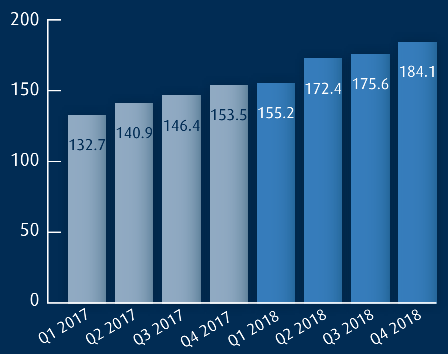
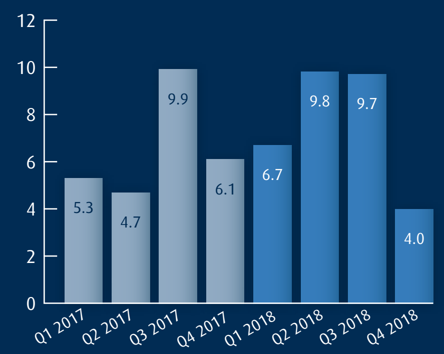
ALLGEIER

ANNUAL REPORT 2018

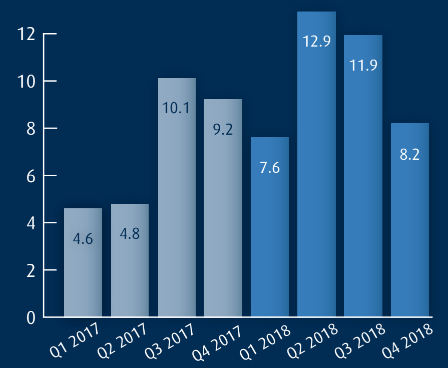
SALES REVENUES in EUR million



EBITDA in EUR million



ADJUSTED EBITDA* in EUR million



for continuing operations (IFRS) | *EBITDA for continuing operations before effects that from a business perspective are extraordinary or relate to other periods

ALLGEIER SE STANDS FOR MODERN SOFTWARE DEVELOPMENT AND FLEXIBLE IT PERSONNEL SOLUTIONS

Allgeier SE is one of the leading IT companies for digital transformation. With a growth strategy aimed at innovation and future trends, as well as an integrative business model, Allgeier seizes the opportunities that digitalization offers.

Four operating segments with individual specialist and sector-related focus areas work together for around than 3,000 customers from almost all business sectors as well as the public sector. With over 9,400 salaried employees and more than 1,000 freelance experts, Allgeier offers its customers an extensive one-stop-shop range of solutions and services. Allgeier – with its highly flexible global delivery model – covers the complete IT performance spectrum from onsite to nearshore to offshore: Strong pillars in India and China ensure flexibility and maximum scalability of the services, as well as highly qualified expert knowledge in high-end software development. Allgeier customers include globally operating groups as well as innovative medium-size business operations that aim to secure strategic advantages through high-performance IT solutions, intelligent software and flexible personnel services. This Munich-based, fast-growing Group maintains more than 140 branches in the region of Germany, Austria and Switzerland, in eleven further European countries, as well as in India, China, the United Arab Emirates, Singapore, Vietnam, Malaysia, Thailand, Japan, South Africa, Mauritius, Australia, Canada, Mexico and the USA. Allgeier generated EUR 687 million of sales revenue in the 2018 financial year (continuing operations). Allgeier SE is one of the ten leading IT consulting and system integration companies in Germany, according to the Lünendonk® List 2018. According to the Lünendonk® 2018 market segment study "The Market for Recruiting, Mediating and Managing IT Freelancers in Germany", Allgeier Experts ranks among Germany's top three IT personnel service providers. Allgeier SE is listed in the General Standard of the Regulated Market on the Frankfurt Stock Exchange (WKN A2GS63, ISIN DE000A2GS633).

@ **Additional information and the latest news about the company are provided at www.allgeier.com.**

KEY GROUP INDICATORS*	2014	2015	2016	2017	2018	CAGR***
Sales revenues	375.7	445.7	497.5	573.5	687.3	16.3%
EBITDA	21.0	23.5	31.5	26.0	30.2	9.6%
Adjusted EBITDA**	25.4	25.6	33.8	28.8	40.6	12.5%
EBIT	11.7	11.2	17.8	13.0	15.9	8.0%
EBT	6.7	7.1	13.9	10.5	13.1	18.1%
Net income for the year	1.6	1.7	6.7	4.2	6.8	42.9%
Earnings per share (in EUR)	0.23	1.39	0.50	0.26	0.45	18.3%
Adjusted earnings per share (in EUR)				1.06	1.60	
Total assets	329.8	328.0	344.4	337.9	480.4	9.9%
Equity	100.7	115.7	116.9	122.8	133.9	7.4%
Number of permanent employees	4,871	5,691	6,319	7,077	9,437	18.0%
Number of freelance experts	1,211	1,334	1,361	1,393	1,080	-2.8%
Total number of employees	6,082	7,025	7,680	8,470	10,517	14.7%

*continuing operations (IFRS), figures in EUR million (unless otherwise stated) | **EBITDA before effects classified as extraordinary or relating to other periods |
***Compound Annual Growth Rate

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Overview of the Allgeier year 2018

1st quarter 2018

Allgeier achieves significant sales revenue and earnings growth in Q1 2018

In the first three months of 2018 financial year (January 1, 2018 – March 31, 2018), the Allgeier Group achieved sustained sales revenue growth and significant earnings growth in its continuing operations. In the first quarter of 2018, the revenue generated by the Allgeier Group in its continuing operations amounted to EUR 155.2 million, up 17 percent on the previous year's level (EUR 132.7 million). Value creation (total operating revenue less productive staff costs and purchased services) grew by 25 percent to EUR 42.9 million (previous year: EUR 34.4 million), representing a gross margin of 27.6 percent (previous year: 25.9 percent). Adjusted consolidated EBITDA (EBITDA from continuing operations before effects that qualify operationally as extraordinary or that relate to other accounting periods) in the first three months of 2018 reported an increase of 65 percent to EUR 7.6 million (previous year: EUR 4.6 million). EBITDA from continuing operations amounted to EUR 6.7 million for the period under review (previous year: EUR 5.3 million), reflecting 27 percent growth. Consolidated EBIT amounted to EUR 3.8 million (previous year: EUR 2.4 million), representing growth of 62 percent.

Acquisitions

On January 8, 2018, Nagarro Austria Beteiligungs GmbH, Vienna, Austria, acquired all shares in ANECON Software Design und Beratung GmbH headquartered in Vienna, Austria ("ANECON"). In turn, ANECON wholly owns ANECON Software Design und Beratung GmbH, Dresden. With sales revenue of EUR 16 million in the 2017 financial year, ANECON is one of the leading companies for software development and consulting in the Austrian market. The company offers the highest quality for its customers' IT projects and maps the entire software lifecycle. Its approximately 150 employees advise on transformations, develop individual software, and secure software quality on the basis of tests and test automation.

ANECON was initially consolidated on January 1, 2018.

Disposal of Allgeier Medical IT

By agreement dated March 23, 2018, Allgeier Enterprise Services AG, Bremen, sold all shares in Allgeier Medical IT GmbH, Freiburg ("Allgeier Medical IT"), including its subsidiary eHealthOpen Ltd., Birmingham, United Kingdom. A purchase price of EUR 3.5 million for the company was agreed. The purchase price for Allgeier Medical IT was paid in the first half of 2018. The gain on the disposal amounted to EUR 1.9 million before income taxes.

2nd quarter 2018

Allgeier continues to achieve significant revenue and earnings growth in Q2 2018

In the second quarter of 2018 (April 1, 2018 – June 30, 2018), the Group recorded a year-on-year rise in its revenue of 22 percent to EUR 172.4 million (previous year: EUR 140.9 million). Value creation (total operating revenue less productive staff costs and purchased services) grew by 33 percent to EUR 47.1 million (previous year: EUR 35.4 million), representing a gross margin of 27.3 percent (previous year: 25.1 percent). Adjusted consolidated EBITDA (EBITDA before effects that qualify operationally as extraordinary or relating to other accounting periods) of EUR 12.9 million grew 160 percent compared with the previous year's result (previous year: EUR 4.8 million). Consolidated EBITDA for the second quarter amounted to EUR 9.8 million (previous year: EUR 4.7 million), representing an increase of 108 percent over the same period last year. Consolidated EBIT (earnings before interest and taxes) stood at EUR 6.6 million in the same period (previous year: EUR 1.4 million).

Acquisitions

In June 2018, Allgeier Project Solutions GmbH, Munich, signed a purchase agreement for the acquisition of 100 percent of the shares in Objectiva Software Solutions, Inc., headquartered in San Diego, California, USA ("Objectiva"). The company was founded in 2001 and achieved sales revenues of around USD 24 million in the 2017 financial year with an operating EBITDA margin of around 10 percent. Objectiva specializes in software development solutions and cross-platform technology implementation, particularly in the e-commerce and content areas. The company has an excellent client base in the US market, ranging from private equity-financed independent software vendors through to Fortune 100 companies. In addition to its US locations in San Diego and Seattle, Objectiva has an additional distribution network in the Chicago, Denver, Indianapolis and Boston metropolitan areas. Allgeier thereby continues to expand its presence and network in the US market. In addition, Objectiva has two Chinese software development centers in Beijing and Xi'an with around 450 highly qualified developers. By acquiring these new colleagues, Allgeier further expands its expertise in the development of complex software solutions for business-critical business processes and continues the Group's internationalization. In addition to its presence in the US market, Objectiva has also developed attractive customer access in China and other Asian markets. As part of the Allgeier Group, Objectiva is also expanding its activities in Germany and Europe in cooperation with the Group companies.

The company was consolidated into the Group for the first time on July 1, 2018.

Dividend

At the Ordinary AGM held on June 29, 2018, a resolution was passed that Allgeier SE would distribute a dividend totaling EUR 4,913,725.00 from its unappropriated net profit for the 2017 financial year in the amount of EUR 27,188,374.41. A total of 9,827,450 shares were dividend-entitled. The dividend per dividend-entitled share was EUR 0.50. The dividend was paid out to the shareholders of Allgeier SE in July 2018.

