.09.2019	30.09.2019	30.09.2018
Figures in EUR	Current	Non-current	Total	Total
Liabilities to affiliated companies	38,181.69	0.00	38,181.69	31,860.36
Liabilities to companies in which participating interests are held	1,526,332.16	0.00	1,526,332.16	1,842,983.21
Repayments received	0.00	0.00		1,483,399.48
Liabilities to tax authorities	4,567,819.98	0.00	4,567,819.98	4,573,036.51
Liabilities to personnel	18,452,693.27	0.00	18,452,693.27	14,228,787.15
Liabilities related to outstanding invoices	4,144,102.13	0.00	4,144,102.13	3,552,498.48
Other liabilities	6,109,918.32	1,001,526.60	7,111,444.92	5,406,584.26
<b>Other liabilities</b>	<b>34,839,047.55</b>	<b>1,001,526.60</b>	<b>35,840,574.15</b>	<b>31,119,149.45</b>

When adjusted for the effects from the first-time application of IFRS 15/16, the table looks as follows:

	30.09.2019	30.09.2019	30.09.2019	30.09.2018
Figures in EUR	Current	Non-current	Total	Total
Liabilities to affiliated companies	38,181.69	0.00	38,181.69	31,860.36
Liabilities to companies in which participating interests are held	1,526,332.16	0.00	1,526,332.16	1,842,983.21
Repayments received	1,001,335.23	0.00	1,001,335.23	1,483,399.48
Liabilities to tax authorities	4,567,819.98	0.00	4,567,819.98	4,573,036.51
Liabilities to personnel	18,452,693.27	0.00	18,452,693.27	14,228,787.15
Liabilities related to outstanding invoices	4,144,102.13	0.00	4,144,102.13	3,552,498.48
Other liabilities	9,084,904.86	1,001,526.60	10,086,431.46	5,406,584.26
<b>Other liabilities</b>	<b>38,815,369.32</b>	<b>1,001,526.60</b>	<b>39,816,895.92</b>	<b>31,119,149.45</b>

The prepayments received were reclassified to contract liabilities according to IFRS 15, this also applies to deferred credit resulting from contracts with customers.



IV. Supplementary Disclosures on Financial Instruments

Classification of Financial Instruments

The financial instruments of the DATAGROUP Group can be classified as follows:

Category	30.09.2019	30.09.2019	30.09.2019	30.09.2019
	I	II	III	
	Measured at	Measured at fair	Measured at fair	
	amortized cost	value through	value through	Total
		profit or loss	other comprehen-	
			sive income	
Figures in EUR				
Assets				
Receivables from finance lease contracts	1,279,811.86	0.00	0.00	1,279,811.86
Contract assets	8,734,112.08	0.00	0.00	8,734,112.08
Trade receivables	45,591,448.88	0.00	0.00	45,591,448.88
Cash and cash equivalents	47,464,919.66	0.00	0.00	47,464,919.66
Shares in affiliated companies	0.00	1.00	0.00	1.00
Other (financial) assets	6,356,113.52	1,152,715.00	0.00	7,508,828.52
Financial receivables	109,426,406.00	1,152,716.00	0.00	110,579,122.01
Liabilities				
Liabilities from finance lease contracts	5,310,010.56	0.00	0.00	5,310,010.56
Contract liabilities	11,008,043.40	0.00	0.00	11,008,043.40
Trade payables	9,126,446.40	0.00	0.00	9,126,446.40
Liabilities to financial institutions	99,086,784.09	0.00	0.00	99,086,784.09
Other (financial) liabilities	2,288,621.71	0.00	0.00	2,288,621.71
Financial liabilities	126,819,906.16	0.00	0.00	126,819,906.16
Category	30.09.2018	30.09.2018	30.09.2018	30.09.2018
	I	II	III	
	Measured at	Measured at fair	Measured at fair	
	amortized cost	value through	value through	Total
		profit or loss	other comprehen-	
			sive income	
Figures in EUR				
Assets				
Receivables from finance lease contracts	2,519,082.81	0.00	0.00	2,519,082.81
Construction contracts	6,464,163.64	0.00	0.00	6,464,163.64
Trade receivables	31,236,083.95	0.00	0.00	31,236,083.95
Cash and cash equivalents	38,700,491.68	0.00	0.00	38,700,491.68
Shares in affiliated companies	0.00	0.00	0.00	0.00
Other (financial) assets	26,382,416.56	193,957.00	0.00	26,576,373.56
Financial receivables	105,302,238.64	193,957.00	0.00	105,496,195.64
Liabilities				
Liabilities from finance lease contracts	4,004,235.69	0.00	0.00	4,004,235.69
Surplus of liabilities from construction contracts	151,477.31	0.00	0.00	151,477.31
Trade payables	5,419,052.91	0.00	0.00	5,419,052.91
Liabilities to financial institutions	39,706,586.54	0.00	9,095,400.64	39,706,586.54
Other (financial) liabilities	4,390,984.20	0.00	0.00	13,486,384.84
Financial liabilities	53,672,336.65	0.00	9,095,400.64	62,767,737.29

