Driving Technology

Half-yearly Financial Report
as of June 30, 2023

ALLGEIER

ALLGEIER

Allgeier SE supports digital transformation with full range of software and IT services

Allgeier SE is one of Germany's leading technology companies for digital transformation: The fast-growing group guides its clients through the challenges of digital transformation to ensure their future success. Allgeier has a broad and stable customer base of global corporations, high-performing medium-sized companies and public sector clients at all federal levels. To its more than 2,000 customers, Allgeier offers a fully comprehensive software and IT services portfolio ranging from high-end software development to business efficiency solutions to support the digitization and transformation of business-critical processes. In doing so, Allgeier achieves breakthroughs towards new digital business models, defines strategic priorities and implements groundbreaking software and IT services projects with high flexibility and scalability to shape agile and intelligent organizations for the digital age. The two group segments Enterprise IT and mgm technology partners employ more than 3,500 salaried staff at a total of 53 locations worldwide in the DACH region, France, Spain, Portugal, Poland and the Czech Republic, as well as in India, Vietnam and the USA. In fiscal year 2022, Allgeier generated sales of EUR 480 million in continuing operations. According to the Lünendonk® List 2022, Allgeier is one of the leading IT service companies in Germany. Allgeier SE is listed on the Regulated Market of the Frankfurt Stock Exchange in the General Standard (WKN A2GS63, ISIN DE000A2GS633). Further information can be found at www.allgeier.com

ALLGEIER

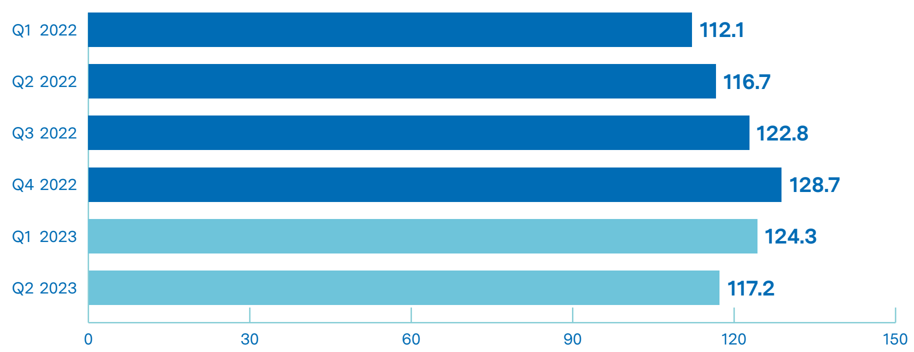
Contents

Company and Key Indicators at a Glance

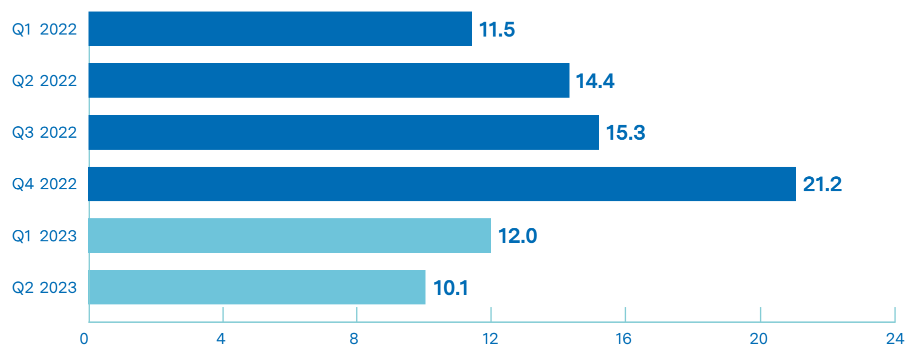
Further information and the company's latest news can be found at www.allgeier.com.

Key Group indicators[1]	H1 2023	H1 2022	Change in percent[5]
Revenue	241.5	228.5	5.7%
Gross profit	78.7	70.3	12.0%
EBITDA	22.1	25.8	-14.5%
Adjusted EBITDA[2]	24.4	24.9	-2.2%
EBIT	10.2	12.9	-20.5%
EBT	6.3	9.9	-36.2%
Profit or loss for the period[3]	4.2	6.3	-33.5%
Earnings per share (EUR)	0.12	0.72	-83.3%
Adjusted earnings per share (EUR)	0.43	0.99	-56.6%
	June 30, 2023	December 31, 2022	Change in percent[5]
Total assets[4]	493.1	513.8	-4.0%
Equity	180.0	181.3	-0.7%
Permanent employees	3,510	3,329	5.4%

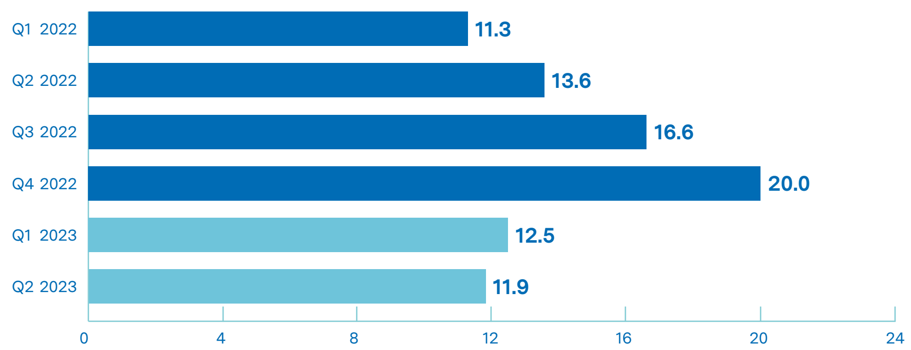
[1]Continuing operations in accordance with IFRS, figures in EUR million (unless stated otherwise)
[2]EBITDA before extraordinary effects or effects relating to other periods
[3]Not including gains and losses on disposal
[4]Prior-year figures restated
[5]Percentages calculated using non-rounded figures



Revenue
EUR million



EBITDA
EUR million



Adjusted EBITDA*
EUR million

All figures for 2023 relate to the Group's continuing operations; the figures for the 2022 fiscal year have not been restated.
*EBITDA from continuing operations before extraordinary effects or effects relating to other periods

Letter from the Management Board

**Dear Shareholders
and Business Partners of Allgeier SE,**

As of the end of the first half of 2023, we again wish to offer a brief commentary on business performance from the Management Board's perspective:

The current year began with gratifyingly stable development in the first quarter, which allowed us to achieve double-digit growth as against the same period of the previous year in both revenue and earnings. Despite the mixed general economic situation in the first half of the year, the demand side would have allowed even better growth that we were sadly unable to fully exploit on the supply side on account of our limited capacity. An unusually high level of absence due to illness, which began in the fall of 2022 and continued into May, both limited our performance capability and increased our costs. The ongoing recruitment of new personnel remains an ongoing challenge in light of the skills shortage. Fortunately, inflation did not significantly erode our gross margins.

In the second quarter in particular, we continued our ongoing transformation towards higher Group-wide gross profit. We once again reduced revenue with low gross profit – even slightly more than originally planned. The reduction will amount to four percent of our revenue volume over 2023 as a whole. This business will be more than compensated for by higher revenue in other business areas, hence we will achieve net growth overall in the year as a whole.

We expect to see good performance in the second half of the year. We will improve our internal cost base predominantly with the measures already initiated. The goal is to achieve the higher margin level planned for the second half of the year. The projection for the year as a whole is in line with the guidance that we published for 2023.

We are continuing to invest in shaping our portfolio with the aim of increasing gross profit and augmenting highly sought-after specializations, such as the cloud, cybersecurity, open source software development or low-code, and of course the integration of AI into software solutions. This is being achieved by working on organic development and by securing new companies for the Allgeier Group. In July 2023, we acquired SDX AG in Frankfurt, a specialist for software development and cloud technology in the field of Microsoft Azure. The new team members will enrich and energetically expand our Microsoft operations. As in many other areas as well, there are enormous business opportunities in this field. Despite some challenging conditions, we anticipate consistently high demand for our services in support of the digital transformation of business processes for our corporate clients and administrative processes for our public sector clients. We are thus looking ahead optimistically to the second half of the year and beyond.

Yours,

Dr. Marcus Goedsche
Member of the
Management Board

Hubert Rohrer
Member of the
Management Board

Interim Management Report on H1 2023

General information

From January 1, 2023, the Allgeier Group reports deferred taxes on temporary differences arising from accounting for leases. The changes were made retroactively to January 1, 2022, to ensure comparability with the previous year. The resulting restatements are shown in separate columns in the statement of financial position and the statement of comprehensive income. All figures below relate to the Group's continuing operations.

Allgeier SE increases revenue by 6 percent and gross profit by 12 percent in first half of 2023

Allgeier SE generated revenue growth of 6 percent in the first half of 2023 (January 1, 2023, to June 30, 2023) with a strong increase in gross profit. This growth was driven by stable demand from the market. Adjusted EBITDA reached the same level as the previous year on account of the higher cost base year-on-year, which was geared towards more growth. In the second quarter of 2023 in particular, growth was more modest than planned in personnel services as a result of the ongoing active reduction of business with low gross margins. This mainly affected the months of April and May, while business performance in June again led to year-on-year double-digit growth in revenue, gross profit and EBITDA. The internal cost base will be adjusted accordingly for the second half of the year and beyond, in part by way of the measures already implemented.

Business performance in the first half of 2023

Allgeier's consolidated revenue climbed by 6 percent as against the first six months of 2022 to EUR 241.5 million in the first half of 2023 (January 1, 2023, to June 30, 2023; previous year: EUR 228.5 million). Both of the Group's segments contributed to the growth in revenue.

The Group increased its gross profit (defined as total operating performance less cost of sales and personnel expenses directly attributable to sales) by 12 percent to EUR 78.7 million (previous year: EUR 70.3 million). The gross margin thus rose to 32.1 percent in the first half of 2023 (previous year: 30.4 percent). Adjusted EBITDA (earnings before depreciation, amortization and impairment losses on property, plant and equipment, interest and taxes, adjusted for extraordinary items and items relating to other periods) declined by 2 percent to EUR 24.4 million (previous year: EUR 24.9 million). In particular, the factors adjusted for include extraordinary costs for changes to the internal cost base of EUR 0.6 million. After extraordinary items, EBITDA declined by 15 percent to EUR 22.1 million in the reporting period (previous year: EUR 25.8 million). EBIT (earnings before interest and taxes) amounted to EUR 10.2 million (previous year: EUR 12.9 million). Consolidated EBT after net finance costs was down by 36 percent at EUR 6.3 million (previous year: EUR 9.9 million). After deducting income tax expenses of EUR 2.2 million (previous year: EUR 3.7 million) and gains and losses on spin-off and disposals of EUR 0.0 million (previous year: EUR 4.2 million), Allgeier generated a profit of EUR 4.2 million in the first half of 2023 (previous year: EUR 10.5 million).

Basic earnings per share from continuing operations, calculated on the basis of earnings for the first six months less non-controlling interests, amounted to EUR 0.12 in the first half of 2023 (previous year: EUR 0.72).

Consolidated earnings per share adjusted for depreciation and amortization due to acquisitions and calculated using a normalized tax rate of 30 percent amounted to EUR 0.43 (previous year: EUR 0.99) in the reporting period.

To present adjusted earnings per share, the Allgeier Group corrects the reported EBIT from continuing operations for amortization of intangible assets capitalized in connection with acquisitions (effects of purchase price allocation) and other non-recurring and prior-period effects. Taking these adjustments into account and assuming a uniform tax rate of 30 percent, the Group generated earnings per share of EUR 0.43 in the first half of 2023 (H1 2022: EUR 0.99).

Figures in EUR million (unless stated otherwise)	H1 2023	H1 2022
Profit from operating activities (EBIT as reported)	10.2	12.9
Amortization of intangible assets from acquisitions	2.3	4.5
Other non-recurring and prior-period effects	2.3	-0.9
Net finance costs	-3.9	-3.0
Adjusted earnings before taxes	10.9	13.5
Tax rate	30%	30%
Taxes	-3.3	-4.0
Adjusted earnings before gains on disposals for the period	7.6	9.4
Gains on disposals	0.0	4.2
Adjusted profit or loss for the period	7.6	13.6
Non-controlling interests	-2.7	-2.3
Earnings for calculation of adjusted earnings per share	4.9	11.3
Number of shares outstanding	11,428,627	11,408,513
Adjusted earnings per share in euro (basic)	0.43	0.99

Business performance in the second quarter of 2023

In the second quarter of 2023 (April 1, 2023, to June 30, 2023), the Allgeier Group's revenue from continuing operations grew slightly by 1 percent as against the same period of the previous year to EUR 117.2 million (previous year: EUR 116.5 million). Gross profit increased by 18 percent to EUR 39.1 million in the second quarter of 2023 (previous year: EUR 33.1 million). The gross margin rose to 33.4 percent (previous year: 28.4 percent). Adjusted EBITDA declined to EUR 11.9 million (previous year: EUR 13.6 million) with a margin of 10.2 percent. EBITDA fell to EUR 10.1 million (previous year: EUR 14.3 million). EBIT amounted to EUR 4.0 million (previous year: EUR 7.8 million).

Development of cash flows in the first half of 2023

The cash flow from operating activities before changes in working capital from continuing operations amounted to EUR 11.6 million in the first six months of 2023 (previous year: EUR 20.9 million). The cash flow from changes in working capital was EUR -25.2 million in the first half of 2023 (previous year: EUR -18.1 million). Including the cash flow from changes in working capital, this resulted in a cash flow from operating activities of EUR -13.6 million in total (previous year: EUR 2.8 million). Cash flow from investing activities for the period amounted to EUR -12.4 million (previous year: EUR -4.6 million). This includes payments of EUR 12.2 million (previous year: EUR 8.9 million) for investments in non-current assets, including lease payments, and payments of EUR 3.3 million (previous year: EUR 0.9 million) for acquisition activities. The Allgeier Group received a cash inflow of EUR 2.9 million (previous year: EUR 0.0 million) from sale and leaseback transactions. The net cash outflow from financing activities was EUR 1.9 million in the first six months of 2023 (previous year: net inflow of EUR 9.7 million). Net interest payments amounted to EUR 3.9 million (previous year: EUR 2.4 million net) and new bank loans amounted to EUR 6.0 million net (previous year: EUR 4.0 million). The balance of payments from the factoring of customer receivables resulted in a net inflow of EUR 3.8 million (previous year: EUR 10.2 million). Profits of EUR 2.0 million were distributed to non-controlling interests in the first half of 2023 (previous year: EUR 2.0 million).

As a result of cash flows from operating, investing and financing activities, cash and cash equivalents rose from EUR 67.2 million on December 31, 2022, to EUR 39.3 million on June 30, 2023.

General Economic and Industry Conditions

Acquisitions

Acquisition of ShiftDigital Government Solutions GmbH

On March 3, 2023, Allgeier publicplan Holding GmbH, Munich, acquired ShiftDigital Government Solutions GmbH, Bochum (ShiftDigital). The company is a start-up specializing in digitalization services in the municipal sector. The company generated a total performance of EUR 0.2 million and EBITDA of EUR -0.4 million with seven employees in 2022. Allgeier SE holds 90 percent of the shares in Allgeier publicplan Holding GmbH. A fixed purchase price of EUR 0.3 million and a variable purchase price of around EUR 0.1 million were agreed for ShiftDigital. The fixed purchase price was paid in March 2023. The company was consolidated as of February 28, 2023.

General Economic and Industry Conditions

General economic conditions: Recession at start of year, waning inflation, more positive outlook for following year

Economic activity in Germany and the euro area was characterized by a tough macroeconomic situation in the first half of fiscal 2023. Germany experienced a technical recession in the winter and many analysts are predicting a decline in gross domestic product (GDP) over the year as a whole. However, over the year to date, lower energy prices, easing supply shortages and a burgeoning labor market have somewhat allayed fears of a recession for the year as a whole. According to the European Commission's spring forecast from May 2023, growth prospects for the EU economy are thus 1.0 percent for the current year after 0.8 percent in the winter interim forecast. For 2024, the European Commission is predicting growth of 1.7 percent in the countries of the European Union.