3rd quarter 2018

Allgeier posts double-digit sales revenue growth in third quarter of 2018.

In the third quarter of 2018 (July 1, 2018–September 30, 2018), the Group recorded a 20 percent increase in sales revenues from continuing operations to EUR 175.6 million compared with the same period of the previous year (continuing operations of the previous year: EUR 146.4 million). Value creation (total operating revenue less productive staff costs and purchased services) grew by 24 percent to EUR 50.1 million (previous year: EUR 40.3 million), representing a gross margin of 28.5 percent (previous year: 27.6 percent). Consolidated EBITDA adjusted for extraordinary or non-period effects was EUR 11.9 million, up 14 percent on the previous year (EUR 10.1 million), which corresponds to an adjusted EBITDA margin of 6.8 percent (previous year: 6.9 percent). Adjusted extraordinary effects and effects relating to other periods amounted to a total of EUR -2.2 million in the third quarter of 2018 (previous year: EUR -0.2 million). Including extraordinary and non-period effects, consolidated EBITDA for the third quarter amounted to EUR 9.7 million (previous year: EUR 9.9 million). Consolidated EBIT (earnings before interest and taxes) stood at EUR 6.5 million in the same period (previous year: EUR 6.9 million).

Acquisitions

On August 13, 2018, Allgeier SE signed a purchase agreement for the acquisition of approximately 67 percent of the shares in software development company iQuest Holding GmbH, Bad Homburg, and its subsidiaries ("iQuest Group"). The rest of the shares will remain with founder Cornelius Brody and the operational management for the next few years. The iQuest Group was founded in 1998 and achieved revenue of more than EUR 30 million in the 2017 financial year with an adjusted operating EBITDA margin of around 15 percent. As an international software company, the iQuest Group has over 700 highly qualified employees working in development centers in Cluj-Napoca, Bucharest, Sibiu, Brasov and Craiova in Romania as well as at other locations in Germany, Switzerland and Poland. The company develops individual software solutions for major international customers, particularly in the life sciences, telecommunications, financial services, transport and energy sectors. With this investment, Allgeier further expands its expertise in the development of complex software solutions for business-critical business processes and continues the Group's internationalization. With the significant expansion of its software development resources within the EU, Allgeier will offer even greater scalability in the future through a flexible service and delivery model tailored to its customers' needs. In addition to the German locations, Allgeier already has European development locations in Prague (Czech Republic) and Timisoara (Romania) as well as international development centers in India, Vietnam and China with a total of over 5,000 software experts.

The company was consolidated into the Group for the first time on October 1, 2018.

In August 2018, Allgeier One AG, Munich (now: Allgeier CORE Group GmbH) acquired all shares in Consectra GmbH, Offenburg ("Consectra"). This consulting and service company specializes in IT service management, information security and data protection to protect the information of companies and public authorities and generated revenue of around EUR 0.6 million in 2017. As part of Allgeier CORE – the Allgeier Group's IT security unit – Consectra will further expand its security awareness and ISMS consulting products in terms of quality and number.

The company was consolidated into the Group for the first time on August 1, 2018.

Awards: Leading German IT consulting and systems integration company ranking among the top three IT personnel and project service providers

Allgeier SE is one of the ten leading IT consulting and system integration companies in Germany, according to the Lünendonk® List 2018. Allgeier ranks ninth in the acknowledged ranking, and benefits from the fact that, according to the study authors, German companies have invested more in their digital transformation and, in particular, have massively increased their external expenditure on IT projects. At the top of the ranking are the competitors Accenture, T-Systems and IBM Global Business Services.

In the Lünendonk market segment study for 2018 "The market for the recruitment, placement and management of", Allgeier once again occupies one of the top spots. The Lünendonk market segment study is one of the most important market and trend barometers in the IT personnel services sector. The Allgeier Experts division received an award as an IT personnel and project service provider and, as in previous years, ranked third in the comparison.

4th quarter 2018

Allgeier continues to report significant sales revenue growth in Q4

Allgeier continued to report revenue growth in the fourth quarter of the 2018 financial year (October 1, 2018 – December 31, 2018). The quarterly result was influenced by special effects in the Experts segment. In the fourth quarter, the Group increased the total performance of continuing operations by 20 percent to EUR 186 million (previous year: EUR 154 million). Value creation (total operating revenue less productive staff costs and purchased services) grew by 21 percent to EUR 54.3 million (previous year: EUR 45.0 million), representing a gross margin of 29.2 percent (previous year: 29.1 percent). Adjusted consolidated EBITDA (EBITDA before effects that qualify operationally as extraordinary or relating to other accounting periods) in the continuing operations stood at EUR 8.2 million (previous year: EUR 9.2 million). Consolidated EBITDA in the continuing operations for the second quarter amounted to EUR 4.0 million (previous year: EUR 6.1 million). Consolidated EBITDA from continuing operations stood at EUR -1.0 million (previous year: EUR 2.3 million).

PERFORMANCE OF THE ALLGEIER SE STOCK AND THE DAX FROM 2013 TO 2018

Stock market year 2018: Political events cause first loss year since 2011

After almost all forms of investment generated respectable returns for investors, and global equity markets rushed from record to record in 2017, 2018 proved to be one of the weakest stock market years in many years. Compared with the closing price at the end of 2017, the DAX dropped significantly at the end of 2018. This was also the first year since 2011 when a loss was incurred.

The 2018 year was a year of political stock markets, with three major topic complexes dominating the world's markets. These were, firstly, international trade disputes – especially the trade dispute between the USA and China – secondly Brexit, and thirdly Italy, where first the formation of a new government and then the budget dispute with the EU formed the focus of attention. In view of numerous uncertainties, investors responded with increasing caution. Over the course of the year, investors also worried that the global economy could cloud over to a significant extent – even to the point of recession. This resulted in numerous, and in some cases sharp, fluctuations on stock markets and ultimately led to a slide in oil prices in the fourth quarter of 2018. The fear of rising interest rates also heightened many investors' nervousness.

Low interest rates had kept investors in a good mood over recent years: During the course of the stock market year, however, it became clear that the flood of money from major central banks was gradually drying up. The US Federal Reserve raised interest rates four times during the year, thereby strengthening the US currency, although at the same time putting numerous emerging market currencies under considerable pressure, such as those of India, Turkey, Brazil and Argentina. In such countries, currency crises occurred in conjunction with economic policy difficulties. The euro depreciated by around 4.4 percent against the US dollar during the course of the trading year.

International stock markets also recorded losses, some of which were significant: The Dow Jones and S&P-500 indexes recorded moderate year-on-year losses of 5.6 and 6.2 percent, respectively. Clearly, the US stock market suffered far less from the trade conflicts than the markets of its international trading partners. The Japanese leading index, the Nikkei 225, closed 12.1 percent down on the year. The Euro Stoxx 50 was down by 14.3 percent on the previous year. The final quarter of the German market was

DIVIDEND PAYMENT (IN EUR)	2013	2014	2015	2016	2017	2018
per share	0.50	0.50	0.70 (of which 0.20 as a special dividend)	0.50	0.50	0.50

KEY FIGURES PER SHARE 2018 VS. 2017	2017	2018	CHANGE IN %
Earnings per share (in EUR)	0.26	0.45	73.1%
Dividend per share (in EUR)	0.50	0.50	0%
XETRA high for the year (in EUR)	25.67	35.70	39.1%
XETRA low for the year (in EUR)	16.965	23.30	37.3%
XETRA end-of-year price (in EUR)	25.36	25.10	-1.0%
Number of shares (in units)	9,978,649	10,088,649	1.1%
End-of-year market capitalization (in EUR million)	253.1	227.7	-10.0%
Average XETRA stock market turnover (in number of shares per day)	10,547	7,855	-25.5%

overshadowed by concerns about economic growth: The DAX closed at 10,559 points, corresponding to a depreciation for the year of 18.3 percent, while the MDAX shed 17.6 percent. The technology stocks of the TECDAX escaped the negative trend to some extent and were down by only 3.1 percent on the year.

The outlook for the current year promises little improvement: The global economy could weaken further in the current 2019 year and hit the export-oriented German economy hard. Both weaker global domestic growth overall and concerns about a further escalation of the trade dispute between the US and China on the one hand and the EU on the other could contribute in this context. Moreover, the risk still exists of a disorderly Brexit.

The Allgeier stock: Following significant gains in the previous year, stock holds its own in a weak market environment

The Allgeier share, too, failed to fully escape the generally poor climate on stock markets in 2018. After the 2017 stock market year had brought a historic high and a significant increase in market capitalization of more than 60 percent, the 2018 stock market year ended with a return of -1.0 percent. The total shareholder return (return consisting of share price performance plus the dividend) was slightly positive at the end of the year. Measured against the losses of the DAX and the comparatively lower discount on the TECDAX, the Allgeier share held its ground in a weak stock market environment. As in the previous year, the stock managed to outperform both the leading German index and the leading German technology stocks.

The Allgeier share started trading on January 2, 2018 at a price of EUR 25.52. After a strong start to the year, with a high for the first half of the year recorded on January 19 at EUR 28.815, the share moved sideways for a few days. This was followed by a downward movement to the low for the first half of the year on February 6 (EUR 23.30). This was followed by a slight ups and downs, with the share fluctuating between prices of EUR 24.70 and EUR 26.50. The second quarter reported a rising price trend: At the beginning of May, the share broke above the EUR 27 level, followed by a sideways movement and another break above the EUR 28 level on June 11. In the following days of the second quarter, the stock stabilized above the EUR 27 mark and closed the first half of the year at EUR 27.60.