Prior to the first-time application of IFRS 9, the following categorization on the basis of IAS 39 was necessary in the previous year:

Category	30.09.2018	30.09.2018	30.09.2018	30.09.2018	30.09.2018
	I	II	III	IV	
	Assets at fair value	Loans and	Liabilities	Derivative	
	through profit or	receivables		financial instru-	Total
	loss			ment (hedging	
				instrument)	
Figures in EUR					
Assets					
Receivables from finance lease contracts	0.00	2,519,082.81		0.00	2,519,082.81
Construction contracts	0.00	6,464,163.64		0.00	6,464,163.64
Trade receivables	0.00	31,236,083.95		0.00	31,236,083.95
Cash and cash equivalents	0.00	38,700,491.68		0.00	38,700,491.68
Shares in affiliated companies	0.00	0.00		0.00	0.00
Other (financial) assets	193,957.00	26,382,416.56		0.00	26,576,373.56
Financial receivables	193,957.00	105,302,238.64		0.00	105,496,195.64
Liabilities					
Liabilities from finance lease contracts	0.00		4,004,235.69	0.00	4,004,235.69
Surplus of liabilities from construction contracts	0.00		151,477.31	0.00	151,477.31
Trade payables	0.00		5,419,052.91	0.00	5,419,052.91
Liabilities to financial institutions	0.00		39,706,586.54	0.00	39,706,586.54
Other (financial) liabilities	0.00		4,390,984.20	9,095,400.64	13,486,384.84
Financial liabilities	0.00		53,672,336.65	9,095,400.64	62,767,737.29

Category II “Measured at fair value through profit or loss”, according to IFRS 9, includes shares in affiliated companies and fixed interest securities payable to the holder. They are recognized at their fair value. As the securities are all stock-listed, the fair value corresponds to the share price at the respective balance sheet date (Level 1). The book value corresponds to the fair value of the shares in affiliated companies. No hidden reserves have to be disclosed.

Financial instruments allocated to category I after IFRS 9 are valued at amortized cost. This value approach is considered a sufficient approximate value to the fair value (Level 3), so there is no need for a fair value disclosure.

The derivative financial instrument was assigned to category III in the previous year. The value approach for the hedging instrument was determined using the publicly available input factor “Actuarial interest for pension obligations with a duration of 16 years” (Level 2). The book value was in line with the fair value. The DATAGROUP Group does not and did not use any other derivative financial instruments.

Net income and other result from financial instruments are composed as follows:

	2018/2019	2018/2019	2018/2019	2018/2019		2017/2018	2017/2018	2017/2018	2017/2018
	Measured at amortized cost	Measured at fair value through profit or loss	Measured at fair value through other comprehen- sive income	Total		Measured at amortized cost	Measured at fair value through profit or loss	Measured at fair value through other comprehen- sive income	Total
Figures in EUR									
<b>Net result</b>									
Interest result									
Interest income	51,985.73	2,937.66	0.00	54,923.39		174,854.07	5,964.06	0.00	180,818.13
Interest expense	-1,614,398.57	0.00	0.00	-1,614,398.57		-1,482,025.04	0.00	0.00	-1,482,025.04
Currency translation	-4,514.48	0.00	0.00	-4,514.48		-2,604.05	0.00	0.00	-2,604.05
Result from valuation through profit or loss at fair value	0.00	-80,991.00	0.00	-80,991.00			-3,995.00	0.00	-3,995.00
Value adjustment and Gain/loss on disposal	-458,744.36	0.00	0.00	-458,744.36		-290,487.04	0.00	0.00	-290,487.04
<b>Financial liabilities</b>	<b>-2,025,671.68</b>	<b>-78,053.34</b>	<b>0.00</b>	<b>-2,103,725.02</b>		<b>-1,600,262.06</b>	<b>1,969.06</b>	<b>0.00</b>	<b>-1,598,293.00</b>
<b>Comprehensive income</b>									
Result from valuation at fair value	0.00	0.00	0.00	0.00		0.00	0.00	-116,795.00	-116,795.00

According to IAS 39 – prior to the first-time application of IFRS 9 – the prior-year table was as follows:

	2017/2018	2017/2018	2017/2018	2017/2018		2017/2018
	Assets at fair value through profit or loss	Loans and receivables	Liabilities	Derivative financial instru- ment (hedging instrument)		Total
Figures in EUR						
<b>Net result</b>						
Interest result	5,964.06	174,854.07	-1,482,025.04	0.00		-1,301,206.91
Currency translation	0.00	-2,604.05	0.00	0.00		-2,604.05
Result from valuation through profit or loss at fair value	-3,995.00	0.00	0.00	0.00		-3,995.00
Value adjustment and Gain/loss on disposal	0.00	-279,725.87	-10,761.17	0.00		-290,487.04
<b>Financial liabilities</b>	<b>1,969.06</b>	<b>-107,475.85</b>	<b>-1,492,786.21</b>	<b>0.00</b>		<b>-1,598,293.00</b>
<b>Comprehensive income</b>						
Result from valuation at fair value	0.00	0.00	0.00	-116,795.00		-116,795.00

RISK MANAGEMENT

The DATAGROUP Group mainly has to face – related to the financial instruments – default, liquidity and interest rate risks. The currency risk is virtually insignificant, as the companies of the Group are all located in Germany and purchase and/or deliver goods and services from or to non-euro countries only to a negligible extent.