The European Commission writes that the German economy and many other national economies proved remarkably resilient at the start of 2023. However, German GDP contracted slightly in the first quarter of 2023 as against the fourth quarter of 2022 and in the fourth quarter of 2022 as against the third quarter, hence the German economy was in a technical recession as the year began. Adjusted for inflation, calendar and seasonal effects, German GDP was down by 0.1 percent in the first quarter of 2023 after the economy had already contracted by 0.4 percent in the final quarter of 2022. According to the statistical office of the European Union in Luxembourg, Eurostat, the euro area also experienced slightly negative growth of 0.1 percent in the fourth quarter of 2022, and only narrowly avoided a technical recession with zero growth in the first quarter of 2023. In the second quarter of 2023, adjusted for inflation, seasonal and calendar effects, German GDP did not fall any further compared to the first quarter of 2023 (0.0 percent), according to the German Federal Statistical Office's initial calculation from the end of July 2023. Consumer spending by private households stabilized in the second quarter of 2023 following a weak winter.

Experts, such as the International Monetary Fund (IMF) in its recent forecast from May, expect German economic growth to remain muted. In its report on Germany, the IMF warns that stricter financing conditions and the energy price shock will inhibit short-term growth. According to the IMF's current World Economic Outlook from July 2023, growth in German GDP will be -0.3 percent in 2023. Germany would therefore be the only economy out of the 22 states considered with GDP set to fall in the current year. For 2024, the IMF expects German GDP to increase to 1.3 percent. Based on its spring forecast, the German government is currently still projecting marginal growth of 0.4 percent for the current year.

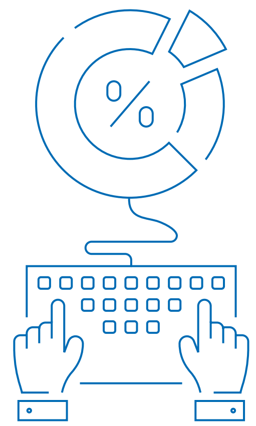
In the opinion of the Federal Statistical Office, the German economy was impeded by high price increases in the opening months of 2023. This was especially apparent in private consumer spending, which declined by 1.2 percent in the first quarter of 2023 (adjusted for inflation, seasonal and calendar effects). Purchase restraint by private households was evident in various areas, with spending down on the previous quarter for clothing/shoes and home furnishings (adjusted for inflation, seasonal and calendar effects). Government expenditure likewise fell considerably by 4.9 percent as against the previous quarter. Meanwhile, businesses were investing more than in the fourth quarter of 2022: After the weak second half of 2022, construction investment was up significantly by 3.9 percent in the first quarter of 2023 (adjusted for inflation, seasonal and calendar effects). Investment in equipment – primarily machinery, devices and vehicles – also rose significantly by 3.2 percent at the start of the year. There was stimulus from foreign trade as well: 0.4 percent more goods and services were exported as against the fourth quarter of 2022 (adjusted for inflation, seasonal and calendar effects), with exports of plastic and metal products proving especially robust. By contrast, imports were down by 0.9 percent in total, partly on account of the weaker flow of mineral fuels, such as crude oil and mineral oil products, and chemical products.

The labor market proved robust and the positive trend in employment continued at the start of 2023 as well: Around 45.6 million people were in employment in Germany in the first quarter of 2023. According to provisional calculations by the Federal Statistical Office, the number of people in work, adjusted for seasonal effects, is up by 150,000 (0.3 percent) as against the previous quarter after growth of 118,000 (0.3 percent) in the fourth quarter of 2022.

Inflation lessened overall compared to the previous year. The rate of inflation in Germany – measured by the year-on-year change in the consumer price index – was 6.1 percent in May 2023 and – slightly higher again – 6.4 percent in June 2023. The Federal Statistical Office estimated at the end of July 2023 that it had fallen to 6.2 percent in the same month. The rate of inflation had still been more than 7 percent in March and April 2023 (March: 7.4 percent; April: 7.2 percent). While inflation is therefore falling overall, it nonetheless remains at a high level. In the euro area, according to the latest figures from Eurostat, inflation fell to 5.5 percent in June 2023 after 6.1 percent in May. Recently, inflation in energy prices in Germany has been significantly lower than in the same month of the previous year. Food remains the strongest driving factor in inflation. The German government is forecasting a rate of inflation of 6.0 percent for the current year and 2.7 percent in 2024. By contrast, the IMF is forecasting inflation of 6.3 percent for 2023 while the OECD has even predicted 6.7 percent for Germany. According to the ifo Institute's Economic Experts Survey from July 2023, forecasts for global inflation remain high, though a slow decline in the rate of inflation anticipated for 2023 as a whole is emerging over the past three quarters. The expected average inflation rate worldwide is 7 percent for 2023, 6 percent for 2024, and the experts surveyed even still predict an average inflation rate of 4.9 percent for 2026. Inflation forecasts vary considerably in different regions of the world. By international standards, projections are at their lowest in Europe, both for the current year of 2023 as well as for 2024 and 2026. While a decline in forecast inflation is apparent, experts do not expect a return to the ECB's inflation target of less than two percent before 2026.

Global economic growth continues to be impaired by various factors. The International Monetary Fund (IMF) writes in its World Economic Outlook from April 2023 that prospects are still uncertain given the turbulence in the financial sector, high inflation, the ongoing repercussions of Russia's invasion of Ukraine and three years of the COVID-19 pandemic. Under the IMF's baseline forecast, growth will slow from 2022's 3.4 percent to 2.8 percent in 2023, before settling at 3.0 percent in 2024. The developed countries will experience a particularly sharp deceleration in growth from 2.7 percent in 2022 to 1.3 percent in 2023. In a plausible alternative scenario with additional stress for the financial sector, global growth will fall to approximately 2.5 percent in 2023, while growth in the developed countries will drop to below 1 percent. According to the baseline scenario, overall global inflation will likely sink from 8.7 percent in 2022 to 7.0 percent in 2023 as a result of lower commodity prices, though the underlying (headline) inflation is set to recede more slowly. In most cases, inflation is unlikely to return to the target of 2 percent before 2025.

In summary, the global economic situation is still largely out of the ordinary. Following the economic recovery from the effects of the COVID-19 pandemic, the core markets of the Allgeier Group are expected to continue experiencing substantial economic resistance in the current year. Inflation and the economic consequences of the Ukraine war mean that a recession in Germany for the year as a whole still looks likely at the mid-point of 2023, even though the German government is predicting mild growth for 2023 in its spring forecast from April. Some leading indicators are hinting at a recovery and a return to growth by no later than 2024.



Forecasts for the IT industry

The ICT industry as a whole (information and communications technology and consumer electronics) is in good condition compared to nearly every other industry. In its annual projection for 2023, the German Federal Association for Information Technology, Telecommunications and Consumer Electronics (BITKOM) predicts that the sector as a whole will achieve revenue in excess of EUR 200 billion for the first time. It expects companies in IT, telecommunications and consumer electronics to report revenue growth of 2.1 percent to EUR 213.2 billion. According to BITKOM, digitalization is the answer to the multiple crises of our age. Despite supply chain problems, inflation and the war, the digital sector is counting on growth. There are positive expectations for the IT market as a whole, and also the segments especially relevant to Allgeier of software and IT services.

The key growth pillar of the German tech sector in the first half of 2023 is the IT segment relevant to Allgeier. The market as a whole already passed the EUR 139 billion mark in 2022. BITKOM is predicting a surge in growth on the information technology market for 2023 as well. According to current forecasts, revenue from software, IT services and hardware in Germany will total EUR 143.6 billion in 2023, an increase of 3 percent. The software segment, which is especially relevant to Allgeier, is expected to experience strong growth of 9.6 percent in 2023. Business with platforms for artificial intelligence will grow significantly by 41.8 percent to EUR 1.1 billion. For IT services, another segment especially relevant to Allgeier, BITKOM is also forecasting a significant surge in growth of 5.3 percent to EUR 49.4 billion in 2023. This is roughly in line with the growth rates of previous years. Revenue from IT services amounted to EUR 47.0 billion in 2022 and EUR 43.3 billion in 2021. Expectations for these segments remain good for the next two years. The business climate in the industry likewise remains positive and at a similar level to before the outbreak of the COVID-19 pandemic and the war in Ukraine. At the start of 2023, the relevant BITKOM-ifo Index was significantly higher than the business climate for the economy as a whole. During the pandemic, it became apparent that digitalization is a key component in solving social and economic problems, especially in times of crisis. The business community, the government and civil society as well are promoting the digital transformation with investment in infrastructure, devices, software and services.

The industry is facing challenges in the shape of the ongoing skills shortage. Even though German companies are expected to create 39,000 new jobs by the end of the year, according to BITKOM, the shortage of IT specialists is getting worse. 1.35 million people are currently employed in the IT sector. According to BITKOM, there is a shortage of 137,000 IT exports across all areas of the sector at this time, after 96,000 vacancies last year. On average, it now takes 7.1 months to fill an IT vacancy (previous year: 6.6 months).

In the opinion of the Allgeier Group as well, the global trend of digitalization is ensuring that virtually all business models are changing and are being significantly influenced by IT and software. This will tend to increase spending and investment in IT and software solutions. Investment in IT and software in previous years proved to be largely unaffected by fluctuations on the economy as a whole in recent years. This process is being driven by market trends and technologies such as cyber/information security, the cloud, big data analytics, the IoT (Internet of Things) and digital platforms as well as – to an ever-greater degree – machine learning, artificial intelligence, blockchain and augmented/virtual reality.

Investment by companies and public authorities in IT is continuing to rise. The Capgemini study “IT Trends 2023” highlights that, according to the CIOs and public authorities surveyed, 58 percent of companies and public authorities intend to increase their IT budgets, and more than a third even intend to do so by more than 10 percent. This is consistent with the assumption by more than 80 percent of CIOs surveyed that the strategic significance of IT in their respective companies will grow in the coming years and that further resources will therefore be required.

The research and consulting company Gartner likewise expects demand for IT to remain strong to advance digital business initiatives. New investment is being channeled towards the cloud environment in particular, as reflected by the forecast growth in software spending. The story is much the same for the official authorities. Gartner estimates that IT expenditure by official authorities will grow by 6.8 percent in 2023. This higher spending will go towards the modernization of old systems and the improvement of access to key services. Another key driver of IT expenditure, according to experts, will be the total experience framework (TX), which helps government agencies manage employee and citizen interactions. It is important to do away with the internal silo structures from legacy systems that still exist in many cases, as these are sometimes an obstacle to innovation and new ways of doing things. According to the Capgemini, additional demand is still being stimulated by sustainability efforts, and in particular the reduction of greenhouse gases. Companies have raised their sights for carbon savings from 37 percent to 42 percent per half-decade, and IT is expected to generate approximately 50 percent of this figure. Those benefiting from the climate transition are investing heavily in software and IT, and are growing customer groups for Allgeier’s future.

The study’s authors identified a stagnation in the intensity of use of smart systems in the past year. The biggest obstacle to growth in use is insufficient data availability, which has improved at companies but become worse at government agencies. The main reason for this at government agencies is statutory regulations, while at businesses the problem is still persistent data silos. However, businesses also increasingly see statutory regulations as a true obstacle in the use of smart systems. Nonetheless, it is the express will of user organizations to intensify the use of smart systems over the next two years. By far the greatest growth potential is anticipated in personalized clients services. This means that substantial elements of digitalization and thus the corresponding demand for support from software solutions and services still lie before us.

The trend in the use of cloud-based IT services is undiminished, the study continues. While approximately 60 percent of IT services had been cloud-based in the previous year, the figure is now already more than three quarters. A challenge lies in the high share (roughly 75 percent) of cloud applications that are not cloud-native and therefore cannot fully harness the technology’s potential. This will mean further future potential as a result of the foreseeable technological transition, some of which will require reprogramming or the considerable revision of the business software.

This year, Capgemini sees the zero trust security concept, multi-cloud solutions, machine learning, robotic process automation and protection against threats from web-enabled devices (IoT) as the biggest trends in IT. At the other end of the list of the technologies asked about are virtual and augmented reality, mobile wallets, distributed ledger technology, graph databases and quantum computing. The strongest growth was in multi-cloud and preventive and predictive maintenance, the latter of which in particular is expected to see a strong surge in the coming years. Meanwhile, edge computing lost in relevance most significantly.

The companies of the Allgeier Group have long held a strong market position in many of these trending and growth areas. Many areas such as container cloud, one of the most important growth trends, were also actively targeted – including with recent acquisitions. In addition to cybersecurity, open source software development and low-code platforms, the ongoing trend towards transferring enterprise resource planning (ERP) solutions to the cloud and the associated e-commerce solutions in particular could serve as additional growth drivers.

ERP, for instance, is a central software system that optimizes business processes by connecting individual links in the production chain. The trends in the industry are also stimulating ERP sales as ERP software solutions greatly simplify corporate control and planning processes. According to the Synergy Research Group, cloud services in the ERP area, one of the largest segments of the enterprise software market, is currently still somewhat underrepresented.

As digitalization advances in the business community, government and society, the risks of cyberattacks are constantly rising as well. In conjunction with the ongoing war in Ukraine, BITKOM also issued an urgent warning against cyberattacks, as the conflict is also being waged in the digital realm and could therefore have direct consequences for the German economy as well. Russia's attack, it continues, means that full attention and utmost vigilance is also required of all companies, organizations and government agencies in German cyberspace. The IT security incidents affecting businesses and authorities in the current year of 2023, some of which were reported in the media, show that there is a real threat and that it is still escalating.

In order to optimally meet the steady growth in demand for security solutions, Allgeier has bundled its proprietary IT security solutions and cybersecurity services business in a new and dynamic unit, operating on the market as Allgeier CyRis since spring last year. With security solutions for IT and OT, comprehensive services and more than 15 years of experience in the IT security field, Allgeier has the potential to establish itself at the forefront of this area. Its service portfolio extends from vulnerability management to penetration testing and malware detection to establishing secure communication channels, for instance with the julia mailoffice solution. It also provides consulting services and performs audits and security awareness training.

In summary, Allgeier is benefiting equally from the general trend of digitalization and key technology trends. Allgeier has a successful handle on key growth areas and future technologies with its proprietary software solutions and the IT and software services that it offers.

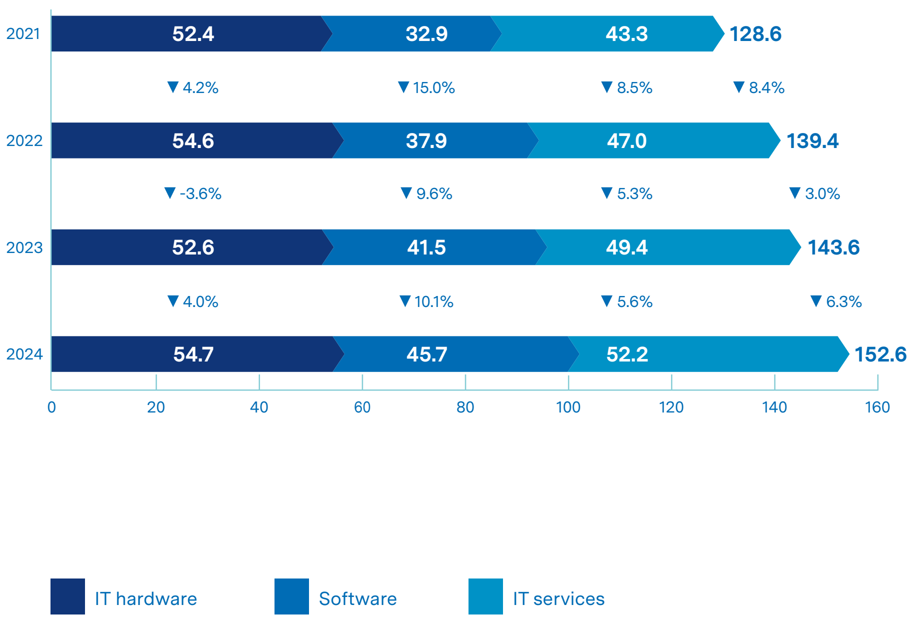
At the same time, the need and pressure for digitalization both for businesses and for the public sector increased further in the years of the COVID-19 pandemic. In particular, a further surge in demand is expected in public administration, where Allgeier has been expanding its market position for years: The government and the states have defined joint action areas for the digitalization of administration in the national e-government strategy. The German Act on the Improvement of Online Access to Administrative Services (Online Access Act) had required the federal government, states and municipalities to offer their administrative services digitally as well by the end of 2022. The German government has also announced that, by 2025, it intends to bundle the procurement of its administrative IT and consolidate its information technology in order to enhance security and efficiency while also rising to the challenges of a digital administration. Only in November 2022, the states Bavaria, Schleswig-Holstein and Hesse requested an extension of the funding for administrative digitalization to avoid the project's failure. A suitable successor framework is currently being discussed at various levels to generate forward momentum in the still necessary digital transformation of public administration. In order to make progress in digitalization in Germany, BITKOM is calling on the German government to create an ambitious digital policy with a focus on administration, education, data rooms and infrastructure. The intended acceleration of administrative and approval processes should be implemented rapidly.