The third quarter brought significant price gains. In July and August, the share rose above the EUR 30 mark and reached its annual high of EUR 35.70 on August 23, which also marks its all-time high. At the start of the fourth quarter, the share price came under increasing pressure due to the

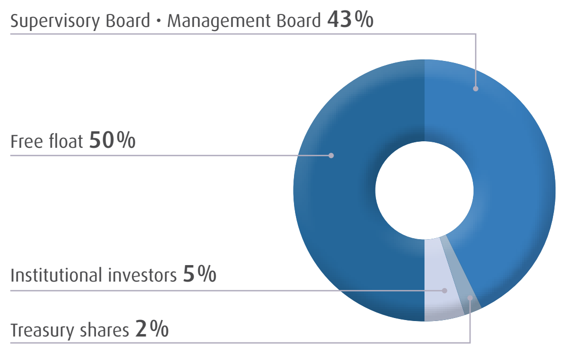
ALLGEIER ON THE CAPITAL MARKET

ALLGEIER STOCK	
Index	General Standard
ISIN	DE000A2GS633
WKN	A2GS63
Number of shares	10,088,649
Share price (on 01-Apr-19)	EUR 24.20
Market capitalization (on 01-Apr-19)	EUR 219.5 million

generally negative trend on equity markets. After the Allgeier share closed below EUR 28 on October 26, 2018, a recovery phase followed with an interim high of EUR 32 in November, before continuing the downtrend until shortly before the end of the year. It was not until December 27 that the share found a floor at a closing price of EUR 24.30, and by the closed the year on December 28 slightly above the EUR 25 level at EUR 25.10 in XETRA trading.

Measured against the closing price for the year 2017 (EUR 25.36), including the dividend of EUR 0.50 paid out in June, the Allgeier stock consequently generated a return for shareholders of 1.0 percent in the 2018 stock market year.

SHAREHOLDER STRUCTURE (AS OF: 31-DEC-18)*



*to the extent known to the company (partly estimated)

GROUP MANAGEMENT REPORT

Group management report, Corporate Governance

OF ALLGEIER SE 2018

GROUP MANAGEMENT REPORT

A. Group management report

1. BASIS OF THE GROUP

1.1 BUSINESS MODEL OF THE ALLGEIER GROUP

ALLGEIER, MUNICH			
ENTERPRISE SERVICES	**EXPERTS**	**TECHNOLOGY**	**NEW BUSINESS AREAS**
Allgeier Enterprise Services, Bremen	Allgeier Experts, Wiesbaden	mgm technology partners, Munich	Allgeier Education Group (previously: GDE Group), Munich
		Nagarro Group, Munich	Allgeier CORE Group (previously: Allgeier One), Munich
		iQuest Group, Bad Homburg vor der Höhe	
		Objectiva Software Solutions, San Diego, USA	

1.1.1 Business and structure of the Allgeier Group

The Allgeier Group comprises 88 fully consolidated companies as of the end of the reporting period (previous year: 69 fully consolidated companies). To these are added the equity accounted interest in Talentry GmbH, Munich. The Group's business operations are structured within the four operating segments of "Enterprise Services", "Experts", "Technology" and "New Business Areas", which are subdivided into five operating divisions. Operational business units are groups of business units with their own business operations. The Allgeier Group has the following divisions: The Enterprise Services division (corresponding to the Enterprise Services segment), the Experts division (corresponding to the Experts segment), the Nagarro and mgm technology partners divisions as well as the two new business units iQuest and Objectiva Software (jointly corresponding to the Technology segment) and the business units Allgeier CORE Group (previous year: Allgeier One), Allgeier Education Group (previous year: GDE Group) and Oxygen Consultancy (previous year: Experts segment) (all jointly corresponding to the New Business Areas segment).

The simplified organizational chart shown above provides an overview of the four segments, with their respective operative business units.

1.1.2 Tasks of Allgeier SE

Allgeier SE is responsible for the management and strategic development of the Group's segments:

- The strategic orientation and ongoing review of the Group's strategy, segments and participating interests based on value-oriented corporate development
- Coordination and organizational structuring of the Group
- Organization of finances and financing of the Group's further development
- Identification, review and negotiation of potential, additional, suitable investments, domestic and foreign, based on the Group strategy
- Negotiation and execution of purchase as well as disposal of companies and investments
- Controlling, risk management and compliance
- Preparing valuation and accounting guidelines, as well as preparing the consolidated financial statements according to IFRS
- Group planning and financing
- Guidance and support for the management of the Group companies and divisions
- Integration of the various participating interests into the corporate Group
- Organization and coordination of Group-wide committees and processes
- Coordination of Group-wide project and sales activities
- Management of Group-wide communications (public relations, investor relations, internal communication) and marketing

1.1.3 Business operations of the segments

Enterprise Services segment

The companies in the Enterprise Services segment design, realize and operate complete IT solutions for the implementation and support of our customers' enterprise-critical business processes on the basis of standard business software products. To this end, the segment's companies utilize their own software products, as well as software products and software platforms of well-known manufacturers, such as Microsoft, SAP, IBM and Oracle. The employees combine in-depth technical expertise with special industry know-how to analyze and optimize customers' business processes in order to implement IT solutions. Allgeier Enterprise Services supports global corporations and medium-sized companies in the digital transformation and optimization of their digital business processes along the entire value chain.

With their consulting, development, project planning, implementation and support services, the segment's companies provide IT solutions in the essential core areas for business software, such as:

- Enterprise Resource Planning: The original roots of the Allgeier Group's business lie in this area. With the in-house development syntona logic® as well as leading software solutions of international manufacturers such as Microsoft and SAP and industry-specific additions from the itrade series, ERP solutions for medium-sized and enterprise customers are implemented.
- Document Management (DMS)/Enterprise Content Management (ECM): With its own digital information management with integrated DMS and ECM functions metasonic® Doc Suite, document-intensive business processes are supported for customers and handled highly efficiently. The entire value chain of the editing process, from detection, read-out and editing of content in professional workflow sequences, through to revision-proof archiving, is supported. On customer request, the solutions are integrated in the customer's IT infrastructure or are offered as complete cloud solutions with hosting in the division's own German data centers. The advantages for companies using an ECM solution such as the metasonic® Doc Suite are obvious: They can save a lot of money and time through more efficient processes. Office work that is often still of a pronounced analog character is automated in this way to a high degree, thereby relieving employees of certain tasks.
- Security: The topic of data security is becoming ever more critical. Allgeier Enterprise Services offers its own software solutions, for example, for the encryption of SharePoint platforms or email traffic. The company's own IT security software solution JULIA MailOffice is already deployed at numerous ministries, government agencies and large enterprises. EMILY and EMILY SP (SharePoint) ensure secure collaboration.
- SAP: Allgeier Enterprise Services maps the entire SAP lifecycle and is consequently considered one of the most capable SAP full-service providers in the German-speaking region. The SAP portfolio extends from strategy and process consulting, through to the complete introduction of SAP system landscapes and operation of complex SAP solution scenarios such as SAP HANA. The SAP services are complemented by comprehensive consulting and managed services. The emphasis is on the segments of wholesale/retail, logistics, chemicals, pharmaceuticals, food and beverage, as well as media. As one of the leading service providers in the migration to the digital SAP platform S/4 HANA, Allgeier Enterprise Services maps all concepts from on-premise to hybrid to complete SAP cloud solutions. Allgeier Enterprise Services has received many SAP awards, including the SAP Pinnacle Award "New Cloud Partner of the Year".
- Sharepoint: The Microsoft product is no longer being utilized solely for the organization of document sharing and editing (collaboration); rather, it is deployed to

RANGE OF SOLUTIONS AND SERVICES			
ENTERPRISE SERVICES	**EXPERTS**	**TECHNOLOGY**	**NEW BUSINESS AREAS**
SAP	Contracting · Recruiting and support of experts for projects on a service contract basis	High-end software & application engineering · Nearshore/offshore development · Implementation · Management · Testing	IT and data security · IT security services, security consulting & security training, security due diligence · IT forensics: Investigation, verification and clarification of digital security incidents, cyber security
Enterprise Resource Planning	Temp · Provision of experts and specialists within the framework of supply of temporary workers	Software lifecycle projects	Recruitment, training and mediation of foreign specialists
Document Management (DMS)/Enterprise Content Management (ECM):	Perm · Staffing of technical and management positions in permanent employment	Application management services	Application management services
Security	Services · Responsible concept, sourcing, implementation and support of projects and services	Process & IT consulting · IT architectures · E-commerce & portals · Mobile enterprise · Business intelligence/big data · Apps	
Sharepoint			
Business Process Management (BPM)			
Cloud solutions			
Mobile			

GROUP MANAGEMENT REPORT

support entire business processes. Integration of topics, such as data security, document management, CRM, business intelligence or process support and industry-specific SharePoint solutions constitute a considerable competitive advantage for customers, as well as for Allgeier.

- Business Process Management (BPM): All business software solutions at their core involve IT-supported execution and optimization of business processes. Process tools must be particularly flexible in interaction with a variety of software products and with change cycles for software and business processes that are becoming ever faster. With the metasonic® Process Suite, BPM software of the latest generation and a platform for dynamic process applications, Allgeier supports customers in producing tailored software solutions in significantly shorter development cycles. Interactive touchscreens make it even easier: Teams can playfully assemble their business processes and build functional applications in no time at all – without any programming effort.
- Cloud solutions: For its customers, Allgeier Enterprise Services builds and operates a variety of cloud solutions in the areas cited above. Software solutions can be operated in private cloud environments (enterprise cloud), Allgeier data centers and public cloud environments. Top priorities are ascribed to the highest level of data security and resilience, as well as reliability and load capacity at high data volumes. In addition to many medium-sized companies, the offerings of Allgeier Enterprise Services are also utilized by multinationals and the public sector.
- Mobile: For access to processed data, user interfaces for a wide variety of mobile devices are becoming the standard for modern business software. Allgeier Enterprise Services implements individual solutions for many customers in the mobile applications area.

During the past financial year, the segment's companies were active in Germany and internationally for more than 1,500 customers. These include large enterprises (e.g. ten out of the 30 DAX companies) as well as many medium-sized companies of various dimensions. The customers are broadly distributed in a number of different industries. The segment's companies possess special industry know-how in the areas of banking and insurance, industry, chemicals/pharmaceuticals and medicine.

The companies in the Enterprise Services segment are located at more than 25 sites, of which 19 are in Germany and six are in four other European countries (Austria, Switzerland, Denmark, France). In addition, the segment's software developers work in close international partnership with the Technology segment's developers in India, China and Vietnam as well as at European development centers such as Romania.