The central tool of the DATAGROUP Group to control financial opportunities and risks is a so-called rolling forecast system for sales planning and monitoring of revenues and contribution margins. In connection with a monthly income statement, this system allows a very precise statement on revenues, which is always up to date. Current costs and investments are adjusted on the basis of these monthly data to be able to meet the planned corporate results. Furthermore, a simplified consolidated statement of financial position is prepared on a monthly basis.

Liquidity planning, which is prepared on a monthly basis for the entire Group, serves to provide an overview of the liquidity level determined within the DATAGROUP Group and the individual group companies, as well as the control of the expected liquidity development. Weekly liquidity planning is based on a planning horizon of five weeks. Medium-term planning of financial resources exceeding this horizon is prepared as needs arise.

Regarding a more detailed description of the financial risks of the DATAGROUP Group we refer to the Group management report, section 5. Risks and Opportunities.

LIQUIDITY RISKS

A liquidity risk is the risk of not being able to fulfill payment obligations or raise the required funds. The key determinant to minimize the liquidity risks is the earnings power of the DATAGROUP Group, i.e. the ability to always generate sufficient operating cash flows. In this respect, we refer to the consolidated statement of cash flows statement. The excess cash flows from the operations of the DATAGROUP entities are the basis to fulfil any future repayment and interest payment obligations, particularly those arising from existing loan and finance lease agreements. Interest payment and repayment obligations as at September 30, 2019 – also in a yoy comparison with September 30, 2018 – can be summarized as follows:

Figures in EUR	Book value 30.09.2019	Cash flow 2019/2020	Cash flow 2020/2021		Cash flow 2021/2022	Cash flow 2022/2023	Cash flow 2023/2024 et sqq.
Total (interest and redemption payments)							
Liabilities from finance lease contracts	5,309,937.83	3,299,482.51	1,259,413.82		592,634.13	235,961.44	56,858.35
Trade payables	9,126,446.40	9,126,446.40	0.00		0.00	0.00	0.00
Liabilities to financial institutions	99,086,784.09	9,828,751.13	13,169,512.23		801,930.00	801,930.00	79,606,390.00
Other liabilities	2,288,621.71	2,284,098.06	0.00		0.00	0.00	4,523.65
	115,811,790.03	24,538,778.10	14,428,926.05		1,394,564.13	1,037,891.44	79,667,772.00
thereof interest payments							
Liabilities from finance lease contracts		87,257.66	32,366.44		10,947.57	3,557.99	282.76
Liabilities to financial institutions		1,252,149.66	940,349.23		801,930.00	801,930.00	1,606,390.00
Other liabilities		0.00	0.00		0.00	0.00	0.00
		1,339,407.32	972,715.67		812,877.57	805,487.99	1,606,672.76

INTEREST RATE RISKS

The DATAGROUP Group has to face the risk that higher cost of capital has to be raised for the required loans when the interest rate level increases. The Group’s financing requirements result from both current business and acquisition activities.

To minimize the risk, liquidity requirements expected in the medium-term – not only related to the expansion of the Group – are financed by placing promissory note bonds and signing medium-term loan agreements, generally at fixed interest rates. In this connection, the company has taken up new promissory note loans in the amount of EUR 69,000,000.00 in the year under review. The current promissory note loans with a total volume of EUR 97,500,000.00 have terms of between three and seven years and generally have fixed rates. Given manageable costs for interest hedge, the interest rate risk is sufficiently limited. An increase or decrease in the interest level by 100 basis points would have improved or deteriorated the pre-tax profit of the DATAGROUP Group by EUR 133,000.00 (previous year EUR 106,000.00). It was taken into account in this respect that there is a floor rule at the reporting date in relation to the 6-month Euribor reference rate of 0 % for interest-sensitive liabilities to banks. For this reason, the interest income will only be adversely affected if the Euribor base rate exceeds the zero threshold again and turns positive. The floor rules also lead to the fact that a further decline in the interest rate level would not have a positive impact on the interest income of DATAGROUP as there is no interest sensitivity when the Euribor rates are negative.