The Allgeier Group's Management Board expects IT dependency to continue to grow in the remainder of the current fiscal year in an increasingly globalized world. The forecast growth in the IT sector as a whole and its relevant subsectors supports this assumption. The growth rates are significantly higher than the industry average. At the same time, IT itself is undergoing rapid change, resulting in a constant need for innovation and investment as areas that have been relevant to date are quickly overtaken and replaced by others. Thanks to the Allgeier Group's good positioning in key, high-growth innovation and future areas on the one hand, and its broad customer base covering multiple industries and consisting of several hundred large corporations, SME market and sector leaders and public sector contractors on the other, Allgeier is confident of the structural opportunities for growth in the software and IT services sector.

Growth on the German information technology market

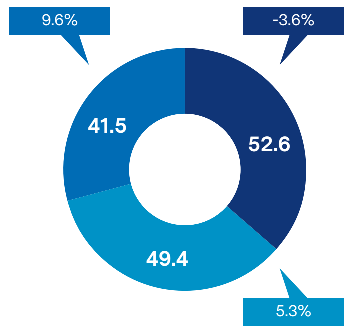
Market volume

(EUR billion)*



Market segments

2023 (EUR billion)**



Source: BITKOM, EITO; July 2023
*Year-on-year rate of increase (in %)
**Forecast (year-on-year growth in %)

Segment Performance

The disclosures and information below include revenue and earnings from transactions conducted between the segments.

Enterprise IT segment

Segment operations

The Enterprise IT segment is a full-range provider of IT solutions and services for critical business processes with broad and far-reaching expertise. The Enterprise IT segment assists global corporations, SMEs and public sector contractors in their digital transformation and the optimization of the digital business processes along the entire value chain. The segment offers its clients a full portfolio of IT services for major software projects and long-term managed services and maintenance agreements. The companies of the Enterprise IT segment design, create and operate end-to-end IT solutions for implementing and supporting clients' critical business processes on the basis of business software products. They do this using their own IP-based software architecture and solutions plus market-leading software products and platforms for the digitalization of business processes in cooperation with providers such as Microsoft, SAP, IBM and Oracle. One key area is the development of software solutions on the basis of open source components. The segment is benefiting equally from Allgeier Group's good positioning as a long-term digitalization partner for the public sector on the one hand, on the basis of its wealth of experience, specific expertise and outstanding references, and – on the other – high requirements for further and more rapid digitalization in the public sector and what it offers for private citizens and companies. The Enterprise IT segment has a large pool of resources with highly qualified software and IT experts, which enables it to guarantee a high level of scalability and flexibility in project implementation and support. Its employees combine in-depth technical knowledge, comprehensive process and sector expertise and consulting capability in the fields of open source software development, business efficiency solutions, cyber and IT security, business process management, enterprise content management, cloud/containerizing and mobile applications. With their consulting, development, project planning, implementation and support services, the segment's companies create IT solutions in the core areas for business software, such as:

- Open source software development, in particular for public sector contractors: Political issues such as digital sovereignty, European data protection and the "Public Money, Public Code" initiative are making open source solutions increasingly relevant, especially in the field of public sector contractors. Starting with consulting for all facets of this issue, through open source-compliant software development and the development of industry solutions as open source software to long-term support for such solutions and entire communities, a completely new market is emerging in Germany and Europe.
  Allgeier Enterprise IT is positioned on the growth market for open source software development as an innovation leader for public administration.
- BDP – Business Digitalization Platform:
  The original roots of the Allgeier Group lie in this area. Business efficiency solutions for business process digitalization are implemented for SME and enterprise clients with the in-house development syntona logic® and leading standard software solutions from international manufacturers such as Microsoft and SAP, plus itrade series add-ons for specific industries.
- Document Management (DMS)/Enterprise Content Management (ECM): Document-intensive business processes are supported and executed for clients with high efficiency using the company's proprietary digital information management with integrated DMS and ECM functions – metasonic® Doc Suite.
  The entire value chain of the editing process is supported – from the detection, read-out and editing of content in professional workflow sequences through to tamper-proof archiving. On request, the solutions are integrated into the client's IT infrastructure or are offered as complete cloud solutions with hosting in separate German data centers.
  The advantages for companies that use an ECM solution such as metasonic® Doc Suite are clear: They can save a lot of time and money thanks to more efficient processes. This achieves a high degree of automation for office work, which is often still largely analog, and so takes the strain off employees.
- Cybersecurity: Data security is becoming ever more critical for organizations of all sectors and sizes. The segment combines experienced IT security, cybersecurity and IT forensics experts and offers a comprehensive portfolio of IT and cyber-security consulting, operations and (incident) response & emergency that fully meets the growing demands of the IT security market.
  The segment also offers its own software solutions, including for the encryption of SharePoint platforms or e-mail traffic. The company's own IT security software solution julia mailoffice is already in use at a number of ministries, government agencies and large enterprises. EMILY and EMILY SP (SharePoint) ensure secure collaboration.
- SAP: The Enterprise IT segment offers its clients Full-Stack SAP Services, extending from project consulting to managed services for the high-end midmarket.
- Business Process Management (BPM): At their core, all business software solutions are about the IT-supported execution and optimization of business processes.
  Process tools need to be particularly flexible in their interaction with a variety of software products and ever faster change cycles for software and business processes. With its metasonic® Process Suite, which comprises the latest generation BPM software and a platform for dynamic process applications, Allgeier supports clients in producing in producing bespoke software solutions in significantly shorter cycles.
  Interactive touchscreens make things especially easy: Assembling business processes and quickly building functional applications is child's play for teams – and eliminates the need for them to do any programming of their own.
- Cloud solutions: The Enterprise IT segment builds and operates a variety of cloud solutions for its clients in the areas cited above.
  Software solutions can be operated in private cloud environments (an enterprise cloud), Allgeier data centers or public cloud environments.
  The utmost possible data security and resilience are top priorities, as are reliability and load capacity for large data volumes. In addition to many medium-sized companies, the segment's offerings are also used by large multinationals and the public sector.
- Mobile: User interfaces for a wide variety of mobile devices are becoming the standard for modern business software for access to processed data. The Enterprise IT segment implements individual solutions for a large number of clients in the mobile applications area.

The companies in the Enterprise IT segment served more than 2,000 clients in Germany and internationally in fiscal 2022. These include large corporations such as 18 of the 40 DAX companies, a variety of public sector contractors at various federal levels and a number of SMEs. The clients are broadly distributed across a variety of different industries. The companies in this segment possess special expertise in the areas of the public sector, insurance/banks and industry.

The companies of the Enterprise IT segment had 37 locations as of June 30, 2023, 27 of which in Germany, six in other European countries, one in North America and three in Asia.

Performance

In terms of external revenue, the Enterprise IT segment contributed 75 percent (previous year: 78 percent) to the Allgeier Group's revenue from continuing operations in the reporting period.

The Enterprise IT segment reported an increase in revenue of 1 percent to EUR 181.9 million in the first half of 2023 (previous year: EUR 179.4 million). In the same period, the segment increased its gross profit (defined as total operating performance less cost of sales and personnel expenses directly attributable to sales) by 4 percent to EUR 52.6 million (previous year: EUR 50.8 million), as a result of which the gross margin rose further to 28.7 percent (previous year: 28.1 percent).

Adjusted EBITDA (earnings before depreciation, amortization and impairment losses on property, plant and equipment, interest and taxes, adjusted for extraordinary items and items relating to other periods) fell by 21 percent year-on-year to EUR 14.6 million (previous year: EUR 18.4 million). The Enterprise IT segment's EBITDA amounted to EUR 14.0 million in the first half of the year (previous year: EUR 18.5 million), a decrease of 24 percent. Segment depreciation, amortization and write-downs amounted to EUR 5.9 million in the period under review (previous year: EUR 5.2 million). Segment EBIT declined from EUR 9.1 million in the first half of 2022 to EUR 6.1 million in the first half of 2023. The Enterprise IT segment's earnings before taxes amounted to EUR 3.7 million (previous year: EUR 7.1 million), a drop of 49 percent.

Enterprise IT segment earnings figures (in EUR million)*

Enterprise IT	H1 2023	H1 2022	H1 2023 vs. H1 2022
Revenue*	181.9	179.4	1.4%
Gross profit*	52.6	50.8	3.5%
Adjusted EBITDA*	14.6	18.4	-20.9%
Margin**	8.0%	10.2%	
EBITDA*	14.0	18.5	-24.3%
Margin**	7.6%	10.3%	
EBIT*	6.1	9.1	-32.5%
Margin**	3.3%	5.0%	

*Including revenue with other segments
**As a percentage of revenue

mgm technology partners segment

Segment operations

The mgm technology partners segment (mgm) is an international software company that ranks among the leading providers for e-government and commerce solutions in Germany. mgm offers an integrated range of services extending from the internally developed A12 enterprise low-code platform to the complete handling of individual enterprise projects and the secure operation of the software in a state-of-the-art cloud infrastructure. At mgm, sustainable model-driven software engineering means taking responsibility in the long term and refining complex enterprise applications. The advantages of the low-code principle create long-term efficiency: Experts in other fields without programming expertise can make adjustments and create new applications. mgm is also working on this with several universities (RWTH Aachen, Basel University, LMU Munich) in order to build on its leading position.

mgm is chosen for large and long-lasting software projects in particular with a focus on scalability, security and reliability, e.g. for ELSTER Online and clients such as Lidl or Allianz. This makes mgm a strong partner for commerce, insurance and the public sector – which are all expected to experience strong momentum in digitalization in the coming years.

Together with the dedicated service portfolio of the subsidiaries mgm consulting partners (management consulting), mgm security partners (security), mgm integration partners (SAP process optimization) and QFS Quality First Software (test automation), mgm covers the full range for digitalization projects: From digital consulting and software development and integration, SAP, S4/HANA through to infrastructure, managed services and cloud.

mgm has systematically improved its in-house software-production processes in recent years in the direction of cross-project optimization. The result is an in-house product development on the basis of the proprietary A12 enterprise low-code platform. Software products such as mgm Cosmo (industry solution for industrial insurance) and TMT (test management for software development) are offered building on this. mgm thus markets the procedural models and tools trialed in-house and thereby becomes a valuable partner to all companies that have to build more and more on their software expertise within their own value chain. The more applications that are implemented according to this industrial production approach, the more mgm and its clients benefit from this scalable approach. mgm applies the approach of digital sovereignty, whereby every company retains authority over and knowledge of its own IT systems and data.

Public sector

- mgm is the technology partner and developer behind ELSTER, the electronic tax returns system in Germany. Today, the income tax returns of more than 30 million people are sent to the tax authorities using software developed by mgm.
  All data validation, data encryption and transmission uses either elster.de or the ERiC (ELSTER Rich Client) component, which is also run by mgm and incorporated into all tax programs. In total, the systems processed more than 62 million income tax, corporation tax, VAT and land tax returns in 2022 – plus statements using the cash method of accounting, declarative statements and other procedures. Approximately 56 million VAT and wage tax returns were received from companies and organizations. Modular parts from the ELSTER ecosystem now also play a major role in other e-government solutions, such as the infrastructure for a uniform business account in Germany.
- In the public sector, the mgm A12 platform is a tried and tested solution for the legally required implementation of the German Online Access Act and other digitalization and infrastructure projects in public authorities and public sector companies at federal and state level.
- In the public sector especially, the last few years have seen an increase in the number and scope of projects in which developers and architects, QA experts and security specialists work together with consultants for clients.

Retail/commerce

- mgm sees commerce as an individual high-speed business. The company supports the full commerce value chain from purchasing to goods flows and front office with individual solutions that maximize clients' optimization potential and thus make a significant contribution to business success.
- mgm's e-grocery software based on SAP Commerce Cloud provides a proven solution for modern online shops specifically for food retail, including a connected picking app for click & collect services.
- The subsidiary mgm integration partners specializes in SAP process optimization for supply chains.
  The combination of this special expertise with the experience of other mgm areas, in consulting on ERP migration projects (S/4HANA) and implementation using SAP Commerce Cloud, adds up to a multi-faceted SAP solution offering.

Insurance

- mgm has focused on digitalization in the industrial insurance business since 2006. "mgm Cosmo", which is based on the A12 enterprise low-code platform, is a digital platform offering integrated product configuration, underwriting, digital collaboration and cover, loss and process modeling in the highly complex and individual industrial insurance business and – in the final phase of development – the end-to-end digitalization of business and customer processes.
- Part of the platform strategy is the establishment of long-term partnerships with insurers and brokers, through which mgm aims to participate directly in the success of digitalization initiatives.
- In consulting for the insurance industry, the focus is on business intelligence and data warehouse projects, including in the context of Solvency II.

Another key industry focus in management consulting (mgm consulting partners) is energy providers, especially for CIO advisory and sourcing services.

The mgm technology partners segment worked for more than 200 clients in fiscal 2022, including twelve of the 40 DAX companies and a number of public sector contractors and institutions at federal, state and municipal level.

As of June 30, 2023, the segment's companies were located at 21 sites, 13 of which in Germany, one each in France, Austria, Switzerland, Portugal, Czechia and the US plus two development sites in Vietnam.

mgm technology partners segment earnings figures
(in EUR million)

mgm technology partners	H1 2023	H1 2022	H1 2023 vs. H1 2022
Revenue*	62.1	51.6	20.4%
Gross profit*	26.2	20.5	27.7%
Adjusted EBITDA*	13.7	10.8	26.4%
Margin**	21.3%	20.4%	
EBITDA*	12.8	11.0	16.1%
Margin**	19.9%	20.8%	
EBIT*	9.6	8.3	16.1%
Margin**	14.9%	15.6%	

*Including revenue with other segments
**As a percentage of revenue

Performance

The mgm technology partners segment generated further revenue growth and a consistently stable operating earnings margin in excess of 20 percent in the first half of the year. The segment accounted for 25 percent of the external revenue of the Allgeier Group's continuing operations in the first half of 2023 (previous year: 21 percent).

Revenue in the mgm technology partners segment rose by 20 percent to EUR 62.1 million in the first six months of 2023 (previous year: EUR 51.6 million). The segment's gross profit climbed by 28 percent to EUR 26.2 million (previous year: EUR 20.5 million) with a gross margin of 40.7 percent (previous year: 38.7 percent). Adjusted EBITDA (earnings before depreciation, amortization and impairment losses on property, plant and equipment, interest and taxes, adjusted for extraordinary items and items relating to other periods) amounted to EUR 13.7 million in the period under review (previous year: EUR 10.8 million), an increase of 26 percent with an adjusted EBITDA margin of 21.3 percent (previous year: 20.4 percent).

The segment's EBITDA climbed by 16 percent to EUR 12.8 million in the reporting period (previous year: EUR 11.0 million). Depreciation, amortization and write-downs increased to EUR 2.8 million in the reporting period (previous year: EUR 2.5 million). Segment EBIT thus amounted to EUR 9.6 million in the first six months of 2023 (previous year: EUR 8.3 million) for an EBIT margin of 14.9 percent (previous year: 15.6 percent). The segment's profit before income taxes amounted to EUR 9.6 million (previous year: EUR 8.2 million).