Experts segment

With its companies, the Allgeier Experts segment is one of the leading providers of flexible personnel services in Germany, especially in the IT area. As a full-service personnel service provider – supplemented by pronounced project expertise – the segment offers customers a differentiated portfolio for the most rigorous requirements. According to the current Lünendonk® market segment study for 2018, "The market for recruiting, placement and management of IT freelancers in Germany", Allgeier's Experts segment is one of the top three IT personnel service providers in this segment in Germany. The services offered particularly include:

- Contracting (freelancers & subcontractors): Recruitment and support of freelance IT & engineering experts on a temporary basis as well as assumption of projects that are fulfilled by subcontractors
- Services (services and consulting business): Responsible for the design, sourcing, implementation and support of projects and managed services
- Temp (temporary employment): Hiring out of permanent IT & engineering professionals, experts and managers in the form of work experience, and transfer of ownership
- Perm (recruiting & personnel placement): Professional & executive search of IT & engineering experts and executives for the staffing of technical and management positions in permanent employment

The more than 500 customers of the Experts segment in 2018 are predominantly large German companies, of which 15 are listed in the DAX 30. The customer portfolio is cross-sector with a focus on IT and telecommunications, the public sector as well as banks and insurance companies.

The companies in the Experts segment are located at 39 sites, of which 36 are located in Germany, two in Switzerland, one in the Czech Republic and three in Turkey.

Technology segment

The custom software development operations are situated within the Technology segment. The segment includes the mgm technology partners Group, the Nagarro Group, the iQuest Group and Objectiva Software Solutions, which joined the Group last year.

mgm technology partners is a consulting and solution provider for digitalization projects. The portfolio covers all aspects of consulting, implementation and operation in the enterprise environment. As a platform company, mgm develops its own digital platforms for and with customers. The target industries include the public sector, industrial insurance, commerce and energy supply. mgm consulting partners is a management consultancy for digitalization and is an expert for CIO advisory, organization and change management. mgm consulting partners enables IT, specialist departments and organizations to implement the opportunities offered by digitalization. mgm security partners covers the complete range of services for web application security and advises on all questions relating to the security of web applications and mobile apps. mgm assumes IT responsibility: Innovation Implemented.

Nagarro's "Thinking Breakthroughs" philosophy advances breakthrough technology solutions for industry leaders and emerging companies around the world. With more than 5,100 technology specialists in 22 countries, Nagarro specializes in resolving complex and strategic customer challenges and stands for agile software engineering and co-innovation. Nagarro commands extensive expertise in digital transformation, product development and design, big data and analysis, artificial intelligence, Internet of Things (IoT) and wearables. Nagarro takes a long-term, strategic approach to all its customer relationships, with customer satisfaction at the forefront. Nagarro's customers include global top 100 companies, market and industry leaders, government agencies, leading independent software vendors (ISVs) and Silicon Valley start-ups. The division currently generates most of its sales revenues in North America and the German-speaking countries (Germany, Austria and Switzerland). A smaller proportion derives from Scandinavia and the Asia-Pacific region. In 2016, Nagarro acquired Conduct, an IT security company based in Oslo, and Mokriya, a software product development studio with a digital laboratory in Silicon Valley. In 2018, Nagarro acquired ANECON, a leading software development, testing and consulting company in Austria. Thanks to strategic acquisitions, a focus on disruptive technologies and the leveraging of exclusive partnerships with state-of-the-art R&D organizations such as SRI (formerly Stanford Research Institute), Nagarro continues to strengthen its position as a trusted global partner for innovative and transformative technology services.

iQuest, headquartered in Bad Homburg vor der Höhe, is an international technology company that has formed part of the Allgeier Group since 2018. The unit has more than 20 years of experience in providing customized software solutions, products and integration services to leading companies in transportation, life sciences, telecoms, financial services and energy. iQuest is an established technology partner for global brands such as Deutsche Bahn, SJ (Swedish Railways), Roche, Vodafone, Swisscom, Fresenius, Bank of Ireland, Innogy and the Financial Times. iQuest offers innovative state-of-the-art solutions for the Internet of Things and Digital Customer Engagement. iQuest implements solutions to strengthen the digital presence of companies and improve their performance through high-end software engineering. The company currently employs more than 700 members of staff with local development teams in Romania, Poland and Switzerland.

Objectiva Software Solutions (Objectiva), which joined the Allgeier Group in 2018, is the leading specialist for software outsourcing services in China for independent software vendors (ISV) and companies. Objectiva was founded in 2001 and has its headquarters in the USA. Objectiva's focus is to help customers in the USA, Europe and China achieve time-to-market advantages through faster development times, drive technological innovation and provide cost-effective access to world-class software engineering resources worldwide. From on-site to offshore services, Objectiva's software engineering teams deliver the following agile projects and products and help customers achieve their business goals. The experienced experts for project management, architecture, software development, QA, testing, support and professional services in the USA and China assume responsibility for, and implement, technology projects for customers worldwide. With branch operations in the USA and development centers in Beijing and Xi'an in China, Objectiva helps customers develop customized enterprise software and solutions, software for cloud and mobile platforms, e-commerce implementations, high-precision content and document management applications, and real-time data systems and applications. Objectiva's teams are led by local technical executives with many years of experience in managing global software development activities, both as on-site services and across SaaS and cloud platforms. The technical project managers have strong communication and cooperation skills that ensure smooth and efficient interaction between global teams. Objectiva Software Solutions thereby makes a decisive contribution to improving its customers' software development competences. Objectiva offers superior software quality, lower costs, on-time delivery, faster time-to-market and flexible access to highly qualified resources in the Chinese market.

In the past financial year, the Technology segment's customers comprised more than 600 national and international companies, including 13 of the 30 German DAX companies and a large number of global market and industry leaders. The segment's key sales markets are in the industry sector, the public sector, in the IT and telecommunications sector, as well as in wholesale/retail, logistics and transportation.

GROUP MANAGEMENT REPORT

The companies in the Technology segment have a total of 68 locations on five continents, 20 of them in Germany, 20 in twelve other European countries (Austria, Switzerland, France, Romania, Czech Republic, Poland, Sweden, Norway, Finland, Denmark, Malta and the UK), seven in the USA, four in India, two in Australia and one each in Mexico, Canada, Singapore, Vietnam, Malaysia, Thailand, Japan, United Arab Emirates, Mauritius and South Africa.

As of the December 31, 2018 balance sheet date, 6,091 of the segment's total number of 6,750 salaried employees were working at locations outside of Germany.

New Business Areas segment

In this segment, Allgeier bundles business models and participating interests of which we are convinced that they address important future trends and technologies and consequently justify investment. The following companies are currently bundled within the segment:

- In the Allgeier CORE Group (formerly: Allgeier One AG) a strong business unit for IT and data security is being developed on the basis of investments in organic growth and targeted acquisitions.
- In the companies of the Allgeier Education Group (previously: GDE Group) and in the GPE Academy (the latter unit formed part of the Experts segment in the previous year), models are developed and implemented for the recruitment, training and education of foreign specialists for the German market. Given the shortage of specialists in Germany, this comprises a continuing and fundamental topic.
- Oxygen Consultancy is an HR management services company with three locations in the Turkish market, which has formed part of the Group for several years and was still part of the Experts segment in the 2017 financial year.

The companies in the segment have a total of ten locations, seven of which are in Germany and three in Turkey.

At-equity investments

The at-equity investment Talentry GmbH, in which the Allgeier Group no longer holds a majority interest since the entry of investors from the Rocket Internet environment in the 2017 financial year, has developed one of the leading software platforms for recruiting new employees. The solution enables the placement of suitable new employees by existing employees according to the "staff recruit staff" principle. Talentry also offers solutions for candidate relationship management, in other words, the system-supported identification, organization and retention of applicants.

1.2 MANAGEMENT SYSTEM

The business of the Allgeier Group is managed within a tiered organization. Company management is structured into the following levels:

- Group level: Controlled by the Management Board of Allgeier SE.
- Division level: Controlled by divisional management
- Company level: Controlled by the management teams at the individual companies

At each level, business operations are controlled based on performance figures, such as profit margin, profitability and accounting ratios, which are set for each financial year in the course of corporate planning. In the course of the year, as a rule, corporate planning is supplemented quarterly by additional forecasts. Corporate planning serves as the benchmark for controlling business activities at the level of the individual companies and for monthly reporting between the companies, divisions and Allgeier SE. Reporting calls for a monthly budget/actual Quarterly business review meetings are held at which the Management Board of Allgeier SE and the management organizations of the individual divisions discuss business progress, business environment and market trends, strategy, and any necessary measures. If deviations arise, appropriate measures are determined and implemented to realign business operations in the quarterly business review meetings – and if needed, additionally in regular meetings and telephone conversations – at the various levels. Reporting by the Management Board to the Supervisory Board is based on corporate planning and the financial and qualitative parameters referred to above.

1.3 RESEARCH AND DEVELOPMENT

The Allgeier Group pursues further development of its own existing products with a focus on keeping pace with key technology trends and future markets. The various segments' employees, particularly in the Enterprise Services and Technology segments, work closely together in this context. For most of the Enterprise Services segment's own products, further development occurs in close cooperation with colleagues at the locations in Asia (India and China) and Eastern Europe (especially Romania). Overall, during the period under review, expenses for further development of products as well as product maintenance in a total amount of EUR 0.6 million (previous year: EUR 0.4 million) were incurred. To these is added work to develop products in an amount of EUR 2.1 million (previous year: EUR 1.9 million), which was capitalized. Amortization amounted to EUR 1.1 million (previous year: EUR 0.7 million). The amortization rate as the ratio between capitalization and amortization amounted to 54 percent in the 2018 financial year accordingly (previous year: 38 percent). The capitalization rate stood at 77 percent (previous year: 83 percent).

Furthermore, the Allgeier Group is involved in numerous customer projects with research and development services. Through these tasks we gain specialist and sector-specific expertise that is not reflected as a dedicated item in the figures disclosed for research and development. Various complex and demanding services, such as development services, are also provided in the Experts segment. Such work is generally rendered as part of customer orders, however, and is not recognized as an asset on the balance sheet. Research and development services are essentially performed in the Enterprise Services and Technology segments.