Additionally, DATAGROUP has to face the risk of higher savings efforts in case of a declining interest level and therefore decreasing interest income, to be able to fulfil the medium to long-term obligations of pension payments. On the balance sheet, this risk is accounted for by an increase in pension provisions. An increase in pension provisions due to the actuarial interest rate is not reflected in the financial result but directly reduces equity as it is recognized in other income. There are no additional impacts on equity resulting in either profit or loss.

DEFAULT RISKS

DATAGROUP faces the risk of not being able to satisfy justified claims, particularly those arising in the operating business. There is a risk that individual customers may become insolvent. This risk is minimized by a broad spectrum of customers and regular credit checks, particularly when business is taken up.

Impairments on trade receivables developed as follows in the fiscal year:

	2018/2019	2018/2019	2018/2019	2018/2019
	Specific valuation allowance	General valuation allowance	Total	Trade receivables gross
Figures in EUR				
Opening balance	1,167,260.33	348,300.00	1,515,560.33	32,751,644.28
Additions through changes in the scope of consolidation	16,478.22	0.00	16,478.22	
Consumption	666,934.51	32,700.00	699,634.51	
Additions	10,042.00	228,100.00	238,142.00	
Closing balance	526,846.04	543,700.00	1,070,546.04	46,661,994.92

As part of the capital management process, the DATAGROUP Group primarily aims at optimizing the existing capital structure and having sufficient liquidity to ensure the necessary scope for organic growth and further company acquisitions. In connection with taking up promissory loan bonds, the DATAGROUP Group must also ensure a contractually fixed minimum ratio for the following balance sheet figures (so-called covenants):

- Economic equity ratio: economic equity (= sum of equity and subordinated loans) to balance sheet total in percent
- Total net debt to EBITDA

On September 30, 2019, the DATAGROUP Group had an economic equity ratio of 23.4 % after 31.9 % on September 30, 2018. When adjusted for the effects from the first-time application of IFRS 15/16, the economic equity ratio is 26.2 %. In FY 2018/2019, the company reached a net debt/EBITDA ratio of 1.4 after 0.4 in the previous year. When adjusted for the new accounting standards, the ratio is 1.0. The covenants are above the scheduled conditions.

The Management Board is regularly informed about the development of these ratios. The DATAGROUP Group is not subject to any other external minimum capital requirements.



VI. Notes to the Cash Flow Statement

The cash flow statement shows the change in cash and cash equivalents (financial resource fund) during the period under review. The financial resource fund comprises cash, sight deposits and short-term, highly liquid financial investments that can be converted to cash immediately and are subject to only minor price fluctuation risks. A financial investment is only allocated to the financial resource fund, when the residual term does not exceed a period of three months. Bank overdrafts which are repayable on demand and form an integral part of the company’s cash management are also allocated to the financial resource fund. Cash flows are determined in accordance with the indirect method.

The first-time application of IFRS 16 resulted in distortions in the cash flow statement. Payments for office rent and car leasing agreements are no longer assigned to the operating cash flows in the current fiscal year but to the repayment installments of leasing liabilities within cash flow from financing activities.

CASH FLOW FROM OPERATING ACTIVITIES

In the period under review, cash flow from operating activities were EUR 4,522,473.19 (previous year EUR 18,990,021.28). Without the deterioration caused by the first-time application of IFRS 15/16, the cash flow from operating activities amount to EUR -2,312,847.85. The decline in cash flow from operating activities was mainly due to the acquisition of the new major customer, NRW.Bank. From October 1, 2019, DATAGROUP is in charge of the provisioning and operation of the entire IT infrastructure of NRW.Bank as a Managed Service. DATAGROUP made available IT goods of EUR 16.0m at NRW.Bank after the finalization of the transition. Furthermore, the execution of the transition of NRW.Bank and other bank customers resulted in project expenses in the amount of EUR 13.8m. This is charged to the customers over the term of the contract in the form of a managed service in the complete package. This form of contract leads to advance financing for DATAGROUP. Adjusted for this effect, cash flow from operating activities amounts to EUR 29,779,184.92.

CASH FLOW FROM INVESTING ACTIVITIES

Cash outflows from investing activities totaled EUR 40,566,778.75 (previous year EUR 19,103,667.06) in the period under review. Acquisitions made in the context of the expansion strategy resulted in payments for investments in fully consolidated companies in the net amount of EUR 21,715,884.73, i.e. after deduction of liquid funds as part of the transactions (previous year EUR 4,819,076.53). Investments in property, plant and equipment and in intangible assets in the amount of EUR 18,672,054.12 (previous year EUR 14,807,356.59) were mainly caused by the expansion of the CORBOX infrastructure and investments in the DATAGROUP sites. The investments were primarily related to servers, network infrastructure, workplace systems and data backup systems.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash inflows amounted to EUR 44,649,067.27 in the fiscal year after cash outflows of EUR 14,364,992.36 in the previous year. DATAGROUP saw a cash inflow of EUR 69,000,000.00 from taking up promissory note loans. In the fiscal year, DATAGROUP repaid bank loans of EUR 9,916,668.00 (previous year: EUR 8,250,001.00). The dividend payment in the period under review amounted to EUR 4,998,875.40 (previous year EUR 3,749,156.55). Finance lease agreements led to net cash outflows of EUR 8,296,724.39 in the current fiscal year (previous year EUR 973,983.07). Prior to the introduction of IFRS 16, the net cash outflow from finance lease agreements would have totaled EUR 1,461,403.35.