Report on Financial Performance

Total assets amounted to EUR 493.1 million as of June 30, 2023 (December 31, 2022 (after restatement): EUR 513.8 million).

Non-current assets remained steady at EUR 346.2 million as of the end of the reporting period (December 31, 2022 (after restatement): EUR 346.2 million). Within non-current assets, intangible assets climbed slightly to EUR 283.2 million (December 31, 2022: EUR 282.9 million). Right-of-use assets from leases fell slightly to EUR 38.9 million (December 31, 2022: EUR 39.7 million). Property, plant and equipment increased to EUR 10.0 million (December 31, 2022: EUR 9.4 million). Other non-current assets rose slightly to EUR 10.3 million (December 31, 2022: EUR 9.9 million). Current assets decreased to EUR 147.0 million as of June 30, 2023 (December 31, 2022: EUR 167.6 million). Trade receivables and contract assets amounted to EUR 87.7 million in total (December 31, 2022: EUR 70.3 million). Cash and cash equivalents declined to EUR 44.8 million as of the end of the reporting period (December 31, 2022: EUR 87.4 million).

Consolidated equity fell slightly to EUR 180.0 million (December 31, 2022 (after restatement): EUR 181.3 million). Debt decreased slightly to EUR 313.1 million (December 31, 2022: EUR 332.5 million). The equity ratio rose to 36.5 percent as of June 30, 2023 (December 31, 2022 (after restatement): 35.3 percent).

Non-current liabilities increased slightly by EUR 2.1 million to EUR 204.1 million as of the end of the first half of 2023 (December 31, 2022: EUR 202.0 million). Within non-current liabilities, non-current financial liabilities rose to EUR 136.5 million (December 31, 2022: EUR 130.4 million). Non-current lease liabilities fell slightly to EUR 32.8 million (December 31, 2022: EUR 33.9 million). Other non-current liabilities declined by EUR 2.9 million to EUR 34.8 million in the first half of 2023 (December 31, 2022: EUR 37.7 million).

Current liabilities declined to EUR 109.0 million as of the end of the reporting period (December 31, 2022: EUR 130.5 million). Within current liabilities, financial liabilities decreased by EUR 14.5 million to EUR 5.3 million as of June 30, 2023 (December 31, 2022: EUR 19.8 million). Current lease liabilities climbed slightly by EUR 0.2 million to EUR 9.3 million (December 31, 2022: EUR 9.1 million). Other current liabilities decreased by EUR 7.1 million to EUR 94.4 million (December 31, 2022: EUR 101.5 million). As a result of the slower rise in liabilities than in total liabilities, the Group's gearing – the ratio of liabilities to total assets – declined to 63.5 percent as of June 30, 2023 (previous year (after restatement): 64.7 percent).

The Group's net financial liabilities amounted to EUR 139.0 million as of June 30, 2023, EUR 42.1 million of which related to lease liabilities (December 31, 2022: net financial liabilities of EUR 105.9 million; lease liabilities of EUR 43.0 million).

Risks and Opportunities of Future Development

1 Risks

The following sections describe the main relevant risks that could have a material adverse effect on the financial position and performance of the Allgeier Group and thus its share price. The list of risks is not exhaustive. In addition to those stated, there can also be other risks not identified as equally material to which the Group may be exposed and that could negatively affect the business of the Group's companies. The Group's risk management system and the internal control and risk management system for the Group accounting process are described in section 4.2 "Risk management" of Allgeier SE's 2022 Annual Report.

1.1 Market and strategic risks

1.1.1 Economic environment

Our economic environment is largely defined by the development of the global digitalization trend driven by technology and efficiency gains on the one hand and by the economic development of our client groups on the other.

The market landscape for Allgeier is very much influenced by the global trend of digital transformation. This trend is ensuring that virtually all business models are changing and are being significantly influenced by IT and software. This will tend to increase our clients' spending and investment on IT and software solutions. However, it is also leading to more differentiation on the market and can bring pressure to bear on companies with a slower rate of digitalization who count among our clients.

Our clients are mostly dependent on the economic development of their relevant markets. The economic wellbeing of our clients influences their spending on IT and digitalization and thus, indirectly, our business. The same is also true for public sector contractors, which have much to do regarding the digitalization of their services and that are also influenced by the respective budget situation at federal, state and municipal level. Our business, which essentially consists of providing services for industrial and commercial companies, and also for public sector contractors, is thus directly and indirectly influenced by the general economic developments that our clients are exposed to and that affect our clients in different ways. An ongoing cautious, volatile or even recessionary development on the markets can result in individual clients reducing (at least partially) their budgets for software and IT services. This can have a negative impact on the state of our business and on our financial position and performance.

Climate risks – in connection with global warming and its consequences for people, companies and individual markets – do not primarily affect the business of the Group and its companies on account of their business model. On the contrary, these risks could even amplify the need for digitalization among our customers and generate corresponding demand for our solutions and services. Also, new business areas and opportunities are arising, for instance in the field of renewable energies, from which Allgeier can benefit. Allgeier already focuses on customers in the renewable energies sector and the solutions and services that it offers make it a part of the energy transition to reduce global carbon emissions. The corresponding opportunities for the Allgeier Group are described in more detail in section 2.3 Technologies and markets.

Specific risks such as the effect of the Ukraine war, climate risks from global warming and previously the impact of the COVID-19 pandemic and the measures taken to curb these risks have not had any particular negative effect on the business of the Allgeier Group and its companies to date, and are not expected to do so in the years ahead. For one thing, we are protected from the cluster risks that can arise for individual sectors or regions by the broad diversification of our individual client groups and clients. For another, in some cases phenomena such as the pandemic and sweeping changes with the aim of a more sustainable global economy even amplify and accelerate our clients' need for digitalization. The generates corresponding demand for our solutions and services. Risks factors are thus also giving rise to new business opportunities, for instance in the field of renewable energies or cybersecurity, from which Allgeier can benefit. The corresponding opportunities for the Allgeier Group are described in section 2.3 Technologies and markets. There is still the risk that individual clients or client groups could be more severely impacted by external macroeconomic risk factors such as high energy prices, ongoing inflation or supply chain disruption. This can affect our revenue with these clients and thus business performance in isolated periods. Fundamentally, however, we do not see this is a major risk. A more significant impact on our the state of our business and on our financial position and performance would only be feasible in the event of a broad, far-reaching and longer-lasting recession.

The high inflation since 2022 is also causing our costs to increase as a result of the rising salary level and higher associated costs. This could reduce our profit margins accordingly, which can have a negative effect on our financial position and performance. However, in the industry as a whole, inflation is also causing prices to rise for the services we offer. This goes for software products as well as hourly or daily rates. What matters is that our services and products, and the achievements in digitalization that they support, provide our clients with sufficiently high value added. This also improves clients' acceptance of rising prices, which we can typically implement as well.

1.1.2 Market trends in the industry environment

In the IT and software industry, there are also other factors that have a considerable influence on our business performance, such as the dynamic development of technology trends, high competitive and price pressure and the shortage of personnel. The technology transformation in the IT and software sector is extensive and advancing rapidly, which means both risks and opportunities at the same time. One example is the changes made possible by the use of artificial intelligence that are currently heavily discussed. Companies that are too slow or passive to respond to this rapid change with the requisite agility or that cling for too long to technologies or market segments that are superseded by new trends could therefore suffer considerable disadvantages, even extending as far as going concern risks. The global and German IT markets are subject to constant change and the consolidation this entails. In particular, major clients with high requirements and large order volumes are striving to consolidate their suppliers in order to improve performance and quality on the one hand while also cutting costs on the other. This increases competition in the industry and presents us with the challenge of withstanding cost pressure and competition, which we could even benefit from. Some of our competitors are significantly larger than we are, with higher revenue and more considerable resources at their disposal, including for investment in new technologies and the associated services. Some smaller competitors are more specialized than we are. It is also possible that, in individual cases, competitors could respond to new market opportunities more effectively and more quickly. To us, these scenarios could result in falling revenue, lower margins or even have a negative impact on our market share. Accordingly, the occurrence of the above risks could have a negative impact on the state of our business and on our financial position and performance.

1.2 Information security risks

Mission-critical systems form the business foundation of every organization. The failure of these systems can impair or even entirely shut down our operations. The IT systems of Allgeier SE or its subsidiaries could be infected by malware as the result of a cyberattack. The consequences of this would be the costly and time-consuming restoration of data and the reinstallation of the IT systems affected. This could entail operational downtime or liquidity losses. Also, a system failure, in particular as a result of hacking, entails a reputation risk for our organization. To improve our defenses against these risks, we have implemented a Group-wide information security policy with minimum standards. The information security policy is regularly improved and serves as a benchmark for the annual information security reviews at the Group companies. We provide our employees with regular training, perform penetration tests and have established a working group of all the Group's information security officers. Furthermore, we have consulted with experts in the field of information security and we use the software tools that we have developed ourselves, and that we offer to clients, to improve IT security for internal purposes as well, in particular by identifying vulnerabilities and defending against attacks. We are also monitoring additional opportunities in the use of artificial intelligence and assessing these on an ongoing basis to avoid security breaches. The security measures intended to minimize the probability of a risk event are rounded off by a system for warnings by the German Federal Office for Information Security and systems for the early detection of a possible threat. Allgeier SE has Group-wide cybersecurity insurance that covers all Group companies in order to further protect it against risks. Thanks to Allgeier SE's distributed organization as companies that act largely autonomously, the IT systems and infrastructures are predominantly operated independently of each other. This affords natural risk diversification.

1.3 Operational risks

1.3.1 Personnel

Our qualified and responsible employees are a key success factor for our companies. This applies not only to members of management and other executives, but also to all employees and experts at our Group companies. In Germany, and also in other countries, there is now a significant shortage of qualified personnel in the field of IT and software, above all in specialized technological areas. It is an ongoing challenge for us to find IT specialists and staff in other disciplines, such as sales, in sufficient numbers and with sufficient qualifications and to retain them for the long term. We are countering this risk with improved and augmented recruitment activities, by investing more in employee training, offer very attractive employment terms and we have implemented various employee retention programs. A modern culture with the chance to work on exciting projects and continuous professional development are essential factors. A shortage of management and IT specialists can slow our business development and thus negatively influence our financial position and performance. These effects can also be temporarily triggered by a significant increase in absence due to illness, as recently happened in the fourth quarter of the previous year and the opening months of the current year, as well as repeatedly so during the COVID-19 pandemic. So as to respond flexibly to developments and client demand in individual projects, the individual companies of the Allgeier Group regularly also use freelance experts to a significant extent or even third-party companies as subcontractors as well as temporary employees. These contract models give rise to legal and financial risks if the contract structure, engagement performance or operations management of such personnel is not carried out with the requisite due diligence (see also section 1.5.2 Regulatory and compliance risks). This can necessitate subsequent corrections and additional payments of social security contributions or taxes. We counter this risk with established processes and controls covering the entire project cycle. This can nevertheless have a negative impact on financial position and financial performance.

1.3.2 Customers

Cultivating relationships with our clients through excellent work and ongoing high-quality expert support, in addition to acquiring new client orders, are also crucial factors for Allgeier's success. As a Group we have the possibility of offering our clients the greatest possible technical and regional coverage through cooperation between several Group companies, in addition to the expertise and long-term reliability of the individual companies. Nevertheless, there is a risk that we may occasionally lose key clients or that projects have to be downscaled. This can occur, for example, owing to business difficulties on the client side, personnel changes, especially at client management level or the associated changes to business strategy, or because of competing offers. In order to identify these developments with negative consequences for us at an early stage and to respond appropriately, our risk management system provides for the continuous monitoring and assessment of the economic situation of our major clients, among other things. For some parts of the Group there is commercial credit insurance that reduces the risk of bad debts. We have not experienced any significant bad debts in recent years. We work in large projects for a large number of medium-sized companies and for international corporations and public sector contractors. We generated annual revenue in excess of EUR 1 million with each of 70 clients in fiscal 2022. In fiscal 2022, the Group's companies together generated revenue of EUR 214.4 million (previous year: EUR 195.1 million) with the Group's ten largest clients, corresponding to 45 percent of the Allgeier Group's total revenue from continuing operations (previous year: 48 percent). In 2022, we generated 14 percent of revenue from continuing operations with the single largest client (previous year: 13 percent). It has already become evident in previous years that the loss of parts of such projects can have a significant impact on the Group company concerned. However, experience has also shown that the Allgeier Group as a whole can handle such a scenario and quickly replace the loss with new business. If we are unable to do this or cannot do it quickly enough, this can have a negative impact on the state of our business and on our financial position and performance.

1.3.3 Products, technology and expertise

IT trends and technology leadership continue to mean both risks and opportunities. Recognizing and seizing on these trends early on is of immense importance to maintaining competitive capability. One currently heavily discussed example is the field of artificial intelligence (AI), which has played a role for our Group for many years. This firstly means solutions that contain AI components and secondly the use of AI solutions in product development and services for our clients. As a disruptive technology, artificial intelligence changes and influences many work procedures and processes, and it necessitates new and different expertise. It places corresponding demands on us as a Group and on our IT experts and their training. AI enables the development of new products and solutions for our clients, and at the same time it offers opportunities to enhance the efficiency and productivity of our work. Technological transformation and shifting requirements, in terms of IT security and data protection, require constant innovation and investment with all due speed on our part. This also applies to the refinement of our own software products, which are exposed to liability and warranty risks if they do not function properly or as contractually agreed. To counteract this risk, Allgeier provides its employees with regular training and relies on their expertise. We also take great care when developing our products and solutions and have established various quality management loops that take are executed before a product is delivered. However, our Group companies also have to rely on partner firms or subcontractors in some cases. Even though we subject our business partners to regular audits and quality controls, the use of third-party companies involves a certain dependence and a residual risk of underperformance on the part of our business partners. If we cannot sufficiently satisfy changing requirements, this can have a negative impact on the state of our business and on our financial position and performance.

1.3.4 Contracts and projects

In the context of operating activities, the Allgeier Group companies sometimes assume contractual liability or provide guarantees in contracts with customers – for fixed price calculations for project orders or certain service levels, for instance. Good corporate organization and project management, including efficient risk management, are crucial in this regard. In some cases, specific legal risks are covered by insurance or claims against third parties. Risks are always managed and contained by insurance policies when this appears necessary and reasonable in business terms. The Allgeier Group has insurance policies for its main business risks, such as Group-wide public liability and cyber insurance in particular. Despite the measures taken, it cannot be ruled out that additional work or increased expenses will be necessary in isolated cases, which would negatively influence the financial result of the contract in question or even lead to losses. Project liability risks can also not be entirely ruled out. If specific risks arise from contractual liabilities, appropriate provisions are recognized at the respective companies. The occurrence of such contract and project risks can have a negative impact on the state of our business and on our financial position and performance.

1.3.5 Company transactions

In addition to the ongoing organic development of Group companies, our strategy also involves growing the Group through further acquisitions. These transactions typically entail significant investment and costs and bears the risk that the acquired company might not develop as planned or that, despite due diligence, negative consequences from the past are also taken on. In such event, there is a risk that assets recognized on account on the transaction, including goodwill, may have to be written off owing to unforeseen developments, which can weigh heavily on the Group's results. Also, there is the risk that the newly acquired company will contribute losses, and that a necessary restructuring will tie up resources and funds that then cannot be otherwise used for the Group's ongoing development. Furthermore, there are financing risks whenever a transaction is partly financed with borrowed funds. This can have a negative impact on the state of our business and on our financial position and performance. The same is true of decisions to sell parts of the business. These decisions are usually made to embark on a change in strategic direction, or to discontinue operations that are not contributing sufficiently to the Group's future development. Contract risks can also arise from such transactions. In addition, the decision to sell a company, or part of one, is subject to strategic risks. The decision can be made too late, or it can negatively affect the Group's perception on the market and among customers. Finally, internal structural changes such as mergers and integration projects also entail risks that can have a negative impact on the state of our business and on our financial position and performance, particularly if the planned success does not materialize or does not unfold as anticipated, or if they slow growth or cause employees to leave the company. In examining and carrying out business acquisitions or other transactions, the Management Board of Allgeier SE acts in compliance with the highest standards of care for decisions of particular import to the Allgeier Group. The Management Board also regularly relies on the expertise and experience of internal advisors, such as the members of the Supervisory Board or selected persons in the Group, in addition to external advisors such as banks, management consultants, auditors, tax consultants and lawyers. Appropriate due diligence is carried out before performing transactions. We incorporate corresponding contractual regulations in advance to protect against specific risks. Before every transaction, we also run simulations to forecast and assess the Group's development as a result of the acquisition. Acquisitions or disposals of companies require the approval of the Supervisory Board.