2. BUSINESS REPORT

2.1 MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

2.1.1 Macroeconomic conditions: Gradual growth slowdown

In 2018, the German economy reported its ninth consecutive year of growth, according to data from the German Federal Statistical Office. However, this growth has lost momentum. The positive growth impetus in 2018 came primarily from Germany: Both private and public consumer spending were higher than in the previous year. Growth was nonetheless significantly lower than in the previous three years. The German economy recorded further expansion in the first half of the year, but contracted in the third quarter and stagnated in the fourth quarter. In 2018, gross domestic product rose by 1.4 percent in price-adjusted terms (and also in price- and calendar-adjusted terms) after 2.2 percent in each of the previous two years. At the beginning of the year, the German government had still assumed more significant growth for 2018 and had forecast an increase in GDP of 2.4 percent in its January annual economic report. In its autumn forecast, it had already made a significant correction due to the weaker global economy and had reduced growth expectations to 1.8 percent. The unemployment rate fell to a record low in 2018. In December, the number of registered unemployed fell to 4.9 per cent, the lowest monthly figure since 1991. The annual average unemployment rate fell by 0.5 points to 5.2 percent, according to the Federal Employment Agency. The number of people in employment reached a further new high and government budgets achieved a record surplus. Employees' gross and net wages and salaries also rose again. In other important markets for Allgeier, such as the USA, Austria, Sweden, Finland and Switzerland, as well as in other Eurozone countries, the economy remained stable last year. However, the global economic environment deteriorated somewhat in the course of 2018. In its "World Economic Outlook" of January 2019, the International Monetary Fund (IMF) assumes an increase in global GDP of 3.7 percent for 2018, but notes that global growth is weakening. Different factors are cited for the weaker momentum: Firstly, largely unilateral events such as the negative consequences of tariff increases in the USA and China, the introduction of new emission standards for motor vehicles in Germany, natural catastrophes in Japan, and developments in Italy, where concerns about political and economic risks have weighed on domestic demand. At the global level, the IMF is registering a deterioration in the mood on the financial markets and growing risks, which are leading to increasing uncertainty. The main risk factors include an imminent escalation of the trade conflicts, the deterioration of the financial framework, a potential no-deal Brexit and a further slowdown in economic growth in China.

Despite the further progress in the internationalization of operating activities, Germany continued to present the most important market for Allgeier in the 2018 financial year, accounting for almost 70 percent of revenues (previous year: 75 percent), followed by the foreign markets of the USA and Austria as well as Switzerland and Sweden. An expansion in sales revenues generated broad occurred primarily thanks to the disproportionately high growth in the Technology segment and consolidation effects from the acquisitions of iQuest and Objectiva.

Accounting for 11.6 percent of total revenues, the USA continued to be the most significant foreign market for the Allgeier Group (previous year: 11.8 percent). In absolute figures, the Group increased its revenues from the USA by around 16 percent during the past financial year. The economy in the USA was stable in 2018, with fiscal policy and consumption having a beneficial effect. After GDP grew by 2.9 percent in 2018, the OECD expects a slight slowdown in growth to 2.7 percent in 2019. Macroeconomic policy is less supportive. The OECD notes that employment growth is slowing, while consumption growth remains solid, supported by the recent tax reform and favorable financial conditions. However, the weakening of global markets and trade measures had a negative impact on the economy.

Accounting for 4.4 percent of total revenues, Austria is the Group's second most important foreign market (previous year: 2.7 percent). In absolute terms, revenues of the

Allgeier Group companies in Austria rose by 91 percent during the past financial year. After the Austrian economy had to cope with some weaker years before, the growth that started in 2016 continued in 2018. Robust national and international demand forms the basis for broad-based economic growth. While structural reforms continue to have a positive impact, growth is expected to diminish due to capacity constraints in production and a weaker external environment. Exports could suffer from the uncertainty caused by the international trade conflicts as well as Brexit. However, the current positive sentiment and high competitiveness could also lead to export growth above current expectations. The OECD anticipates 1.9 percent growth in the Austrian economy in 2019 (2018: 2.6 percent).

In Switzerland, which is Allgeier's third most important foreign market with a revenue share of 1.8 percent (previous year: 1.2 percent), the economy is buoyant and, according to the OECD forecast, recorded growth of 2.9 percent in 2018. The main driver was the manufacturing sector – in addition to income from major sporting events generated by international sports federations based in Switzerland. Domestic demand will continue to gain strength, supported by household consumption. However, the export boost caused by earlier exchange rate devaluations and special effects will ease, so that the OECD expects Swiss GDP to grow by 1.6 percent in 2019.

In Sweden, the Group's fourth most important foreign market with 1.7 percent of total sales revenue (previous year: 1.8 percent), the economy continues to grow at a robust rate. Although demand from Sweden's main trading partners was restrained, a weaker currency has boosted competitiveness. Low housing investment and a shortage of skilled labor are exerting a negative effect. The Swedish economy recorded growth of 2.5 percent in 2018, which according to OECD projections will slow to 1.9 percent in the current year.

The Group recorded good sales revenues in the other Northern European countries: In 2018, the Allgeier companies in Finland accounted for 1.4 percent (previous year: 1.7 percent) of consolidated revenue. In Norway (1.0 percent of total revenue) sales revenue rose by 53 percent in the same period and in Denmark by 72 percent (0.7 percent of total sales revenue).

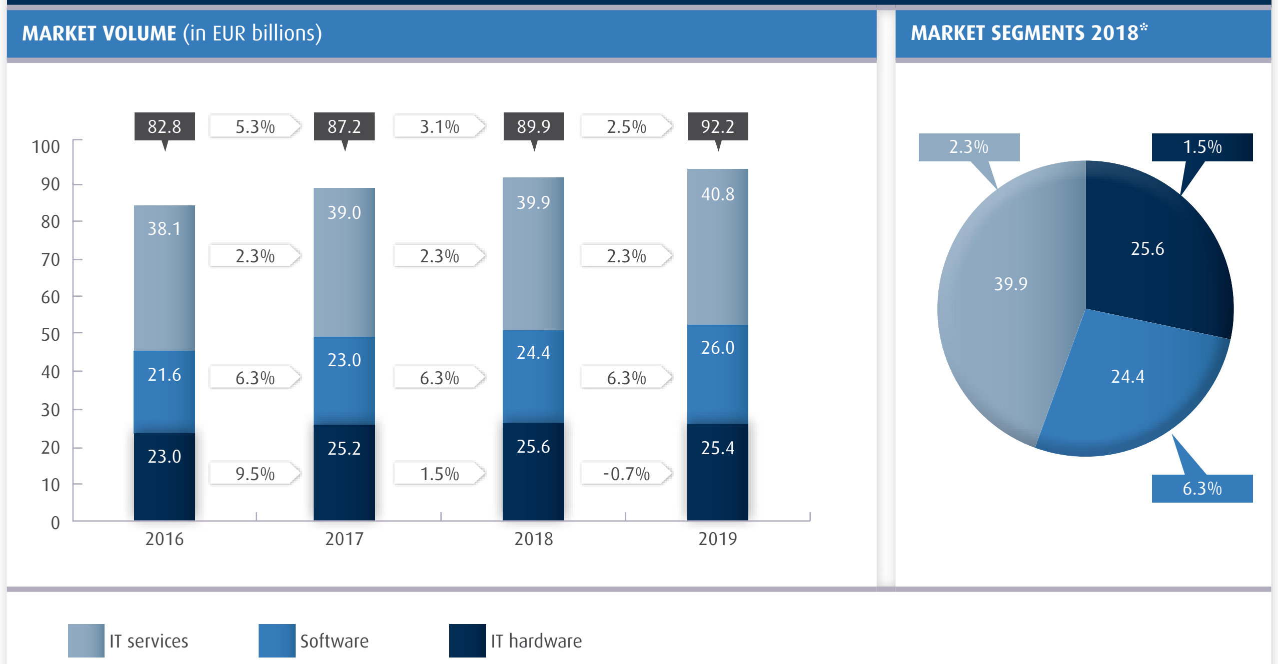
In many other foreign markets (such as France, Spain, the UK, Australia, India, Japan, China and South Africa), Allgeier significantly increased sales revenues in the past financial year.

In summary, it can be stated that the Allgeier Group's core markets continue to report solid growth, although this is slowing slightly. Although many markets are well placed to sustain stable growth, the global economy is weakened by trade conflicts, political difficulties in individual markets and singular events such as Brexit. In addition, the pace of growth in the Chinese economy is slowing. As still the largest single market, the development of the German economy is of particular importance for Allgeier. A slowdown in German economic growth may thereby also have an impact on our Group. Nevertheless, the continuing generally positive economic situation, robust growth in many markets relevant to Allgeier and the ongoing internationalization of our business continue to give us cause for cautious optimism.

2.1.2 Sectoral conditions: Further growth – software market dynamic

The ITC industry as a whole (information technology, telecommunications and consumer electronics) continues to grow faster than the market average. According to a survey conducted by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM) in January 2019, sales of products and services for the overall industry are expected to increase slightly in 2019 by 1.5 percent to EUR 168.5 billion. This is thanks, in particular, to the constant above-average growth of 2.5 percent (previous year: 3.1 percent) in the information technology market to EUR 92.2 billion. According to BITKOM, in 2018 the IT market recorded growth to EUR 89.9 billion (2017: EUR 87.2 billion). The IT sector thereby outperformed the overall economy last year. The software business, which is particularly relevant for Allgeier, reported further above-average growth. The software business thereby once again acted as a growth driver for the industry and, despite the slower growth of the overall market, did not lose any of its momentum. Last year, the market for software grew by 6.3 percent to EUR 24.4 billion (2017: increase of 6.3 percent to EUR 23.0 billion). In the current year, German companies will for the first time generate more sales with software than with hardware. The market for IT services, which is also relevant for Allgeier, such as consulting, managed services and outsourcing also reported a constant increase of 2.3 percent to EUR 39.9 billion in 2018 (2017: growth of 2.3 percent to EUR 39.0 billion). This makes it clear that the ongoing digitalization of almost all sectors of the economy is a major driver of this growth. Investments by corporations and public sector clients in the transformation of their business and organizational processes remain at a constantly high level and have shown themselves in recent years to be independent of fluctuations in the overall economy. Market trends and technologies such as Cyber/Information Security, Cloud Solutions, Big Data Analytics, IoT (Internet of Things) as well as digital platforms and mobile applications, in addition to new topics such as Machine Learning, Artificial Intelligence, Blockchain and Augmented/Virtual Reality are essential for this process. Allgeier has been involved with these technologies and high-tech trends for many years and is constantly further extending its portfolio and know-how. After a very dynamic previous year, the market for IT hardware recorded a moderate increase of 1.5 percent to EUR 25.6 billion last year (2017: increase of 9.5 percent to EUR 25.2 billion).