VII. Segment Information

The operating subsidiaries in the DATAGROUP Group are divided into two segments “Services” and “Solutions and Consulting”. These segments are based on the service portfolio on which the respective companies are focused:

The “Services” segment comprises all subsidiaries primarily providing IT services. In particular, these IT services include the provision of IT workplaces (selection and procurement, on-site implementation, exchange and disposal of old equipment), services of our certified DATAGROUP data centers as well as service desk services.

The “Solutions and Consulting” segment comprises the group companies, where the range of services offered consists of highly qualified and specialized technology and solutions consultants as well as software developers.

The registered offices and branches of the DATAGROUP entities are exclusively based in Germany. For this reason, a regional reporting is only helpful to a limited extent.

Segment reporting was prepared in accordance with IFRS 8 “Operating segments” and is based on the so-called “management approach”, i.e. it is oriented towards the internal reporting in the DATAGROUP Group. Internal reporting, which is updated on a monthly basis, is subject to the same accounting and measurement principles as external reporting in the consolidated financial statements. Financial result, taxes and depreciation resulting from purchase price allocation are only shown at Group level and not allocated to individual segments. Transactions undertaken between the segments are calculated at market prices.

SEGMENT REPORTING

	Services	Solutions & Consulting	Others & Consolidation	Total		Services	Solutions & Consulting	Others & Consolidation	Total
Figures in EUR	2018/2019	2018/2019	2018/2019	2018/2019		2017/2018	2017/2018	2017/2018	2017/2018
Revenues with external customers	220,328,903.20	85,575,430.28	860,567.67	306,764,901.15		192,962,730.88	78,657,943.43	478,879.05	272,099,553.36
Revenues with other segment	11,928,441.14	9,187,216.07	-21,115,657.21	0.00		4,583,439.05	7,943,956.57	-12,527,395.62	0.00
Revenue of the segment	232,257,344.34	94,762,646.35	-20,255,089.54	306,764,901.15		197,546,169.93	86,601,900.00	-12,048,516.57	272,099,553.36
Material expenses / expenses for purchased services	92,687,861.00	23,825,028.52	-17,306,661.58	99,206,227.94		72,599,350.95	17,494,012.60	-9,692,553.41	80,400,810.14
Personnel expenses	88,525,588.24	49,140,136.85	7,513,439.47	145,179,164.56		79,876,782.42	48,522,375.71	6,335,247.74	134,734,405.87
Regular depreciation and amortization	13,805,321.83	4,542,129.99	4,907,471.16	23,254,922.98		6,898,395.36	2,673,255.01	4,467,988.09	14,039,638.46
Operating income	15,972,275.73	6,080,340.00	1,572,947.53	23,625,563.27		20,491,394.49	8,095,833.91	-8,163,423.63	20,423,804.77
Interest income				323,160.51					340,589.47
Interest expenses				2,311,445.98					2,398,923.54
Earnings before taxes				21,689,911.08					18,478,593.68
Taxes on income and profit				7,175,995.56					5,605,283.03
Net income for the period				14,513,915.52					12,873,310.65
Headcount on reporting date	1,717	735	53	2,505		1,231	695	45	1,971
Investments¹	26,650,843.97	2,790,166.59	1,946,148.67	31,387,159.24		12,490,591.86	1,897,056.81	1,144,774.34	15,532,423.00
Investments from changes in the scope of consolidation	21,499,000.00	2,500,000.00	0.00	23,999,000.00		0.00	8,678,734.00	0.00	8,678,734.00
Assets total segment	181,381,996.87	53,043,078.93	236,491,593.17	470,916,668.98		129,021,184.61	41,946,450.54	128,991,515.92	299,959,151.07
Intersegment consolidation	-64,364,028.46	-3,550,340.15	-82,925,722.79	-150,840,091.40		-11,098,711.38	-3,359,758.11	-70,051,107.72	-84,509,577.21
Assets	117,017,968.41	49,492,738.78	153,565,870.39	320,076,577.58		117,922,473.23	38,586,692.43	58,940,408.20	215,449,573.86
Liabilities total segment	118,036,523.33	40,817,057.69	171,669,104.62	330,522,685.64		80,833,373.92	34,754,370.40	59,686,226.90	175,273,971.22
Intersegment consolidation	-5,850,406.59	-2,879,191.97	-75,762,795.86	-84,492,394.42		-2,209,861.11	-1,764,448.16	-23,104,716.57	-27,079,025.84
Liabilities	112,186,116.74	37,937,865.72	95,906,308.76	246,030,291.22		78,623,512.81	32,989,922.24	36,581,510.33	148,194,945.38