1.4 Financial risks

1.4.1 Liquidity and credit risks

On the one hand, the Allgeier Group still possesses a sufficient level of cash funds of EUR 44.8 million as of June 30, 2023 (December 31, 2022: EUR 87.4 million). There are also interest-bearing financial liabilities of EUR 141.8 million as of the end of the reporting period (December 31, 2022: EUR 150.3 million), essentially consisting of the new revolving credit facility agreed in 2022, the new borrower's note loan likewise issued in 2022, and liabilities from factoring client receivables. When due, these loans must be repaid either from refinancing yet to be secured or from company funds. There is a risk that, when due, it will not be possible to repay these loans entirely from the company's own funds, and that sufficient refinancing will not be available in time. Repaying the liabilities resulting from the financial obligations of Allgeier SE and the Group companies could give rise to short-term liquidity shortfalls. This risk is countered by liquidity-based management, ongoing monthly liquidity planning, a sufficient level of cash funds and options for increased borrowing.

Furthermore, financial liabilities give rise to interest rate risks and contract risks in the event of the fulfillment of criteria that could result in early repayment obligations. For example, there are risks relating to compliance with accounting and income statement indicators and ratios, in addition to other covenants which, if not maintained, could lead to the termination of loans and calls for their immediate repayment. A deterioration of the Group's rating due to negative business developments could also materially influence the Group's ability to raise finance and the terms available to it. For further information, please refer to the more detailed description of liquidity risks in the notes to the consolidated financial statements. Using its reporting system, the Group monitors the financial position and financial performance of all subsidiaries on a monthly basis, and manages its financial risks with the help of accounting ratios and ongoing income and accounting forecasts, focusing in particular on the short-term and medium-term development of liquidity. Planned acquisitions by Group companies are only carried out when the financing of these companies does not result in a notable increase in liquidity or credit risks. The effects of planned acquisitions on the liquidity and credit situation are simulated and tested for feasibility in integrated financial planning in order to better judge the liquidity or credit risks of new acquisitions. Nevertheless, the unforeseen underperformance of an acquired company that is economically material to the Allgeier Group can prove problematic in terms of financing and compliance with key contractual financial indicators.

We conduct talks and negotiations on an ongoing basis to evaluate and assess financing for acquisitions and the Group's growth. If new debt or equity financing is needed for our future growth, we are dependent on the developments of the financial and capital markets, and on our ability to access new debt or equity financing.

Future cash flows and the Group's liquidity situation can also be negatively influenced by changes in customers' payment behavior, e.g. longer payment terms or default. This risk has become more significant as a result of the COVID-19 pandemic, the Ukraine war and its consequences for the economy. Risks of default are covered by insurance at some subsidiaries. The occurrence of one or more of the above risks can have a negative impact on the state of our business and on our financial position and performance.

1.4.2 Hedging policy and financial instruments

The Allgeier Group's business activities expose it to price and interest rate fluctuations. As the Group has only limited international business activities, exchange rate risks are minor. The Allgeier Group predominantly manages and monitors market price risks and opportunities in the context of its operating and financing activities. The Allgeier Group uses derivative financial instruments if necessary. We monitor and assess these risks on an ongoing basis.

A liquidity planning and management tool, together with cash management systems, identify potential liquidity bottlenecks in advance so that appropriate steps can be taken. By entering into an interest rate swap of EUR 50 million in the first half of the previous year, the Allgeier Group is hedging the current rise in interest rates and thus reducing its interest rate exposure. The borrower's note loan with a volume of EUR 60 million and a term of five and seven years that was also placed in the first half of 2022 has given Allgeier additional financial headroom for further acquisitions and investments. It was placed with investors from the Landesbank, savings bank, development bank and cooperative bank sectors in Germany and Austria. EUR 31.0 million of the borrower's note loan has a fixed coupon and is thus also protected against rising interest rates.

In addition to its cash funds, the Allgeier Group had the unutilized credit facility under the syndicated loan of EUR 119.3 million and additional credit facilities of EUR 2.3 million at its disposal as of June 30, 2023. Furthermore, various Allgeier companies also have access to factoring facilities of up to EUR 60.0 million for client receivables. Factoring of EUR 38.3 million was in use as of June 30, 2023.

1.5 Legal and regulatory risks

1.5.1 Legal risks

There are legal risks in contracts with clients, suppliers and subcontractors in the context of operating activities. Such risks can include liability and warranty risks or risks of cost overruns on individual projects (see 1.3.4 above). Depending on the type of project, risks can arise from privacy violations, data losses or compensation for business interruption on the part of customers. Breaches of contractual obligations in respect of companies or arising from corporate transactions can ultimately lead to legal disputes. Depending on the jurisdiction in which such disputes arise, the risk can be exacerbated by local conditions. In individual cases, contract design issues, e.g. for outsourcing or work contracts – regardless of the underlying regulatory issues – can trigger legal risks if the requirements of such contracts are not sufficiently taken into consideration and implemented. When negotiating major project contracts and in conjunction with public invitations to tender, our internal processes stipulate a review and approval procedure in consultation with the respective legal departments. We conduct comprehensive due diligence of contract conditions before carrying out corporate transactions. If we are unable to counter the legal risks in an appropriate manner, this can have a negative impact on the state of our business and on our financial position and performance.

1.5.2 Regulatory and compliance risks

Changes in legislation or the interpretation of laws can affect the revenue and profitability of the Group's companies. If the legal framework in Germany changes, for instance in terms of tax or social security contributions, employment law, service or works contract law, this could lead to increased costs or higher liability risks for the companies. Besides the effect of price increases, in particular compliance aspects can also lead to a change in the risk situation if, for example, new court rulings lead to new requirements for hiring freelance subcontractors and, as a result, this affects assessments by government agencies. As this typically does not entail clear statutory stipulations, but rather assessments of individual situations that are later generalized for other circumstances, there is the risk that new requirements are recognized too late or not comprehensively and are embedded in internal processes. As a result, subsequent external audits could identify breaches that lead to subsequent liability and additional payments of social security contributions or taxes. Such additional payments can negatively affect the financial position or financial performance of the Group company in question in the period in which the audit takes place and the payment orders are issued. This risk can also arise as a result of individual project activities that use freelance experts or subcontractors and take place deep in the client's landscape, thereby considerably influencing day-to-day operations. This increases the difficulty in ascertaining whether all compliance requirements are actually upheld during a project's performance. Detailed regulatory requirements also apply to dispatching employees to clients for the performance of IT projects. However, unlike when using freelancers, clear statutory regulations apply in such cases, hence there is greater legal certainty and it is only a question of close compliance and implementation, which we ensure with standardized processes and documentation.

The ongoing expansion of our business activities will also make regulatory risks in other countries more relevant and thus greater attention will be paid to them in future business activities. In specific cases, there are tax issues in connection with the exchange of goods and services and transfer pricing. There are also risks associated with financing Group companies and the related rules for declaring loans and the deductibility of interest on such financing instruments. If we cannot sufficiently satisfy these requirements, the consequences could have a negative impact on the state of our business and on our financial position and performance.

1.6 Overall assessment of the Group's risk position

The risks most relevant to the Allgeier Group are presented in "1.1 Market risks and strategic risks", "1.2 Information security risks", "1.3 Operational risks", "1.4 Financial risks" and "1.5 Legal and regulatory risks". With regard to their probability of occurrence and possible impact, we believe that the risks arising from the economic environment, market trends, recruitment and the constant rise in compliance requirements are currently the most significant.

Our risk and control systems are reviewed and adjusted on an ongoing basis in order to appropriately take into account the various internal and external factors that influence the Group's risk situation. Allgeier's risk situation has become more pronounced in the past year as a result of the risks described above. At the present time, we have not identified any risks that – individually or collectively – could jeopardize the continued existence of our Group as a going concern. By sparring with the Management Board of Allgeier SE, the management teams of the Group companies refine their business models in line with the corresponding risk analysis with the aim of avoiding the negative effects of risks and leveraging the corresponding opportunities.

2. Opportunities

In addition to the risks described above, the Allgeier Group also has considerable opportunities for improving its range of services and its competitive standing beyond the business development already specifically planned. Above all, the Management Board anticipates these opportunities regarding the following aspects:

2.1 Acquisitions

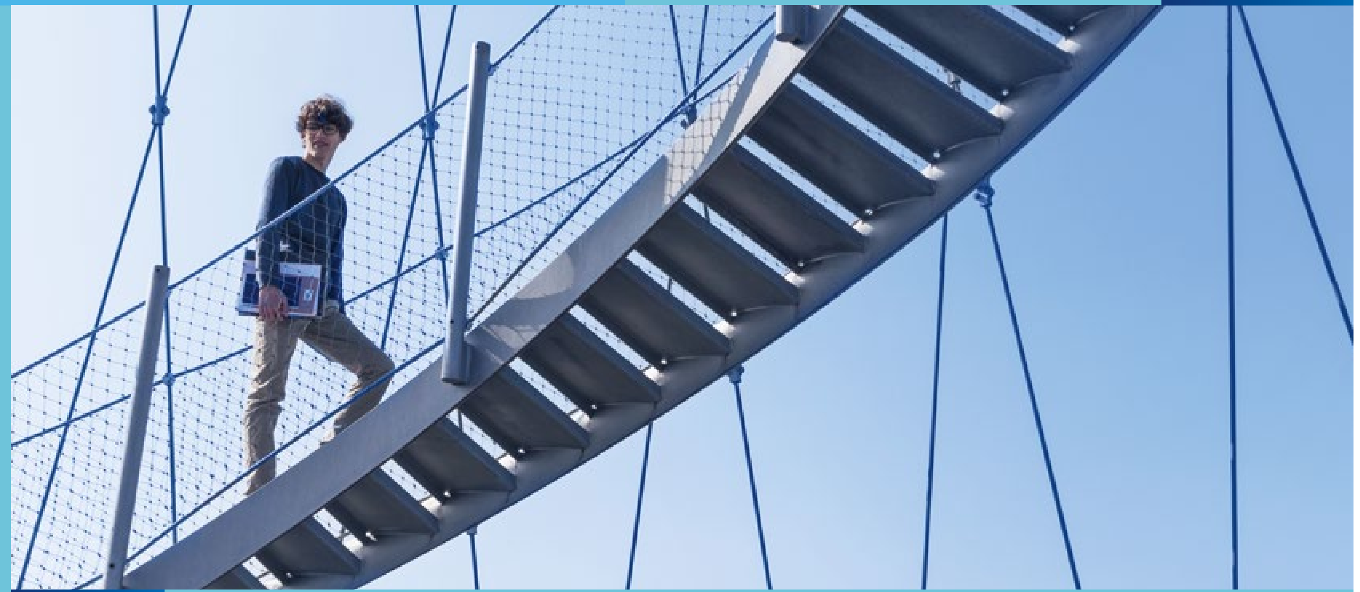
Other than the acquisitions already carried out, the business plan for fiscal 2023 does not include any specific acquisition projects as the volume and timing of such transactions typically cannot be planned in advance in individual cases. Nonetheless, acquisitions are to remain an integral element of the company's ongoing development. However, with due regard to the risks from acquisitions described above, they are also a major opportunity for accelerating the Group's growth and its targeted, strategic expansion. Similarly, other shifts within the portfolio, such as the disposal of individual business areas, can mean opportunities for a reorientation of the Group. In the past year, we significantly added to our expertise and resources in the development of open source software solutions and our expertise in digitalization consulting for the public sector with the acquisitions of pooliestudios GmbH, Cologne, and Höhn Consulting GmbH, Kiel. mgm technology partners' acquisition of Quality First Software GmbH, Geretsried, is an investment in our ongoing technological development in the areas of software development, software test automation and quality assurance. In the current year, we acquired a digitalization specialist for municipal public administration in ShiftDigital.

2.2 Employees

As the Group grows, the factors that make our companies attractive to new employees improve as well. The chance to work on complex and challenging projects, and the superior expertise this entails, are a growing incentive for new employees to work for Allgeier. In particular, the prospect of actively helping to shape future value added and success attracts managers who can significantly enhance our teams and augment the Group. This also applies to new employees who join us through acquisitions. In this context, it will also be essential to establish or refine the right incentive schemes within the Group. In addition to the new team members in Germany, the acquisition of Evora in late 2021 brought us valuable locations in India, the US and Austria. We continued to significantly increase the number of employees at these international locations in fiscal 2022. New locations have been added in the previous and the current year, for instance for publicplan and Evora in Spain or for mgm technology partners in Portugal. We intend to continue expanding locations in the years ahead and to open additional international locations.

2.3 Technologies and markets

Probably the biggest driver of our business and our future growth is the rapidly accelerating global digitalization trend in business and administrative processes, and the associated massive demand for IT and software expertise and products. Especially in the area of public administration at all levels of federal, states and municipal government, there are enormous challenges when it comes to sustainably achieving the intended effects of digital transformation with the billion-euro budgets provided. Laws already in effect, such as the German Online Access Act, are increasing the time pressure. The particular requirements of public sector clients have to be taken into account. With the aim of far-reaching digital sovereignty, large parts of the software solutions to be created are being developed on the basis of open source components. High security and dependability in operations create complex challenges that require years of expertise.



Allgeier is excellently positioned in this area as one of the larger German IT and software companies, and is getting stronger all the time. In many instances, we enter into long-term partnerships with our clients in order to master the challenges of digital transformation together. For our clients, IT is predominantly therefore no longer a cost factor, but rather a basic requirement for functional business models and a means for successfully standing out on the market. We feel that there are substantial opportunities to expand our business here in the years ahead.

Another opportunity, as the Group continues its development, is the growing prospect of sharing in or broadening technology expertise, particularly for trend technologies. The IT industry is subject to considerable upheaval that, alongside the risks described, means enormous opportunities for the future. Entirely new business areas with major growth potential and the chance to stand out from the competition are emerging. One example is the field of artificial intelligence, which we have been working on intensively for several years already. As a disruptive technology, artificial intelligence changes and influences a number of work procedures and processes. It enables the development of new products and solutions for our clients that contain AI components or that use AI solutions from other providers. One example of this is Microsoft Azure AI – a portfolio of artificial intelligence services for the optimization of business processes. As a long-standing Microsoft partner, Allgeier assists its clients in using solutions in state-of-the-art cloud environments. At the same time, the increased use of AI also offers us extensive opportunities to enhance the efficiency and productivity of our own work – both in software development and in our other services. A productivity boost can help us to alleviate the shortage of qualified specialists, in particular on our core markets, to reduce the time to market of products or services and to better serve client demand on the whole.

Here, too, acquisitions can play a crucial role in the dynamic development of our Group in addition to organic growth. The same is true for entering and cultivating new market segments – whether in different regions or new sectors. Here, too, growth and acquisitions create new opportunities. One example is the acquisition of Cloudical Deutschland GmbH, Berlin, in fiscal 2021, which has since brought the Group valuable expertise with regard to the next generation of the cloud. The necessary transformation of existing cloud environments and the global trend of comprehensively shifting software operations to the cloud will generate new projects for many years to come, and will necessitate corresponding adjustments to existing software solutions for all clients. Moreover, demand for the services of our cybersecurity unit has increased significantly as a result of the recent rise in cyberattacks. We intent to invest heavily in order to develop and significantly expand this business. A key future trend is data, its storage, secrecy and security against alteration. We can already comprehensively serve the demand for such services today with our security portfolio.