GROWTH IN THE GERMAN INFORMATION TECHNOLOGY MARKET



Source: BITKOM, EITO; January 2019 | * Year-on-year growth rates (in percent) | ** Growth in percent

2.2. BUSINESS TRENDS IN 2018

In the 2018 financial year (January 1, 2018–December 31, 2018), the Group recorded significant growth in sales revenues, value added, gross margin and earnings. Overall, consolidated sales revenues grew by almost 20 percent year-on-year. With this growth, our planning, which forecast total growth of between 18 and 23 percent, was reached. Value creation (total performance less cost of sales) increased by 25 percent. Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization, which qualify as extraordinary or non-period income) increased by 38 percent to EUR 40.6 million. Earnings before interest, tax, depreciation and amortization (EBITDA) in the past financial year were up by 14 percent year-on-year. We have only partially achieved our expectation of disproportionately high earnings growth in relation to sales revenue growth, corresponding to a margin of between 6.0 percent and 6.5 percent. Earnings growth based on adjusted earnings was disproportionately high, and adjusted EBITDA reached the forecast level with a margin of just under 6 percent. However, due to comparatively high extraordinary effects, EBITDA after extraordinary and non-period effects fell short of the expectations expressed in the previous year.

Overall, 2018 was a successful year for us: In the past financial year, we began to reap the rewards after having invested heavily in development and growth in 2017. We grew significantly in terms of sales revenue, value added and earnings, continued our internationalization and significantly expanded our software development business with new high-performance Group companies and the acquisition of numerous highly qualified colleagues. We are developing increasingly into a global group and now work for our global customers at 142 locations in 28 countries on five continents.

We also further expanded our capital market activities last year. Our participation in several capital market conferences, reverse roadshows and field trips and the expansion

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of our coverage by analysts enabled us to attract new institutional investors to our stock. We further expanded our customer base and also strengthened it in terms of breadth: Our Group companies meanwhile generate annual revenue of more than EUR 1 million from each of 115 national and international customers. These customers comprise large-scale groups, many market and sector leaders from many countries, public sector clients as well as high-performing medium-sized companies from almost all sectors in equal measure.

We are particularly pleased to welcome the many new colleagues who have joined the companies in the Group over the course of the year. The number of our employees grew from almost 8,500 employees and freelance experts at the end of 2017 to more than 10,500 as of the end of 2018. The new software development centers in China, Romania and Poland that have been added to our Group are making a significant contribution in this context. In a market which bemoans a lack of outstanding specialists worldwide, such growth is not simply a matter of fact. Many of our staff work intensively the whole year round on identifying the best individuals worldwide and recruiting them to our Group. It fills us with pride that we can offer our employees attractive working opportunities, exciting customer projects and outstanding personal perspectives.

We won a number of awards in 2018 both at Group level and at the level of our divisions and subsidiaries, including ranking top in the Lünendonk® special analysis of "Leading German medium-sized IT consulting and system integration companies". Moreover, according to the Lünendonk® 2018 market segment study of "The market for the recruitment, placement and management of IT Freelancers in Germany", Allgeier Experts successfully defended its position among Germany's top three IT personnel service providers. In addition to many SAP awards, our Allgeier Enterprise Services division has received the SAP Pinnacle Award "New Cloud Partner of the Year" and the SAP France Partners Award in France. Our Nagarro Division received the Constantinus CSR Award for its exceptional "TestingPro" project, which trains people with autism as software testing experts and places them in regular jobs in the IT industry. Focus and Focus Money also made several awards: Among others, Allgeier was honored as "Top National Employer", for "Top Career Opportunities" and for "Top Career Opportunities for Career Changers". Allgeier Experts also received an award as "Top Employer" as well as from Focus Business & Karriere as "Top Personnel Service Provider 2018" for the placement of freelancers.

This year, we have worked intensively on a large number of different topics in all business areas and made significant preparations for the future with great commitment:

- In the Experts segment, we continued to expand our business in 2017 and merge it into a consistent corporate organization in the past financial year.
  In the second half of the year, we corrected structural weaknesses and developments that we do not consider to be optimal. The focus was placed on individual, distinct business segments within Allgeier Experts towards an integrated regional structure focused on customer requirements. In addition to a stronger customer focus, higher productivity and a new team spirit are the goals. The new structure will take effect from the current 2019 financial year. In the old structure, costs were too high and will be reduced to an appropriate level again in the first quarter of 2019.
  In the course of this work, the causes that led to forecasts in the course of the 2018 financial year that turned out to be incorrect and unsustainable after the end of the year will also be eliminated. In addition to personnel changes, this is primarily being achieved through improved business processes. The systems used internally are also being revised and improved. Even though we failed to achieve the ambitious targets set in 2018, the company is moving forward from the rather mixed year 2018 into the 2019 business year strengthened the business steps it has taken Highly motivated colleagues advance our business with a lot of energy and create an attractive home for employees and IT experts.
- Following the successful integration of the Ciber teams in Germany, France and Denmark in the previous year, we focused on growth and an integrated portfolio of services in the Enterprise Services segment in the past financial year. The significant increase in sales revenues and earnings is also thanks to the acquisition of numerous new major customers and growing synergies with the Nagarro, mgm and Experts divisions. Our colleagues in the Enterprise Services segment stand for openness and pleasure in working together within the Group.
- In the Technology segment, the year 2018 also brought considerable challenges for our colleagues at mgm and Nagarro due to strong organic growth and advancing internationalization. With the successful acquisitions of ANECON, Objectiva and iQuest, we have gained great new colleagues and a total of over 1,300 software development experts, mainly in Romania, China and Austria. At the same time, by investing in our specialization and future technologies such as Artificial Intelligence, Machine Learning, Internet of Things, Augmented and Virtual Reality, we have created the basis for technological leadership and further growth. We intend to accelerate growth in the coming year by optimizing processes, making further acquisitions and intensifying cooperation within the Group.
- With the three acquisitions of the companies Consectra, secion and GRC Partner, our colleagues in the New Business Areas segment have drawn much closer to their goal of establishing a comprehensive and market-leading business unit for cyber security under the name Allgeier CORE. The Allgeier CORE unit now comprises more than 70 security specialists and offers a comprehensive security portfolio ranging from consulting, training and coaching, software and testing through to emergency management.

Key figures

The consolidated revenues of the Allgeier Group under IFRS increased to EUR 687.3 million in the continuing operations in the 2018 financial year (previous year: EUR 573.5 million), which corresponds to growth of 19.8 percent. Accordingly, value creation (defined as total performance less revenues that can be apportioned directly to cost of sales and staff costs) of the continuing operations was raised in operative terms. This was up by 25.3 percent to EUR 194.4 million (previous year: EUR 155.1 million). The gross margin thereby rose to 28.2 percent (previous year: 27.0 percent).

In the reporting period, the Group increased adjusted Group EBITDA by 40.9 percent year-on-year to EUR 40.6 million (previous year: EUR 28.8 million). Group-internal adjusted EBITDA is defined as EBITDA before effects which are extraordinary in terms of the operating business or relate to another tax period. In this regard, effects on results which occurred as a special effect in the respective financial year, or which on examination cannot be allocated to the operative business trend of the financial year under review, are defined as extraordinary or relate to another tax year. In the 2018 financial year, expenses totaling EUR 16.7 million (previous year: EUR 11.6 million) and income of EUR 6.3 million (previous year: EUR 8.8 million) – and consequently a net surplus of expenses of EUR 10.4 million (previous year: EUR 2.8 million) – were adjusted. In the 2018 financial year, the adjustments individually related to expenses from the translation of foreign currencies and hedging transactions amounting to EUR 0.0 million net (previous year: income of EUR 2.7 million), non-recurring staff costs of EUR 2.8 million (previous year: EUR 2.9 million), losses from write-downs on receivables and bad debts amounting to EUR 2.3 million (previous year: EUR 1.6 million), expenses from acquisition activities amounting to EUR 1.6 million (previous year: EUR 0.4 million), expenses from executive search for Allgeier Experts Select amounting to EUR 0.8 million (previous year: EUR 0.0 million), finance expenses amounting to EUR 0.8 million (previous year: EUR 0.7 million), income from adjustments of variable purchase prices of subsidiaries amounting to EUR 0.4 million (previous year: EUR 1.0 million), other income not related to the accounting period of EUR 0.4 million (previous year: EUR 1.2 million) and other extraordinary and non-period effects of EUR -2.7 million (previous year: EUR -2.1 million).
Consolidated EBITDA (earnings before interest, tax, depreciation and amortization) in the continuing operations amounted to EUR 30.2 million in the reporting year, 16.3 percent below the result of the 2017 financial year (previous year: EUR 26.0 million). Group EBIT (earnings before interest and taxes) for the period stood at EUR 15.9 million (previous year: EUR 13.0 million), representing an increase of 22.7 percent over the comparable figure for the previous year. The Group achieved EBT (earnings before taxes) of EUR 13.1 million (previous year: EUR 10.5 million), representing an increase of 24.7 percent over the previous year. Earnings for the period rose by 64.4 percent to EUR 6.8 million (previous year: EUR 4.1 million). This results in earnings per share from continuing operations of EUR 0.45 (previous year: EUR 0.26). Earnings per share from the continuing operations (adjusted for amortization relating to acquisition activity, and with normalized taxes) amount to EUR 1.60 during the reporting year (prior year: EUR 1.06).