SEGMENT REPORTING BY GEOGRAPHIES

	Germany	EU countries	Third country	Total		Germany	EU countries	Third country	Total
Figures in EUR	2018/2019	2018/2019	2018/2019	2018/2019		2017/2018	2017/2018	2017/2018	2017/2018
Revenues with external customers	303,093,100.24	3,247,154.65	424,646.26	306,764,901.15		266,853,594.61	4,639,979.98	605,978.77	272,099,553.36

¹ Including additions to right of use assets from IFRS 16 in FY 2018/2019

VIII. Events After the Reporting Period

The “Services” segment generated revenues of EUR 232,257,344.34 in the fiscal year. These are EUR 34,711,174.42 or 17.57 % more than in FY 2017/2018. EBITDA was EUR 29,777,597.56 (previous year EUR 27,389,789.86). The EBITDA margin stood at 12.8 % after 13.9 % in the previous year.

Revenues in the “Solutions and Consulting” segment rose by 9.42 % to EUR 94,762,646.35. The EBITDA margin of this segment was 11.2 % after 12.4 % in the previous year.

Revenues in the “Others & Consolidation” segment are related to services provided to other group companies, particularly by DATAGROUP SE, as well as countervailing consolidation entries.

After the completion of the fiscal year, the following transactions of special relevance occurred:

- 1. Disposal of provisions for pensions of DATAGROUP Business Solutions GmbH and DATAGROUP Financial IT Services GmbH
- 2. Foundation of Enterprise IT Service Hungary Kft, Budapest by DATAGROUP Enterprise Services GmbH
- 3. Merger of Almato GmbH into DATAGROUP Mobile Solutions AG
- 4. Acquisition of a stake in Diebold Nixdorf Portavis GmbH

1. DISPOSAL OF PROVISIONS FOR PENSIONS OF DATAGROUP BUSINESS SOLUTIONS GMBH AND DATAGROUP FINANCIAL IT SERVICES GMBH

At the end of December 2019, the Group has sold pension obligations with a book value of ca. EUR 20m with the effective date being September 30, 2019. Alongside the obligations, the Group transferred assets and cash in equal amount. For this reason, pension obligations as well as the necessary capital resources in the form of assets and cash were transferred to a group company by way of universal succession; the shares in the company were sold thereafter.

2. FOUNDATION OF ENTERPRISE IT SERVICE HUNGARY KFT, BUDAPEST BY DATAGROUP ENTERPRISE SERVICES GMBH

At the start of fiscal year 2019/2020, DATAGROUP Enterprise Services GmbH, Siegburg, founded Enterprise IT Services Hungary Kft, Budapest.

The purpose of this company is to provide IT infrastructure services for the East-European subsidiaries of the customers of DATAGROUP Enterprise Services GmbH.

3. MERGER OF ALMATO GMBH INTO DATAGROUP MOBILE SOLUTIONS AG AND CHANGE OF NAME TO ALMATO AG

Almato GmbH was merged into DATAGROUP Mobile Solutions AG with retroactive effect of October 1, 2019. Upon the merger taking effect, the absorbing company will be the new employer of the employees employed by Almato GmbH at this point in time; this is a transfer of undertakings according to § 613a BGB.

Additionally, DATAGROUP Mobile Solutions AG will change its name to Almato AG.

4. ACQUISITION OF A STAKE IN DIEBOLD NIXDORF PORTAVIS GMBH

Under a purchase agreement dated January 17, 2020, DATAGROUP SE bought a stake of 68 % in Diebold Nixdorf Portavis GmbH from WINCOR NIXDORF International GmbH. The transaction is subject to the approval of the antitrust authorities. The acquired company has around 200 employees providing IT services to customers in the financial services sector and is expected to generate revenue of some EUR 60m in the fiscal year.

IX. Other Information

1. Employees

In FY 2018/2019 DATAGROUP employed on average 2,155 people (previous year 2017/2018 1,915). On September 30, 2019, the number of employees totaled 2,505 (previous year: 1,971). When also accounting for management and apprentices, the headcount was 2,688 on September 30, 2019. DATAGROUP employed 128 apprentices on September 30, 2019.