Also, new business opportunities are arising in conjunction with the global climate crisis, for instance in the field of renewable energies, from which Allgeier can benefit. Allgeier is participating in the energy transition and global carbon reduction through the solutions and services that it offers. Allgeier is expanding these business areas and its portfolio on an ongoing basis. Following 2020's acquisition of AURELO GmbH, Kiel, the leading ERP provider for companies in the renewable energies sector, we are focusing more on clients in this sector so central to climate protection. We have since integrated the company into Allgeier inovar unit to further hone its support for the renewable energies sector with ERP and other software solutions, thus making a contribution to climate protection. By acquiring the asset and field service management specialist Evora as of the end of 2021, Allgeier gained further valuable access to markets and customers in the field of renewable energies. Evora is promisingly positioned in the pioneering field of energy provider digitalization and also offers innovative digital maintenance and service processes for clients in the renewable energies sector in particular. We secured leading providers of renewable energies as new clients in the past fiscal year.

In 2022, mgm technology partners substantially refined its proprietary A12 software platform and began selling the platform as a pure-play software license or subscription model. As an enterprise low-code platform, A12 is riding the trend of efficient and automated software development that, in addition to giving clients the chance to design detailed applications of their own, above all also affords considerable efficiency and time benefits in the digitalization of administration or business processes.

Allgeier SE is planning to elevate its participation in the opportunities described, to leverage market opportunities and to continue expanding its market position in the years to come.

2.4 Processes and systems

Finally, we also anticipate good opportunities for our future development in the continuous improvement of our internal organization and cooperation through the improvement of the systems in use and the processes defined. Investment in uniform systems only becomes reasonable and affordable as size increases. This can help to leverage synergies and shared potential or make them realistically achievable in the first place. Closely intertwined with this is the continuous improvement of internal company processes. This applies both to internal cooperation within the Group, for example, in sharing expertise or available resources or in relation to the client, and to the more efficient implementation of client projects and the quality of our work.

Research and Development

The Allgeier Group continues to refine its existing products (e.g. the ERP solutions syntona logic, Aurelo Energiepark Manager and Allgeier itrade, the metasonic digitalization platform, the e-commerce solution MySign, the compliance management software DocSetMinder ONE, the security solution julia mailoffice, the A12 enterprise low-code platform and the EvoSuite product family for business process optimization) on an ongoing basis and in cooperation between the different units of the segments. Some of ongoing development work on the software products of the Enterprise IT segment takes place at the Evora unit's site in Bangalore (India). With the exception of the development and refinement of its own products, the Allgeier Group does not usually pay large amounts for conventional research. Development work is also often performed and billed in connection with client projects. In the first half of 2023, we reported further increases in investment in the enhancement of internally developed software solutions like the low-code platform A12, the MySign e-commerce solutions and Evora's EvoSuite. The Group's research and development services are presented and explained in detail in Allgeier's 2022 Annual Report.

Human Resources

Allgeier counts on dedicated and loyal employees

Highly qualified and motivated employees are a key success factor for the development of our Group. Every company in the Allgeier Group is crucially dependent on its employees' technical knowledge, abilities and dedication. Our employees are in constant contact with clients, providing the agreed consulting and IT services, and developing innovative solutions for complex challenges. In the future as well, the strategy of our Group will depend on the commitment of our employees on the one hand and, on the other, our capacity to constantly recruit new and high-achieving employees, and ensure their long-term loyalty to our Group in the face of stiff market competition.

Continuously fostering and developing the motivation and skills of our employees is therefore a central objective of our human resources policy. Allgeier has made good progress in the reporting period by further intensifying its employee recruitment and retention activities within its segments. We have expanded our international presence significantly in recent years, in Germany in particular, and also at our sites in Czechia, Vietnam and India. On our core market of German-speaking Europe (Germany, Switzerland and Austria), we are increasingly seeing shortages of highly qualified experts at central locations. For this reason as well, we are continuously investing in our employees to ensure the sustained growth of our Group and to keep valuable knowledge within the company. Moving ahead, this will entail a further rise in investment in ongoing employee training and continuing professional development. In the past year and the current year, we opened new international locations, including offices in Spain, Portugal and Poland, in order to tap further personnel resources.

A company's appeal – to both its existing workforce and to good applicants – is becoming an increasingly important competitive factor. Given the fast-moving nature of the IT sector, ongoing technical training and continuing professional development for employees is a key success factor in competing for the best employees. Staying on the ball technically is also crucial to satisfying rising client requirements and being able to help shape key innovations within the industry. In turn, the employees of the individual Group companies benefit from the steady expansion of our portfolio and the Group's continuous growth, size and stability. The existing jobs within the Group are therefore becoming more secure, while new jobs are being created at the same time. New and challenging orders from interesting clients create exciting work prospects and good possibilities for individual development.

Employee growth: Allgeier has a broad base of highly qualified IT and software experts and is expanding this nationally and internationally

In total, the Allgeier Group had 3,510 employees in continuing operations as of the end of the first half of 2023 (December 31, 2022: 3,329). At the end of June 2023, Allgeier had 2,875 permanent employees in Germany (December 31, 2022: 2,713) and 635 permanent employees outside Germany (December 31, 2022: 616). As of the end of the first half of 2023, 81.9 percent of all permanent employees and freelance experts were based in Germany (December 31, 2022: 81.5 percent).

The total number of employees rose by 181 in net terms in the first six months of 2023 (previous year: 215, net). The headcount growth took place in both of the Group's segments. A further nine jobs were created as a result of the acquisition in fiscal 2023 (previous year: 29). As of the end of the first half of 2023, we employed staff from more than 20 different nations at our locations at home and abroad. We are constantly adding to our international employee base and actively securing access to attractive labor markets. The acquisition of Evora in late 2021 brought us valuable market access and a large number of highly qualified specialists, including at locations in India, the US and Austria. In the past fiscal year, we have already increased our employee base in India by more than 50 percent. In the past and current fiscal year, we have also opened locations in Spain, Portugal and Poland with which to continue our internationalization and to gain access to highly qualified employees in these regions.

The share of female employees in our Group continued to rise to 29.3 percent in the first half of 2023 (December 31, 2022: 29.0 percent). According to a survey from April 2023, BITKOM assumes that the share of female employees across all companies in the German IT sector is just 15 percent. Within our Group, we have steadily increased the share of women in our workforce and will continue working on this moving forward. Similarly, we have a high level of staff with university level qualifications, and this figure increased slightly over the first half of the year. The share of graduates was 61.3 percent as of the end of the reporting period (December 31, 2022: 60.1 percent). In total, 92.1 percent of our employees hold a bachelor's/master's/doctoral degree or a state-certified technician/master trades certificate or have completed other qualified professional training (December 31, 2022: 91.7 percent). In addition to continuous further training and professional development, it is our hope to offer our employees long-term prospects and an attractive future within the Group by enabling a healthy and appealing work-life balance. The high share of female employees by industry standards and those with higher qualifications encourage us in this endeavor.

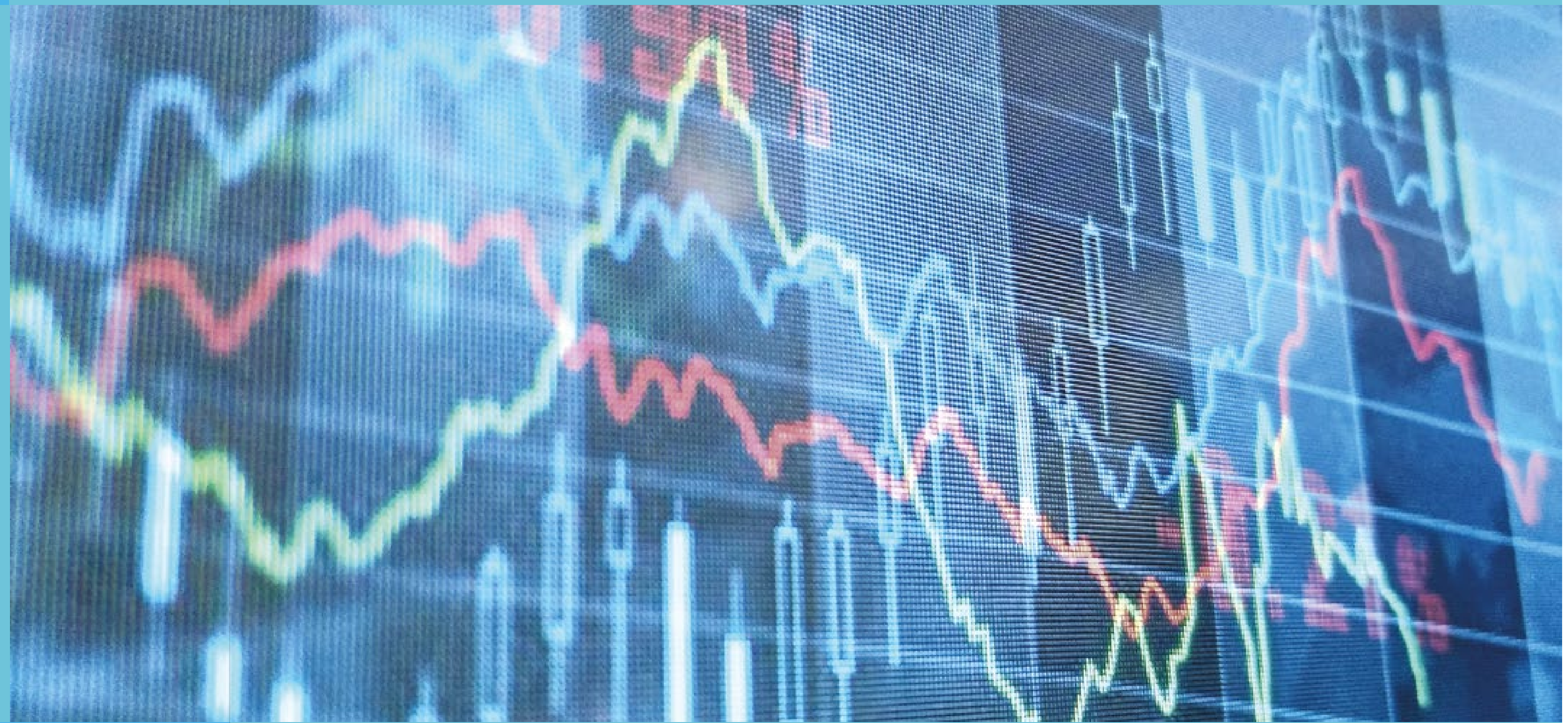
The Allgeier Share

However, Allgeier's shares reflected the main developments on the stock exchanges in 2022 and were unable to escape the pressure that generally weighed on the markets worldwide and on tech stocks shares in particular. 2022 was dominated by crisis, war and chaos, with a drastic and, in some cases, dramatic price reversal into negative territory, both in Germany and on international trading floors.

Russia's war of aggression on Ukraine, dramatic inflation, rising interest rates and the consistently tough economic conditions, partly on account of long-lasting supply chain disruption, caused severe upset on the markets. The German indices were further impacted by investors' fears of a recession in Germany triggered by the potential suspension of Russian gas deliveries and expected key interest rate hikes by the ECB.

Global technology stocks came under even greater price pressure than the market as a whole in 2022. In particular, rising bond yields put pressure on the shares with the most positive growth prospects, and hence the highest valuations. Compared to the closing price for 2021, when the value of Allgeier's shares had almost tripled, Allgeier's shares experienced a loss in value of 49.2 percent on the stock market in 2022.

Developments on the stock market were significantly more positive than assumed by many investors in the first half of 2023. Major stock indices in particular recovered noticeably, and there were significant increases for major international tech stocks as well. The DAX reached a new all-time high in June, up by around 15 percent on the end of the previous year as of the end of the first half of the year. Stocks are currently benefiting from the atypical trends of today's economic cycle. Nominal growth is high compared to the past decade on account of the rise in inflation, with the result that corporate earnings can also grow and debt problems are taking a backseat. Muted demand for goods on the part of the industrial and property sector while demand for services was up on a global basis meant that headline inflation fell significantly in the first half of 2023 as a result of lower commodity prices in particular. Meanwhile, the labor market is amicable thanks to strong demand for services and wage pressure remains high. Rapidly falling headline inflation in combination with already restrictive central bank monetary policies likely mean that the cycle of interest rate hikes is coming to an end. Declining inflation coupled with rising wages should lead to a recovery in purchasing power and thus new growth that will likely be aided in Europe by the waning energy price crisis.



Unlike the major DAX stocks and US tech giants in particular, many smaller German tech securities have yet to benefit from the upswing on the stock markets. In line with the trend for some German and European competitors, the price of Allgeier's shares continued to fall in the first half of the year.

Overall, the first half of the year was characterized by very low trading volumes in Allgeier's shares at times, which were unable to develop any momentum in the first six months. Having started the year at a price of EUR 28.45 on XETRA on January 2, Allgeier's shares initially began with a positive trend. They reached their high for the reporting period of EUR 33.00 on January 13, but were only able to remain above EUR 30 for a handful of weeks. They reached a low of EUR 25.40 on March 8 and have yet to see a significant upward turnaround. The price fluctuated around a range of EUR 26 to EUR 28 until the middle of May and then started sinking back towards EUR 25. The shares recovered briefly to over EUR 28 in June but then fell back below EUR 25. They reached their low for the reporting period at EUR 24.75 on June 27 and ended a disappointing first half of the year with a XETRA closing price of EUR 25.25 and a market capitalization of EUR 289.0 million on June 30. The shares thus lost 10.9 percent of their value as against their prior-year closing price in the first half of 2023.

Outlook

Forecast by the Allgeier Group

In line with the forecast development of the IT market, both in Germany and on other relevant markets, the Management Board rates the fundamental prospects for the ongoing growth of the Allgeier Group's business positively. Thanks to the distributed Group structure with various units that work very independently, the high diversification of the broad client base, the long-standing client relationships and visibility for the coming months, we do not anticipate any substantial cluster risks for our business.

The digitalization trend stemming from our clients is also our business engine. We operate in several areas that have enjoyed high growth for years. To name just a few examples:

- mgm technology partners has been a pioneer in digitalization for many years, in particular in the public sector and in creating complex online portals. The proprietary A12 enterprise low-code platform allows the extremely fast and reliable development and adjustment of complex, functional and secure applications. mgm expects that demand for industrialized software development will increase significantly moving ahead.
- Public sector spending on the digitalization of administration at all levels (government, states, municipalities) is immense and still rising. Special conditions play a role in this. One major issue is digital sovereignty, i.e. independence from individual and, in particular, foreign manufacturers. We are serving this requirement with the development of administration software on the basis of open source products. Our Group company publicplan is one of Germany's leading specialists in this field.
- Classic software products such as ERP systems are gaining new significance in conjunction with ongoing digitalization and the considerable networking with other software products. They are often a central element in the system landscape and, as such, have to satisfy new requirements for connecting with other systems and the cloud. Our Group companies Allgeier inovar and Evora are specialists in this.
- Goods and services are increasingly being offered on dynamic online portals. Issues such as e-commerce are thus taking on new significance. Existing systems have to satisfy a variety of new requirements, which often necessitates their replacement or further development. The software solutions of mgm technology partners and Allgeier inovar are leaders in this field.
- Virtually all key software applications will be offered from the cloud moving ahead. The underlying cloud technology is transforming in turn. This requires the considerable adjustment of existing software solutions and systems. Comprehensive transformation projects are needed. Furthermore, new services are emerging in the operation of applications in the cloud: managed services. In addition to mgm and publicplan, the Group companies Cloudical and Allgeier IT Services specialize in this as well.
- Data security and cybersecurity are becoming increasingly important and are no longer a fringe issue. The specialist products and services of our Group company Allgeier CyRis help clients to achieve a requisite level of protection and to protect themselves against specific threats.

One challenge for our Group companies is the shortage of qualified IT and software specialists. We are continuously intensifying our recruitment activities and also internal training and professional development in addition to making jobs at Allgeier companies more attractive. Further steps include broadening the employee base in other countries such as India, Vietnam, Southwest or Eastern Europe and acquisitions of companies with correspondingly qualified employees.