In the 2018 financial year, Allgeier Enterprise Services AG, Bremen, sold all shares of Allgeier Medical IT GmbH, Freiburg, including its subsidiary eHealthOpen Ltd., Birmingham, UK ("Allgeier Medical IT") by agreement dated March 23, 2018. Allgeier Medical IT is accordingly shown as discontinued operations. A purchase price of EUR 3.5 million was agreed for Allgeier Medical IT. With the divestiture, the Allgeier Group disposed of net assets of EUR 1.0 million. Furthermore, costs of EUR 0.6 million were incurred in connection with the divestiture, so that the gain on the disposal amounted to EUR 1.7 million. Allgeier Medical IT generated revenues of EUR 3.5 million and earnings before taxes of EUR 0.5 million in the 2017 financial year. The purchase price for Allgeier Medical IT was paid in the first half of 2018. In the first quarter of 2018, Allgeier Medical IT generated total sales revenues of EUR 0.7 million and EBITDA of EUR 39 thousand.

Including the disposal gain of EUR 1.7 million, the Group generated earnings of EUR 8.6 million (previous year: EUR 4.5 million) from continuing and discontinued operations in the period under review, representing an increase of 92.2 percent. Earnings per share including the proceeds from the sale amounted to EUR 0.63 (previous year: EUR 0.30) for continuing and discontinued operations.

Performance indicators

For 2018, the Allgeier Group set the following objectives for the individual performance indicators for controlling the company at Group level (see below, 2.4 Financial and non-financial performance indicators):

For consolidated revenues, we had forecast growth of 18 to 23 percent overall for the 2018 financial year. With actual sales revenue growth of 19.8 percent, we achieved our forecast growth target, taking into account the pro rata consolidation of the new Group companies acquired in 2018.

As we had different growth expectations for the four segments reported in the previous year, we issued differentiated forecasts for the growth of the individual segments in 2018:

- For the Enterprise Services segment we had set ourselves a goal of 13 to 18 percent revenue growth. The SAP business unit, which was newly established in 2017, should exert a significant impact and contribute disproportionately to revenue growth. In fact, the Enterprise Services segment reported sales revenue growth of 13.3 percent to EUR 113.6 million in the 2018 financial year (previous year: EUR 100.3 million). The SAP business unit contributed to the sales revenue increase with a 16.8 percent increase in third-party revenues to EUR 62.5 million (previous year: EUR 53.5 million). As a consequence, we achieved our expectation for revenue growth.
- For the Experts segment, we had expected sales revenue growth in the magnitude of around 20 to 25 percent for 2018. The EBITDA margin should lie between 3.5 and 4.5 percent. The targets were clearly missed. Against the background of the structural and organizational weaknesses identified, the planned sales revenue growth clearly proved too ambitious. Insufficient productivity and cooperation in sales and customer service as well as insufficient business processes and systems were the main reasons for this. Nevertheless, the segment increased its sales revenues by 9.3 percent year-on-year to EUR 280.1 million (previous year: EUR 256.4 million).
- For the Technology segment, we had expected sales revenue growth of around 15 to 20 percent in the past financial year. The two existing divisions and the two business units of the Technology segment that joined the Group in the course of the year under review and were consolidated on a pro rata basis together recorded a good organic business trend and achieved sales revenue growth of 36.0 percent to EUR 298.2 million (previous year: EUR 219.3 million). This revenue growth was thereby above our expectation.
- For the New Business Areas segment, which was newly created 2017, we had formulated the expectation in the past financial year of sales revenue growth of between 25 and 30 percent. In 2018, the segment reported a reduction in sales revenue of 11.1 percent to EUR 5.3 million (previous year: EUR 6.0 million). The sales revenue trend was below our expectations. This was due to the planned streamlining of the business, which led to revenue declines in some areas of the segment. In addition, the planned acquisitions of the Allgeier CORE Group did not take place until later in the year, with the result that the newly acquired companies were only consolidated with a small share in the segment result. On an as-if basis, the segment would have generated sales revenues of EUR 10.9 million in the financial year under review if the newly consolidated units of the Allgeier CORE Group had been fully consolidated.

All in all, last year we exceeded the sales revenues targets formulated in the individual segments in some cases, achieved them in others and failed to achieve them in others: The actual development in the Technology segment exceeded our original expectations. The Enterprise Services segment performed in line with our expectations, while the New Business Areas segment and the Experts segment remained below their targets. Overall, with approximately 20 percent growth in 2018, Allgeier reached the formulated objective of achieving between 18 and 23 percent revenue growth.

With regard to profitability measured in terms of EBITDA growth, the objective we stated as part of last year's forecast reporting for the Group was above-average high growth in line with the planning at the time. Accordingly, the Group was to achieve an EBITDA margin in the range of 6.0 percent to 6.5 percent. The Group achieved adjusted EBITDA of EUR 40.6 million, corresponding to an adjusted EBITDA margin of 5.9 percent. As a consequence of effects amounting to EUR 10.3 million net that are classified as extraordinary or out-of-period from an economic point of view, Group EBITDA (after extraordinary and out-of-period effects) amounted to EUR 30.3 million, corresponding to an EBITDA margin (after extraordinary and out-of-period effects) of 4.4 percent. In terms of Group EBITDA (after extraordinary effects and effects relating to other periods), our expectations for the Group as a whole have consequently not been met.

- For the Enterprise Services segment we planned a rise in the EBITDA margin to around between 7 and 8 percent. In fact, we achieved an increase in EBITDA from EUR 4.1 million in the previous year to EUR 8.5 million in the year under review, and consequently a margin of 7.4 percent. Adjusted EBITDA for the segment amounted to EUR 11.1 million (previous year: EUR 7.2 million), corresponding to a margin of 9.8 percent (previous year: 7.1 percent). Segment profitability consequently performed in line with expectations.
- For the Experts segment, we assumed an increase in the EBITDA margin to around 3.5 to 4.5 percent for the 2018 financial year following the substantial growth investments of the previous year. Due to excessively high costs, the segment also lagged behind the originally planned margin in terms of earnings. EBITDA amounted to EUR 1.2 million (previous year: EUR 4.8 million) corresponding to an EBITDA margin of 0.4 percent. Adjusted EBITDA for the segment amounted to EUR 4.8 million (previous year: EUR 5.5 million), corresponding to an adjusted EBITDA margin of 1.7 percent. We thereby failed by a significant margin to attain our profitability target for the segment.
- According to our forecast from last year's annual report, the Technology segment was to report an EBITDA margin of between 10 and 15 percent. At EUR 32.2 million (previous year: EUR 27.7 million), EBITDA for the segment in the 2018 financial year was actually higher than in the previous year. The proportionately consolidated new acquisitions in the year under review also contributed to the result. The segment's EBITDA margin amounted to 10.8 percent and was thereby in line with our expectations. Adjusted EBITDA for the segment stood at EUR 34.2 million in the financial year under review (previous year: EUR 24.3 million), corresponding to a margin of 11.5 percent.
- For the newly created New Business Areas segment, we had forecast an EBITDA margin in the region of 8 to 9 percent in the past financial year. At the same time, we pointed out that this forecast is subject to greater uncertainty as the segment is in the process of development. The segment achieved EBITDA of EUR -2.1 million in the 2018 financial year (previous year: EUR -2.0 million). Adjusted EBITDA for the segment amounted to EUR -1.0 million (previous year: EUR -1.3 million). However, we failed to achieve our profitability target for the segment.

While the Enterprise Services and Technology segments met our expectations, the New Business Areas and Experts segments did not meet the Group's overall growth expectations in terms of profitability.

With regard to the net debt performance indicator, we had expressed the expectation that Group net debt in the 2018 financial year, after the acquisition of ANECON in January 2018 and without further acquisitions, would be reduced by around EUR 5 million compared to the level at the end of the 2017 financial year. This expectation was not fulfilled: At EUR 104.7 million, net debt as of December 31, 2018 was up on the previous year (EUR 55.8 million), contrary to the forecast. Although cash and cash equivalents rose from EUR 53.0 million in the previous year to EUR 77.0 million, financial liabilities increased by EUR 72.9 million year-on-year as of the balance sheet date. The higher level of net debt is due to the newly acquired companies in the financial year under review as well as investments in non-current assets and working capital – both reflecting the operating growth of the Allgeier Group.

Acquisitions

In the past financial year, Allgeier pushed ahead as part of its acquisition activities especially with the further expansion of the international software development business in the Technology division. The Allgeier Group has thereby gained a large number of new highly qualified software engineers at its development centers in China and Eastern Europe and has gained access to new markets and customers. Specifically, the following transactions were executed:

- On January 8, 2018, Nagarro Austria Beteiligungs GmbH, Vienna, Austria, acquired all shares in ANECON Software Design und Beratung GmbH headquartered in Vienna, Austria ("ANECON", now: Nagarro GmbH, Vienna, Austria). In turn, ANECON wholly owns ANECON Software Design und Beratung GmbH, Dresden (now: Nagarro Testing Service GmbH, Dresden). With sales revenue of EUR 16 million and an operating EBITDA of EUR 1 million in the 2017 financial year, ANECON is one of the leading companies for software development and consulting in the Austrian market. The company offers the highest quality for its customers' IT projects and maps the entire software lifecycle. Its approximately 150 employees advise on transformations, develop individual software and secure software quality with on the basis of tests and test automation.
- In June 2018, Allgeier Project Solutions GmbH, Munich, signed a purchase agreement for the acquisition of 100 percent of the shares in Objectiva Software Solutions, Inc., headquartered in San Diego, California, USA ("Objectiva"). The company was founded in 2001 and generated sales revenues of around USD 24 million in the 2017 financial year with an operating EBITDA margin of around 10 percent. Objectiva specializes in software development solutions and cross-platform technology implementation, particularly in the e-commerce and content areas. The company has an excellent client base in the US market, from private equity-financed independent software vendors through to Fortune 100 companies. In addition to its US locations in San Diego and

GROUP MANAGEMENT REPORT

Seattle, Objectiva has an additional distribution network in the Chicago, Denver, Indianapolis and Boston metropolitan areas. Allgeier thereby continues to expand its presence and network in the US market. Furthermore, Objectiva has two Chinese software development centers in Beijing and Xi'an with around 450 highly qualified developers. By acquiring these new colleagues, Allgeier further expands its expertise in the development of complex software solutions for business-critical business processes and continues the Group's internationalization. In addition to its presence in the US market, Objectiva has also developed attractive access to customers in China and other Asian markets. As part of the Allgeier Group, Objectiva will also expand its activities in Germany and Europe in cooperation with the Group companies.