2. Management Board

The members of the company’s Management Board are:

- Mr. Hans-Hermann Schaber**
- Chief Executive Officer
  - Chief Financial Officer (CFO) / Human Resources / Organization

- Mr. Dirk Peters**
- Chief Service Management Officer

- Mr. Andreas Baresel**
- Chief Production Officer

- Mr. Peter Schneck (from October 1, 2019)**
- Chief Officer Investor Relations, Legal and Mergers & Acquisitions

3. Supervisory Board

The members of the company’s Supervisory Board are:

- Mr. Heinz Hilgert**
- Managing Director TransVise GmbH, Frankfurt a. M.
  - Chairman

- Mr. Dr. Helmut Mahler (until September 30, 2019)**
- Managing Director of Code White GmbH, Stuttgart
  - Deputy Chairman

- Mrs. Dr. Carola Wittig**
- Presiding Judge at the Stuttgart district court

- Mr. Hubert Deutsch (from October 23, 2019)**
- Chief Executive Officer of Blank Holding GmbH

4. Total Remuneration of the Members of the Management Board

The total remuneration of the members of the Management Board added up to EUR 4,124,998.57. This amount includes variable remuneration of EUR 1,632,296.00.

The total remuneration includes remuneration for the operational management of subsidiaries in the amount of EUR 797,148.69 (thereof EUR 300,000.00 variable).

5. Total Remuneration of the Members of the Supervisory Board

The total remuneration of the members of the Supervisory Board amounted to EUR 90,500.00 in the fiscal year.

6. Transactions with Affiliated and Associated Companies and/or Persons

The Management Board members and managing directors of the individual DATAGROUP entities, their close family members, HHS Beteiligungsgesellschaft mbH (HHS) and its subsidiaries were identified as affiliated and associated companies and/or persons.

Transactions with affiliated and associated companies and persons mainly relate to clearing transactions, current account and loan relationships as well as service contracts.

DATAGROUP SE charges HHS a group contribution of EUR 175,200.00 (previous year EUR 175,200.00) for services provided by DATAGROUP SE to HHS and its subsidiaries. Furthermore, DATAGROUP SE provided other services to HHS in the amount of EUR 57,298.00 (previous year EUR 128.23). DATAGROUP SE received goods and services from HHS in the amount of EUR 200,000.00 (previous year EUR 72,800.00).

In the year under review, DATAGROUP SE received goods or services from subsidiaries of HHS in the amount of EUR 227,931.16 (previous year EUR 197,123.45). DATAGROUP SE provided services to several subsidiaries of HHS totaling EUR 108,338.52 in the year under review (previous year EUR 89,576.02).

In the fiscal year, DATAGROUP SE granted HHS an overdraft in the total amount of EUR 6,000,000.00. The loan amounted to EUR 0.00 at the reporting date (previous year EUR 547.42). In the fiscal year, interest payments of EUR 15,979.14 have been calculated, thereof interest expenses of EUR 17,236.22 and interest income of EUR 1,257.08 (previous year: interest expenses of EUR 29,291.16).

All transactions above were settled at fair market conditions.



7. Contingent Liabilities

There are no contingent liabilities.

8. Leases

The DATAGROUP Group is both a lessor and a lessee and has signed operating lease and finance lease contracts on the sales side. In particular, the DATAGROUP entities signed rental and lease contracts for using or financing data centers, for hardware and software, as well as for buildings and cars. Various companies of the DATAGROUP Group offer their major customers also financing solutions for the procurement of their IT infrastructure as a total package along with services and maintenance services.

In the past, a distinction was made between operating leasing and finance leasing according to IAS 17 in relation to contractual relationships in which DATAGROUP is a lessee. It was classified as operating leasing when the major risks and benefits associated with ownership were not borne by the lessee. Economic ownership of leased assets was assigned to the lessee of finance lease contracts. The first-time application of IFRS 16 “Leases” has changed this model and the difference between operating lease and finance lease does not longer exist on the procurement side. The Group therefore capitalized right of use assets in the current fiscal year, which result from contracts that had been classified as operating leases before (for details we refer to chapter I.2). The new capitalized right of use assets are assets related to lease agreements for buildings or car leasing agreements. After the adoption of IFRS 16, this has led to right of use assets of three groups of lease asset – hardware and software, lease agreements for buildings and car leasing agreements. The groups of lease assets are divided as follows:

Figures in EUR	Hard- and software	Buildings	Vehicles
Book value of use of right assets at balance sheet date	3,753,302.35	24,582,441.25	2,223,168.66
Depreciable amounts	1,269,965.40	5,624,331.79	1,382,147.13
Interest expenses	90,498.64	275,704.85	61,659.45

In contrast, contractual relationships with DATAGROUP as a lessor did not result in any major changes from the first-time application of IFRS 16.

No gains have been generated with sale-and-lease-back contracts in the current fiscal year. The conclusion of new finance lease contracts resulted in capital gains before taxes of EUR 749,073.15.