The following still applies to the current fiscal 2023: Our primary objective is the sustainable development of our Group, our business areas and our enterprise value. While this is happening, the Group will become more attractive to employees and clients, with improved performance. As a major mid-market player, we see ourselves as an established and reliable partner with close proximity to clients, but also with the potential to offer these qualities in major, long-term projects and at an international level as well. A broad, increasingly international performance capability and equal technological sophistication are needed, while geographical proximity is a bonus. Specifically, our goal in the current year is to further hone our focus within the segments and to continue their organizational development. We are thus aiming to further establish ourselves as one of the top performers on the German IT and software services market – with all the drive, solutions expertise and excellence that unite our different business areas: with the broad human capital, scalability and regional coverage plus comprehensive IT and digitalization expertise.

In the second half of the year, Allgeier SE is forecasting a business performance in line with its prior planning and guidance for this period, as published in the ad hoc disclosure of December 20, 2022, and the 2022 annual report. Accordingly higher EBITDA margins are expected in particular. The key reasons for this are that the measures already taken to adjust costs will take effect from the second half of the year and higher software revenue is typically generated towards the end of the year every year, which in turn will mean higher earnings margins. For 2023 as a whole, Allgeier SE is forecasting development in line with the guidance published for 2023.

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Half-yearly Financial Report 2023 (unaudited)

of Allgeier SE in Accordance with Section 115 WpHG

Consolidated Statement of Financial Position of Allgeier SE, Munich, as of June 30, 2023 (unaudited)

Consolidated Statement of Financial Position (in EUR thousand)

Assets	June 30, 2023	December 31, 2022			January 1, 2022		
		Before restatement	Restatement	After restatement	Before restatement	Restatement	After restatement
Intangible assets	283,179	282,910	0	282,910	281,124	0	281,124
Property, plant and equipment	9,975	9,413	0	9,413	7,630	0	7,630
Right-of-use assets from leases	38,877	39,742	0	39,742	41,308	0	41,308
Non-current contract costs	359	431	0	431	0	0	0
Other non-current financial assets	10,349	9,878	0	9,878	8,399	0	8,399
Other non-current assets	530	968	0	968	419	0	419
Deferred tax assets	2,892	1,884	1,012	2,896	1,330	1,000	2,330
Non-current assets	**346,163**	**345,226**	**1,012**	**346,238**	**340,211**	**1,000**	**341,211**
Inventories	1,361	2,521	0	2,521	1,230	0	1,230
Current contract costs	144	144	0	144	0	0	0
Contract assets	17,495	3,379	0	3,379	2,476	0	2,476
Trade receivables	70,207	66,942	0	66,942	62,346	0	62,346
Other current financial assets	1,280	1,497	0	1,497	1,946	0	1,946
Other current assets	9,817	4,385	0	4,385	5,765	0	5,765
Income tax receivables	1,573	1,301	0	1,301	1,496	0	1,496
Cash	44,767	87,421	0	87,421	69,409	0	69,409
Assets held for sale	325	0	0	0	111	0	111
Current assets	**146,970**	**167,589**	**0**	**167,589**	**144,779**	**0**	**144,779**
Assets	**493,133**	**512,815**	**1,012**	**513,827**	**484,990**	**1,000**	**485,990**

Consolidated Statement of Financial Position (in EUR thousand)

Equity and liabilities	June 30, 2023	December 31, 2022			January 1, 2022		
		Before restatement	Restatement	After restatement	Before restatement	Restatement	After restatement
Issued capital	11,444	11,428	0	11,428	11,409	0	11,409
Capital reserves	71,461	71,363	0	71,363	71,249	0	71,249
Retained earnings	102	102	0	102	102	0	102
Profit carryforward	38,945	22,084	970	23,053	19,888	956	20,844
Profit or loss for the period	1,341	21,604	0	21,604	11,801	0	11,801
Changes in equity in accumulated OCI	5,354	5,147	0	5,146	487	0	487
Equity interest of shareholders of the parent company	**128,648**	**131,728**	**970**	**132,698**	**114,936**	**956**	**115,892**
Equity interest of non-controlling interests	51,371	48,608	43	48,651	47,969	43	48,012
Equity	**180,019**	**180,336**	**1,012**	**181,348**	**162,905**	**1,000**	**163,905**
Non-current financial liabilities	136,527	130,437	0	130,437	123,500	0	123,500
Non-current lease liabilities	32,779	33,912	0	33,912	35,734	0	35,734
Long-term provisions for post-employment benefit costs	1,178	1,134	0	1,134	1,133	0	1,133
Other long-term provisions	325	325	0	325	331	0	331
Non-current contract liabilities	170	952	0	952	88	0	88
Other non-current financial liabilities	24,841	26,275	0	26,275	41,802	0	41,802
Deferred tax liabilities	8,250	8,981	0	8,981	7,652	0	7,652
Non-current liabilities	**204,070**	**202,015**	**0**	**202,015**	**210,240**	**0**	**210,240**
Current financial liabilities	5,315	19,830	0	19,830	14,885	0	14,885
Current lease liabilities	9,299	9,120	0	9,120	8,810	0	8,810
Short-term provisions for post-employment benefit costs	22	22	0	22	125	0	125
Other short-term provisions	15,738	16,206	0	16,206	17,948	0	17,948
Current contract liabilities	7,614	5,411	0	5,411	6,762	0	6,762
Trade payables	24,087	28,274	0	28,274	25,073	0	25,073
Other current financial liabilities	29,741	30,434	0	30,434	18,025	0	18,025
Other current liabilities	5,550	6,075	0	6,075	4,688	0	4,688
Income tax liabilities	11,570	15,093	0	15,093	15,419	0	15,419
Liabilities held for sale	108	0	0	0	111	0	111
Current liabilities	**109,044**	**130,464**	**0**	**130,464**	**111,846**	**0**	**111,846**
Equity and liabilities	**493,133**	**512,815**	**1,012**	**513,827**	**484,990**	**1,000**	**485,990**

Consolidated Statement of Comprehensive Income of Allgeier SE, Munich, or the period January 1, 2023, to June 30, 2023 (unaudited)

Consolidated Statement of Comprehensive Income (in EUR thousand)	Total				Discontinued operations		Continuing operations			
Income Statement	January 1, 2023, to June 30, 2023	January 1, 2022, to June 30, 2022			January 1, 2023, to June 30, 2023	January 1, 2022, to June 30, 2022	January 1, 2023, to June 30, 2023	January 1, 2022, to June 30, 2022		
		Before restatement	Restatement	After restatement				Before restatement	Restatement	After restatement
Revenue	241,892	228,832	0	228,832	438	327	241,455	228,505	0	228,505
Other own work capitalized	3,598	2,586	0	2,586	0	0	3,598	2,586	0	2,586
Other operating income	1,196	2,511	0	2,511	10	168	1,186	2,343	0	2,343
Cost of materials	76,996	87,764	0	87,764	461	-255	76,535	88,018	0	88,018
Staff costs	127,325	108,321	0	108,321	0	14	127,325	108,307	0	108,307
Impairment on trade receivables and contract assets	138	0	0	0	1	16	137	-16	0	-16
Other operating expenses	20,186	13,630	0	13,630	45	1,818	20,141	11,812	0	11,812
Earnings before interest, taxes, depreciation and amortization	**22,040**	**24,215**	**0**	**24,215**	**-59**	**-1,625**	**22,100**	**25,840**	**0**	**25,840**
Depreciation, amortization and impairment	11,886	12,994	0	12,994	16	-22	11,870	13,015	0	13,015
Results of operating activities	**10,155**	**11,221**	**0**	**11,221**	**-76**	**-1,648**	**10,230**	**12,869**	**0**	**12,869**
Finance income	548	63	0	63	0	0	548	63	0	63
Financial expenses	4,450	3,002	0	3,002	0	0	4,450	3,002	0	3,002
Net income from investments accounted for using the equity method	0	-12	0	-12	0	0	0	-12	0	-12
Earnings before taxes	**6,253**	**8,270**	**0**	**8,270**	**-76**	**-1,649**	**6,329**	**9,918**	**0**	**9,918**
Net income taxes	-2,163	-3,667	2	-3,665	-1	-11	-2,162	-3,656	3	-3,654
Profit or loss for the period	**4,090**	**4,602**	**2**	**4,604**	**-77**	**-1,660**	**4,167**	**6,262**	**3**	**6,265**
Discontinued operations:										
Earnings from discontinued operations before taxes	0	4,210	0	4,210	0	0	0	4,210	0	4,210
Net income taxes	0	0	0	0	0	0	0	0	0	0
Earnings from discontinued operations	**0**	**4,210**	**0**	**4,210**	**0**	**0**	**0**	**4,210**	**0**	**4,210**
Total operations:										
Earnings before taxes	6,253	12,480	0	12,480	-76	-1,649	6,329	14,128	0	14,128
Net income taxes	-2,163	-3,667	2	-3,665	-1	-11	-2,162	-3,656	3	-3,654
Profit for the period after gains and losses on disposals	**4,090**	**8,812**	**2**	**8,814**	**-77**	**-1,660**	**4,167**	**10,472**	**3**	**10,475**
Profit or loss for the period attributable to:										
shareholders of the parent company	1,341	6,528	-1	6,528	-77	-1,660	1,418	8,188	-1	8,187
non-controlling interests	2,749	2,284	3	2,287	0	0	2,749	2,284	3	2,287
Basic earnings per share:										
Average number of shares outstanding weighted pro rata temporis	11,428,627	11,408,513	11,408,513	11,408,513	11,428,627	11,408,513	11,428,627	11,408,513	11,408,513	11,408,513
Earnings per share in EUR	0.12	0.57	0.00	0.57	-0.01	-0.15	0.12	0.72	0.00	0.72
Diluted earnings per share:										
Average number of shares outstanding weighted pro rata temporis	11,595,425	11,898,308	11,898,308	11,898,308	11,595,425	11,898,308	11,595,425	11,898,308	11,898,308	11,898,308
Earnings per share in EUR	0.12	0.55	0.00	0.55	-0.01	-0.14	0.12	0.69	0.00	0.69

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Consolidated Statement of Comprehensive Income of Allgeier SE, Munich, for the period January 1, 2023, to June 30, 2023 (unaudited)

Consolidated Statement of Comprehensive Income (in EUR thousand)	Total				Discontinued operations		Continuing operations			
Other comprehensive income	January 1, 2023, to June 30, 2023	January 1, 2022, to June 30, 2022			January 1, 2023, to June 30, 2023	January 1, 2022, to June 30, 2022	January 1, 2023, to June 30, 2023	January 1, 2022, to June 30, 2022		
		Before restatement	Restatement	After restatement				Before restatement	Restatement	After restatement
Items that cannot be reclassified to the income statement:										
Actuarial gains (losses)	-8	3	0	3	0	0	-8	3	0	3
Tax effects	0	0	0	0	0	0	0	0	0	0
	-7	3	0	3	0	0	-7	3	0	3
Items that can be reclassified to the income statement:										
Foreign exchange differences	115	2,511	1	2,512	19	1,830	95	681	1	682
Foreign exchange differences reclassified to profit or loss	0	0	0	0	0	-1,814	0	1,814	0	1,814
Change in value of interest rate hedging derivative	104	0	0	0	0	0	104	0	0	0
Deferred taxes from the remeasurement of the interest rate hedging derivative	-32	0	0	0	0	0	-32	0	0	0
	186	2,511	1	2,512	19	16	167	2,495	1	2,496
Other comprehensive income for the period	179	2,514	1	2,515	19	16	160	2,498	1	2,499
Total comprehensive income for the period	4,269	11,327	3	11,329	-57	-1,644	4,327	12,971	4	12,974
Total comprehensive income for the period attributable to:										
shareholders of the parent company	1,549	8,827	0	8,827	-57	-1,759	1,606	10,586	1	10,587
non-controlling interests	2,720	2,500	3	2,503	0	115	2,720	2,384	3	2,387

Consolidated Statement of Comprehensive Income of Allgeier SE, Munich, for the period April 1, 2023, to June 30, 2023 (unaudited)

Consolidated Statement of Comprehensive Income (in EUR thousand)	Total				Discontinued operations		Continuing operations			
Income Statement	April 1, 2023, to June 30, 2023	April 1, 2022, to June 30, 2022			April 1, 2023, to June 30, 2023	April 1, 2022, to June 30, 2022	April 1, 2023, to June 30, 2023	April 1, 2022, to June 30, 2022		
		Before restatement	Restatement	After restatement				Before restatement	Restatement	After restatement
Revenue	117,635	116,679	0	116,679	438	193	117,197	116,486	0	116,486
Other own work capitalized	2,089	1,745	0	1,745	0	0	2,089	1,745	0	1,745
Other operating income	662	1,659	0	1,659	10	137	652	1,522	0	1,522
Cost of materials	35,215	44,221	0	44,221	461	-124	34,755	44,344	0	44,344
Staff costs	64,463	55,041	0	55,041	0	0	64,462	55,041	0	55,041
Impairment on trade receivables and contract assets	136	-36	0	-36	1	7	135	-43	0	-43
Other operating expenses	10,518	8,132	0	8,132	45	1,777	10,473	6,355	0	6,355
Earnings before interest, taxes, depreciation and amortization	**10,054**	**12,726**	**0**	**12,726**	**-59**	**-1,592**	**10,113**	**14,318**	**0**	**14,318**
Depreciation, amortization and impairment	6,101	6,532	0	6,532	16	-13	6,085	6,545	0	6,545
Results of operating activities	**3,953**	**6,195**	**0**	**6,195**	**-76**	**-1,605**	**4,029**	**7,799**	**0**	**7,799**
Finance income	512	14	0	14	0	0	512	14	0	14
Financial expenses	2,088	1,720	0	1,720	0	0	2,088	1,720	0	1,720
Net income from investments accounted for using the equity method	0	-12	0	-12	0	0	0	-12	0	-12
Earnings before taxes	**2,377**	**4,477**	**0**	**4,477**	**-76**	**-1,605**	**2,453**	**6,082**	**0**	**6,082**
Net income taxes	-839	-2,372	8	-2,364	-1	0	-838	-2,372	8	-2,363
Profit or loss for the period	**1,538**	**2,106**	**8**	**2,113**	**-77**	**-1,605**	**1,614**	**3,710**	**8**	**3,719**
Discontinued operations:										
Earnings from discontinued operations before taxes	0	4,210	0	0	0	0	0	4,210	0	0
Net income taxes	0	0	0	0	0	0	0	0	0	0
Earnings from discontinued operations	**0**	**4,210**	**0**	**0**	**0**	**0**	**0**	**4,210**	**0**	**0**
Total operations:										
Earnings before taxes	2,377	8,687	0	4,477	-76	-1,654	2,453	10,342	0	6,082
Net income taxes	-839	-2,372	8	-2,364	-1	0	-838	-2,372	8	-2,363
Profit for the period after gains and losses on disposals	**1,538**	**6,316**	**8**	**2,113**	**-77**	**-1,654**	**1,614**	**7,970**	**8**	**3,719**
Profit or loss for the period attributable to:										
shareholders of the parent company	-6	5,090	5	5,095	-77	-1,605	71	6,695	5	6,699
non-controlling interests	1,544	1,226	3	1,229	0	0	1,544	1,226	3	1,229
Basic earnings per share:										
Average number of shares outstanding weighted pro rata temporis	11,428,627	11,408,513	11,408,513	11,408,513	11,428,627	11,408,513	11,428,627	11,408,513	11,408,513	11,408,513
Earnings per share in EUR	0.12	0.45	0.00	0.45	-0.01	-0.15	0.12	0.59	0.00	0.59
Diluted earnings per share:										
Average number of shares outstanding weighted pro rata temporis	11,595,425	11,898,308	11,924,476	11,924,476	11,595,425	11,898,308	11,595,425	11,898,308	11,924,476	11,924,476
Earnings per share in EUR	0.12	0.43	0.00	0.43	-0.01	-0.14	0.12	0.57	0.00	0.57

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Consolidated Statement of Comprehensive Income of Allgeier SE, Munich, for the period April 1, 2023, to June 30, 2023 (unaudited)