Book values = present values as well as minimum leasing payments can be depicted as shown below:

	30.09.2019	30.09.2019	30.09.2019	30.09.2019
Figures in EUR	up to 1 year	1 to 5 years	over 5 years	Total
Leasing obligations				
Minimum leasing payments	8,857,671.05	20,077,686.13	6,201,782.28	35,137,139.46
Present value	8,754,152.62	17,981,099.71	5,551,526.01	32,286,778.34
Leasing claims				
Finance lease				
Minimum leasing payments	4,493,006.91	13,351,553.02	566,952.63	18,411,512.56
Present value	4,352,737.95	12,457,828.15	470,589.68	17,281,155.78

	30.09.2018	30.09.2018	30.09.2018	30.09.2018
Figures in EUR	up to 1 year	1 to 5 years	over 5 years	Total
Leasing obligations				
Finance lease				
Minimum leasing payments	2,157,989.53	1,941,697.15	0.00	4,099,686.68
Present value	2,089,596.12	1,914,639.57	0.00	4,004,235.69
Operating lease				
Minimum leasing payments	7,155,039.83	15,721,602.87	5,705,588.01	28,582,230.70
Leasing claims				
Finance lease				
Minimum leasing payments	1,277,889.51	1,294,860.19	0.00	2,572,749.70
Present value	1,239,270.95	1,279,811.86	0.00	2,519,082.81

The contracts with customers (with DATAGROUP entities as a lessor) do not have any non-guaranteed residual values.

The leasing contracts for software and hardware – with DATAGROUP companies both as a lessor and a lessee – have terms to maturity of between 36 and 60 months, and up to 120 months in individual cases. The calculated internal interest rates on which the leasing relationships are based are mainly between 1.5 % and 4.5 %. Lease agreements for buildings may have terms of up to 12 years. Vehicle leasing contracts usually have a term of between three and four years.

9. Transactions Not Included in the Balance Sheet

There are no transactions that are not included in the balance sheet.

10. Auditors’ Fees

BANSBACH GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, (BANSBACH) was commissioned to perform the audit of the accounts. The annual financial statements include the following expenses for the services of BANSBACH:

Figures in EUR	2018/2019	2017/2018
Fees for audit services	262,530.60	255,765.27
Tax advisory services	92,272.29	155,290.45
Other services	261,321.12	149,801.91
Auditor's fees	616,124.01	560,857.63

Of these expenses, EUR 494,051.53 (previous year EUR 463,012.86) were deferred at the balance sheet date. The result from the settlement of the provision created in the previous year was EUR 6,620.68 (previous year EUR -9,988.58).

11. Inclusion in the Consolidated Financial Statement of  
HHS Beteiligungsgesellschaft mbH

The company will be included in the consolidated financial statement of HHS Beteiligungsgesellschaft mbH, Pliezhausen, on September 30, 2019 (largest scope of consolidation). HHS Beteiligungsgesellschaft mbH is entered in the commercial register of Stuttgart under HRB 353224. The consolidated financial statement ending September 30, 2019 is to be published in the German Electronic Federal Gazette (Bundesanzeiger).

12. Notification from Shareholders (Pursuant to § 20 para. 4 AktG)

In a letter dated January 22, 2006, HHS Beteiligungsgesellschaft mbH (previously DATAGROUP GmbH), Pliezhausen, notified DATAGROUP SE (previously DATAGROUP IT Services Holding AG), Pliezhausen, as follows: "DATAGROUP GmbH, Pliezhausen, informs you in accordance with § 20 para. 1, clause 3 in connection with § 16 para. 1 AktG (German Stock Corporation Act) that the company directly holds a majority share in DATAGROUP IT Services Holding AG."

13. Exemption Pursuant to § 264 para. 3 HGB (German Commercial Code)

The shareholder meetings of DATAGROUP Stuttgart GmbH, DATAGROUP Bremen GmbH, DATAGROUP IT Solutions GmbH and DATAGROUP Consulting GmbH decided, as well as the extraordinary Annual General Meeting of DATAGROUP Mobile Solutions AG, to make use of the exemption under § 264 para. 3 HGB and suspend the preparation and publication of the notes and the management report on September 30, 2019. The resolutions were disclosed in the German Electronic Federal Gazette in accordance with § 325 HGB.


14. Proposal for the Appropriation of Net Income

The Management Board will propose to the Annual General Meeting to distribute a dividend of EUR 0.70 per no-par share entitled to dividend from the retained earnings of EUR 14,532,128.04. The remaining amount is to be carried forward.


15. Authorization to Disclose the Consolidated Financial Statement of the  
Previous Year

The authorization to disclose the consolidated financial statements of the previous year ending September 30, 2018 was granted by the Management Board on January 17, 2019. Disclosure was made in a timely manner on our website at the end of January 2019, in the electronic commercial register on October 1, 2019.

Pliezhausen, January 20, 2020  
DATAGROUP SE

  
**Max H.-H. Schaber**  
CEO

  
**Dirk Peters**  
Chief Service  
Management Officer

  
**Andreas Baresel**  
Chief Production Officer

  
**Peter Schneck**  
Peter Schneck  
Chief Officer Investor  
Relations, Legal,  
Mergers & Acquisitions

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### PHOTOGRAPHY

Peter Heck, Stuttgart (p. 8)  
Klaus Mellenthin, Stuttgart / Berlin (p. 6 – 7, p. 22, S. 24)  
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