Consolidated Statement of Comprehensive Income (in EUR thousand)	Total				Discontinued operations		Continuing operations			
Other comprehensive income	April 1, 2023, to June 30, 2023	April 1, 2022, to June 30, 2022			April 1, 2023, to June 30, 2023	January 1, 2022, to June 30, 2022	April 1, 2023, to June 30, 2023	April 1, 2022, to June 30, 2022		
		Before restatement	Restatement	After restatement				Before restatement	Restatement	After restatement
Items that cannot be reclassified to the income statement:										
Actuarial gains (losses)	-8	3	0	3	0	0	-8	3	0	3
Tax effects	0	0	0	0	0	0	0	0	0	0
	-7	3	0	3	0	0	-7	3	0	3
Items that can be reclassified to the income statement:										
Foreign exchange differences	226	2,404	1	2,405	19	1,830	207	574	1	575
Foreign exchange differences reclassified to profit or loss	0	0	0	0	0	-1,814	0	1,814	0	1,814
Change in value of interest rate hedging derivative	321	0	0	0	0	0	321	0	0	0
Deferred taxes from the remeasurement of the interest rate hedging derivative	-100	0	0	0	0	0	-100	0	0	0
	448	2,404	1	2,405	19	16	428	2,389	1	2,389
Other comprehensive income for the period	440	2,408	1	2,408	19	0	421	2,408	1	2,408
Total comprehensive income for the period	1,978	8,723	8	8,732	-57	-1,654	2,036	10,378	9	10,387
Total comprehensive income for the period attributable to:										
shareholders of the parent company	438	7,300	5	7,306	-57	-1,770	496	9,070	6	9,076
non-controlling interests	1,540	1,423	3	1,426	0	115	1,540	1,308	3	1,310

Consolidated Statement of Cash Flows of Allgeier SE, Munich, for the period January 1, 2023, to June 30, 2023 (unaudited)

Consolidated Statement of Cash Flows (in EUR thousand)	Total		Discontinued operations		Continuing operations	
	January 1, 2023, to June 30, 2023	January 1, 2022, to June 30, 2022	January 1, 2023, to June 30, 2023	January 1, 2022, to June 30, 2022	January 1, 2023, to June 30, 2023	January 1, 2022, to June 30, 2022
Results of operating activities	10,155	11,221	-76	-1,648	10,230	12,869
Depreciation and amortization on non-current assets	11,886	12,994	16	23	11,870	12,970
Expenses on the disposal of non-current assets	18	13	0	0	18	13
Change in long-term provisions	36	75	0	0	36	75
Other non-cash expenses and income	-3,654	-1,386	-1	1,798	-3,652	-3,185
Income taxes paid	-6,868	-1,845	1	-18	-6,869	-1,827
Cash flows from operating activities before changes in working capital	**11,572**	**21,070**	**-60**	**155**	**11,632**	**20,915**
Cash flows from changes in working capital	-25,290	-18,340	-44	-270	-25,246	-18,069
Cash flows from operating activities	**-13,718**	**2,731**	**-104**	**-115**	**-13,614**	**2,846**
Payments for investments in non-current assets	-5,999	-3,393	-24	-21	-5,974	-3,372
Payments for lease liabilities	-6,181	-5,587	0	-11	-6,181	-5,576
Proceeds from the disposal of non-current assets	87	33	0	0	87	33
Proceeds from sale-leaseback transactions	2,948	48	0	0	2,948	48
Payments for the acquisition of subsidiaries	130	-402	0	0	130	-402
Payments for purchase price components for companies not acquired in the fiscal year	-3,456	-480	0	0	-3,456	-480
Balance of payments from loans to investments accounted for using the equity method	0	686	0	0	0	686
Proceeds from the sale of subsidiaries	0	4,501	0	0	0	4,501
Decrease in cash and cash equivalents from the sale of subsidiaries with www wwwwloss of control	0	-221	0	-221	0	0
Cash flows from investing activities	**-12,471**	**-4,816**	**-24**	**-253**	**-12,446**	**-4,563**
Proceeds from capital increase	79	0	0	0	79	0
Proceeds from borrower's note loan	0	60,000	0	0	0	60,000
Proceeds from bank loans	17,000	4,000	0	0	17,000	4,000
Repayment of bank loans	-11,045	-60,010	0	0	-11,045	-60,010
Cash flow from factoring	3,777	10,164	0	0	3,777	10,164
Interest received	48	43	0	0	48	43
Interest paid	-3,996	-2,488	0	0	-3,996	-2,488
Distributions	-5,714	0	0	0	-5,714	0
Balance of payments with non-controlling interests	-2,030	-2,031	0	0	-2,030	-2,031
Cash flow from financing activities	**-1,880**	**9,678**	**0**	**0**	**-1,880**	**9,678**
Total cash flows	**-28,069**	**7,593**	**-128**	**-368**	**-27,940**	**7,961**
Changes in cash and cash equivalents due to exchange rate movements	51	35	0	-5	51	39
Total changes in cash and cash equivalents	**-28,018**	**7,628**	**-129**	**-373**	**-27,889**	**8,000**
Cash and cash equivalents at the beginning of the period	67,411	54,822	250	551	67,161	54,271
Cash and cash equivalents at the end of the period	39,394	62,454	122	178	39,272	62,275

Consolidated Statement of Changes in Equity ALLGEIER

Consolidated Statement of Changes in Equity of Allgeier SE, Munich, as of June 30, 2023 (unaudited)

Consolidated Statement of Changes in Equity (in EUR thousand)

	Issued capital	Capital reserves	Retained earnings	Profit carryforward	Profit or loss for the period	Changes in equity recognized directly in equity	Equity interest of shareholders of the parent company	Equity interest of non-controlling interests	Equity
As of January 1, 2022, restated	**11,409**	**71,249**	**102**	**20,844**	**11,801**	**487**	**115,892**	**48,012**	**163,905**
Transfer of profit or loss for the previous year to profit carryforward	0	0	0	11,801	-11,801	0	0	0	0
Actuarial gains (losses)	0	0	0	0	0	3	3	0	3
Dividends	0	0	0	-5,704	0	0	-5,704	-237	-5,941
Profit or loss for the period restated	0	0	0	0	6,528	0	6,528	2,284	8,812
Foreign exchange differences	0	0	0	0	0	2,295	2,295	216	2,511
As of June 30, 2022, restated	**11,409**	**71,249**	**102**	**26,942**	**6,528**	**2,782**	**119,015**	**50,275**	**169,290**
As of January 1, 2023, restated	**11,428**	**71,363**	**102**	**23,053**	**21,604**	**5,146**	**132,697**	**48,651**	**181,348**
Transfer of profit or loss for the previous year to profit carryforward	0	0	0	21,604	-21,604	0	0	0	0
Adjustment of the exercise price of stock options from the 2014 stock option plan	17	97	0	0	0	0	114	0	114
Actuarial gains (losses)	0	0	0	0	0	-7	-7	0	-7
Interest rate hedging derivative	0	0	0	0	0	72	72	0	72
Dividends	0	0	0	-5,714	0	0	-5,714	0	-5,714
Profit or loss for the period	0	0	0	0	1,341	0	1,341	2,749	4,090
Foreign currency translation differences	0	0	0	0	0	143	143	-29	115
As of June 30, 2023	**11,444**	**71,461**	**102**	**38,945**	**1,341**	**5,354**	**128,647**	**51,371**	**180,018**

Segment Reporting of Allgeier SE, Munich, in accordance with IFRS for the period January 1, 2023, to June 30, 2023 (unaudited)

Segments (in EUR thousand)	Enterprise IT		mgm technology partners		Other		Continuing operations	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
External revenue	181,079	179,170	60,278	48,744	132	592	241,488	228,506
Revenue with other segments	862	260	1,813	2,811	-2,709	-3,072	-34	-1
Revenue	**181,941**	**179,430**	**62,091**	**51,555**	**-2,577**	**-2,480**	**241,455**	**228,505**
Total performance	**183,175**	**180,517**	**64,454**	**53,055**	**-2,577**	**-2,480**	**245,052**	**231,091**
Gross profit	52,602	50,807	26,213	20,521	-161	-1,078	78,654	70,250
EBITDA before extraordinary and prior-period effects	14,584	18,428	13,702	10,839	-3,930	-4,355	24,355	24,913
Earnings before interest, taxes, depreciation and amortization (EBITDA)	14,010	18,508	12,820	11,042	-4,729	-3,711	22,100	25,840
Segment earnings from operating activities (EBIT)	6,111	9,060	9,603	8,269	-5,484	-4,460	10,230	12,869
Segment earnings before income taxes	**3,665**	**7,122**	**9,598**	**8,224**	**-6,933**	**-5,428**	**6,329**	**9,918**
Segment earnings before profit transfer	**3,665**	**7,122**	**9,598**	**8,224**	**-6,933**	**-5,428**	**6,329**	**9,918**
Segment assets	419,653	422,080	79,717	75,082	-6,237	-4,895	493,133	492,266
Gross profit added in % of total performance	28.7%	28.1%	40.7%	38.7%	6.3%	43.4%	32.1%	30.4%
Operating EBITDA in % of total performance	8.0%	10.2%	21.3%	20.4%	152.5%	175.6%	9.9%	10.8%
EBITDA in % of total performance	7.6%	10.3%	19.9%	20.8%	183.5%	149.6%	9.0%	11.2%
EBIT in % of total performance	3.3%	5.0%	14.9%	15.6%	212.8%	179.8%	4.2%	5.6%

Other Notes

Accounting policies

Allgeier SE's half-yearly financial report as of June 30, 2023, was prepared in accordance with the requirements of section 115 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act). The accounting policies have changed in one respect since the 2022 annual financial statements: From January 1, 2023, the Allgeier Group reports deferred taxes on temporary differences arising from accounting for leases. The changes were made retroactively to January 1, 2022, to ensure comparability with the previous year. The resulting restatements are shown in separate columns in the statement of financial position and the statement of comprehensive income. As a result of first-time adoption, the profit carryforward increased by EUR 1.0 million in the statement of financial position as of January 1, 2022.

The half-yearly financial report as of June 30, 2023, has not been reviewed in accordance with section 115 WpHG or audited in accordance with section 317 of the *Handelsgesetzbuch* (HGB – German Commercial Code).

Election of Supervisory Board members

The end of the Annual General Meeting on June 13, 2023, also marked the end of the term in office of three members of the Supervisory Board of Allgeier SE, thus necessitating new elections. On June 13, 2023, the Annual General Meeting of Allgeier SE resolved to re-elect the previous members of the Supervisory Board Detlef Dinsel and Christian Eggenberger. They were appointed until the end of the Annual General Meeting that will adopt a resolution on official approval of their actions for the fourth fiscal year after the start of their term in office. This does not include the fiscal year in which their term in office begins. In addition to the two re-elected members of the Supervisory Board, the Supervisory Board also includes its Chairman, Carl Georg Dürschmidt. The previous Deputy Chairman of the Supervisory Board, Thies Eggers, did not stand for re-election, hence the Supervisory Board currently has three members.

Number of shares

Options for 16,800 shares were exercised under the 2014 stock option program in the second quarter of 2023. Accordingly, the total number of Allgeier SE shares increased from 11,427,513 on December 31, 2022, to 11,444,313 on June 30, 2023. Allgeier SE received a cash inflow of EUR 114 thousand from the exercise of these options.

Dividend

At the Annual General Meeting held on June 13, 2023, Allgeier SE resolved to pay a dividend of EUR 0.50 per entitled share from its net retained profits of EUR 19,326,613.37 as of December 31, 2022. 11,427,513 shares were entitled to the dividend. The dividend of EUR 5,713,756.50 in total was paid to the shareholders in June 2023.

Treasury shares

Allgeier SE did not acquire any treasury shares in the first six months of 2023. The number of treasury shares as of June 30, 2023, is therefore still zero (December 31, 2022: zero).

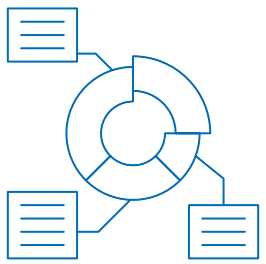
Significant transactions with related parties

Related parties as defined by IAS 24 are natural persons and companies that can be influenced by Allgeier SE, that can significantly influence Allgeier SE or that are influenced by another related party of Allgeier SE. Business relationships between all companies included in the consolidated financial statements were fully eliminated in the consolidated financial statements. There were no significant transactions between Allgeier and related parties in the first quarter of 2023.

Consolidated group

As of June 30, 2023, the basis of consolidation of Allgeier SE still consisted of 56 consolidated companies (December 31, 2022: 56). The Group acquired a new company, ShiftDigital Government Solutions GmbH, Bochum, in the first half of 2023. mgm technology partners schweiz AG, Zug, Switzerland, was liquidated in the first half of 2023.

Supplementary Report



Disposal of VJii Production AG

VJii Production AG, Olten, Switzerland, was sold in July 2023. VJii Production AG was wholly owned by MySign AG, Olten, Switzerland. The Group indirectly held 80 percent in the company sold. The company was reclassified to discontinued operations in these half-year financial statements. The assets and liabilities of the company are shown at provisional amounts in assets and liabilities held for sale.

Acquisition of SDX AG

By way of purchase agreement dated July 27, 2023, the Allgeier Group acquired 80 percent in SDX AG, Frankfurt/Main (SDX). With more than 30 certified full stack developers and architects for Microsoft technologies, the company is a specialist for state-of-the-art cloud technologies in the Microsoft Azure field and works with highly functional software solutions at the forefront of the digitalization of critical enterprise applications. As a technology partner, SDX assists its clients in the implementation of cloud-native applications with its innovative micro-services approach and combines key future technologies, such as artificial intelligence and data analytics, with flexible and scalable software architectures. With this acquisition, Allgeier is bundling its expertise and resources to jointly continue expanding a specialized business unit for Microsoft technology and applications. This comprises the fields of software development, building and operating

state-of-the-art enterprise solutions, relocating business applications to the cloud using the technologies and services available there, networking with other software applications such as ERP systems and the Allgeier Group's own enterprise software solutions. Furthermore, Allgeier's goal for both new and existing clients is to leverage cross-border synergies in the DACH region using Microsoft-based cloud technologies in software development and managed services. For clients, this creates a comprehensive offering for the efficient digitalization of their business applications on the basis of state-of-the-art, market-leading technologies. Aided by high demand on the market, Allgeier is striving for strong growth in this business unit.

Responsibility Statement

To the best of its knowledge, the Management Board of Allgeier SE gives its assurance that this half-yearly financial report of Allgeier SE as of June 30, 2023, including the interim management report of the Allgeier Group, was prepared in accordance with the applicable accounting principles and includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of fiscal year 2023.

Legal Notice

Information for fiscal year 2023

Information for periods after June 30, 2023, uses assumptions and estimates based on Management Board expectations. Actual future developments and results could differ from these assumptions and estimates. Allgeier SE provides no guarantee that future developments and the actual results achieved in the future will be consistent with the assumptions and estimates expressed in this voluntary interim information and assumes no such liability.

Alternative key performance indicators

This document contains supplementary financial indicators – not precisely defined in the relevant accounting framework – that are or could constitute alternative performance indicators. These supplementary financial indicators may be of limited suitability as an analytical tool and should not be used in isolation or as an alternative to the financial indicators presented in the consolidated financial statements and calculated in accordance with relevant accounting frameworks to assess the financial position and financial performance of Allgeier SE. Other companies that present or report alternative performance indicators with similar names may calculate them differently and they therefore may not be comparable. Further information on the alternative performance indicators used by Allgeier SE can be found in Allgeier SE's 2022 annual report.

Financial Calendar 2023

Important dates and events	
Publication of the 2022 consolidated/ annual financial statements	April 28, 2023
Publication of voluntary interim information as of March 31, 2023	May 15, 2023
Annual General Meeting in Munich	June 13, 2023
Publication of 2023 half-yearly financial report	August 15, 2023
Publication of voluntary interim information as of September 30, 2023	November 14, 2023

Allgeier's financial reports and interim information can be found on the Internet at www.allgeier.com/en > Investor Relations > Financial Reports & Publications or requested using the contact details provided.

Current financial information can be found on Allgeier's website under Investor Relations at: www.allgeier.com/en/investor-relations

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Half-yearly Financial Report
as of June 30, 2023