- In August 2018, Allgeier SE signed a purchase agreement for the acquisition of approximately 67 percent of the shares in software development company iQuest Holding GmbH, Bad Homburg, and its subsidiaries ("iQuest Group"). The rest of the shares will remain with the founder Cornelius Brody and the operational management for the next few years. The iQuest Group was founded in 1998 and achieved revenue of more than EUR 30 million in the 2017 financial year with an adjusted operating EBITDA margin of around 15 percent. As an international software company, the iQuest Group has over 700 highly qualified employees working in development centers in Cluj-Napoca, Bucharest, Sibiu, Brasov and Craiova in Romania as well as at other locations in Germany, Switzerland and Poland. The company develops individual software solutions for major international customers, particularly in the life sciences, telecommunications, financial services, transport and energy sectors. With this investment, Allgeier further expands its expertise in the development of complex software solutions for business-critical business processes and continues the Group's internationalization. With the significant expansion of its software development resources within the EU, Allgeier will offer even greater scalability in the future through a flexible service and delivery model tailored to its customers' needs.
- In addition, consectra GmbH, Offenburg (now: Allgeier CORE GmbH, Kronberg im Taunus), secion GmbH, Hamburg, and GRC Partner GmbH, Kiel, joined the Group in the past financial year. With the acquisitions of these companies, Allgeier has made significant progress towards its goal of establishing a comprehensive and market-leading business unit for cyber security under the name of Allgeier CORE. The more than 70 security specialists at Allgeier CORE offer customers a comprehensive security portfolio ranging from consulting, training and coaching, software and testing through to emergency management.

Capital market and financing

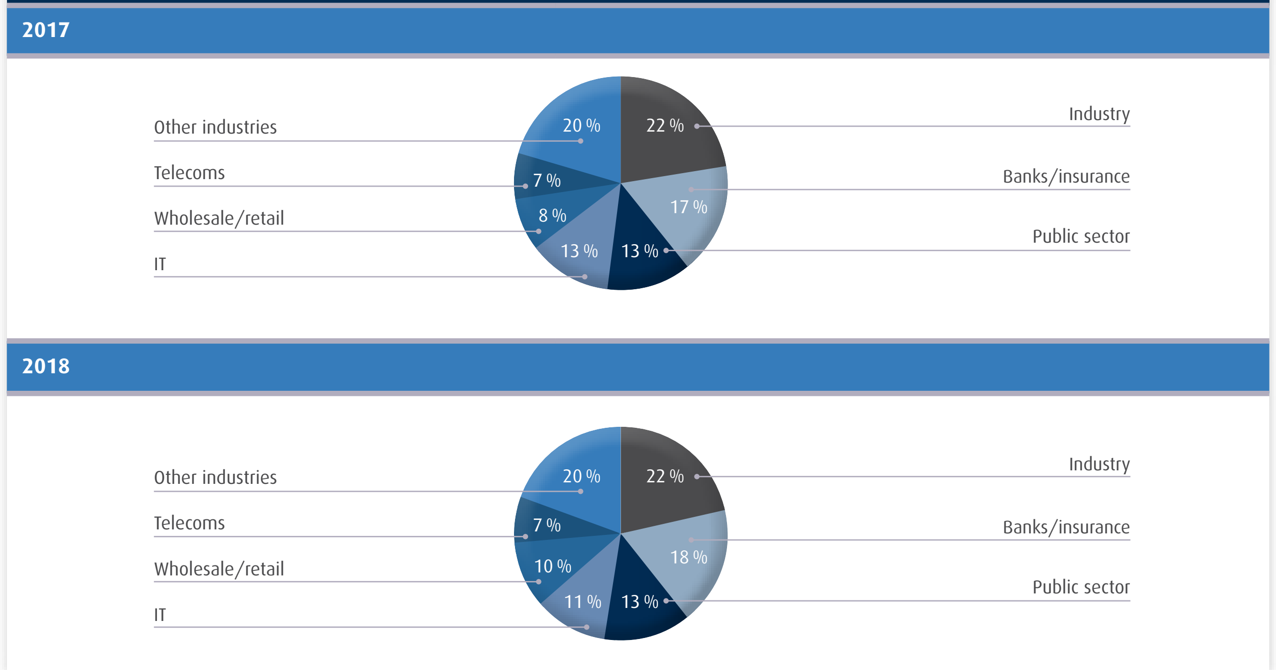
A dividend of EUR 4.9 million (previous year: EUR 4.5 million) was paid to the shareholders of Allgeier SE in the second half of 2018. In the 2018 financial year, profits of EUR 0.7 million were distributed to non-controlling interests of subsidiaries (previous year: EUR 1.0 million).
Allgeier SE did not purchase or sell any treasury shares in the 2018 financial year.

Customers

In the past financial year, the Allgeier Group companies further extended their customer base and strengthened existing customer relationships. Allgeier is active for multinational enterprises – e.g. 19 of the current 30 DAX companies (previous year: 21 of the DAX companies at that time) – as well as for a number of medium-sized enterprises and public-sector clients. The number of customers with annual revenue of more than EUR 1 million each was again increased considerably during the past financial year and reflects the further broadening of the customer base: Allgeier now generates annual revenues of more than EUR 1 million each from a total of 115 customers, compared with 98 customers in the previous year.
The Group counts companies and entities from a variety of industries among its customers. In 2018, the segments in which Allgeier Group companies achieved its highest revenues were:

- Industry, including the automotive industry: Industrial companies including the automotive sector, at approximately 22 percent (previous year: 22 percent) in terms of sales revenue, now constitute the largest industry segment, a segment in which Allgeier has been well established for many years. In the past financial year, sales to industrial companies continued to increase significantly, particularly in the Technology segment, so that the Allgeier Group recorded a total of around 19 percent more sales to industrial companies than in the previous year. Important Group customers include large automotive manufacturers and significant companies from the automotive supply industry as well as leading companies from various industrial sectors such as aerospace, chemicals and pharmaceuticals, metals and electronics, construction, the timber industry and consumer goods. Likewise, long-standing industrial customers also include enterprises in the energy supply sector, among them international energy producers, as well as a number of regional suppliers.
- Banks and insurers: Companies in the financial and insurance sector comprise the second largest revenue segment for the Group, accounting for around 18 percent of sales revenues (previous year: 17 percent). Group sales to banks and insurance companies increased by 24 per cent in the past financial year, with all Group segments contributing to the increase. In the banking and insurance industry group, Allgeier's customers include a number of the largest German insurance groups as well as major national and international banks and financial service providers.
- Public sector: For public companies and corporations, the Allgeier Group is active at all levels in almost all of Germany, in Switzerland as well as in other international markets such as the USA. A total of 13 percent of consolidated sales revenues derive from services for public sector clients (previous year: 13 percent), making the public sector the third largest industry segment within the Allgeier Group. Sales to the public sector have risen steadily over the past few years, with the growth this year being largely attributable to the Technology segment. In the reporting period, the Group increased sales revenues in this industry segment by around 22 percent.
- Information technology: The Group's activity for large international IT enterprises as a percentage declined in absolute terms by almost 7 percent in the past financial year. While the Technology segment increased its revenues with technology companies, the Experts and Enterprise Services segments each recorded a decline in absolute figures. Accounting for an approximately 11 percent revenue share (previous year: 13 percent), IT companies form the fourth largest sector segment within the Allgeier Group.
- Wholesale/retail: Wholesale/retail enterprises are constantly growing in significance within the Group's operations. Primarily the higher sales revenues in the Technology segment with Internet wholesale/retail platforms and shops (e-commerce) are responsible for this development. The Group generated 10 percent of consolidated sales revenues with the wholesale/retail sector (previous year: 8 percent), representing a significant increase in absolute revenues of 59 percent, to which all Group segments contributed. Significant revenue growth was achieved by the Enterprise Services segment, which offers SAP services and solutions such as the IoT Store for the retail of the future to retail companies.
- Telecommunications: Measured in terms of revenue in the 2018 financial year, this sector represents the sixth largest sector segment. The Group generated 7 percent of its revenue here (previous year: 7 percent). In absolute terms, sales revenues generated with telecoms companies reported 24 percent growth during the past financial year.
- Other sectors: Important sectors such as services, health, logistics as well as media and entertainment are aggregated within other industries. Allgeier generated an approximately 20 percent of its consolidated sales revenues in these sectors (previous year: 20 percent). In absolute figures, the Allgeier Group increased sales revenue to other industries by 17 percent in the past financial year, with sales to companies in the service sector in the Technology segment, in particular, rising significantly. In absolute terms, Allgeier generated sales revenues almost at the level of the previous year, whereby especially revenues with companies from the service sector within the Technology segment registered considerable growth.

SALES REVENUES



2.3 THE GROUP'S POSITION

2.3.1 Results of operations

In the past financial year 2018 (January 1, 2018 – December 31, 2018), the Allgeier Group achieved sales revenues growth of 20 percent to EUR 687.3 million (previous year: EUR 573.5 million) in continuing operations. The segments Technology (growth of 36 percent from EUR 219.3 million in 2017 to EUR 298.2 million in 2018) and Enterprise Services (growth of 13 percent from EUR 100.3 million in 2017 to EUR 113.6 million in 2018) made the greatest contributions to revenue growth in the comparative years. Some of the growth in the Technology segment derives from the proportionate consolidation of the units newly acquired in 2018.

Consolidated adjusted EBITDA (EBITDA from continuing operations before effects that qualify operationally as extraordinary or relating to other accounting periods) in the period under review reported an increase of 41 percent to EUR 40.6 million (previous year: EUR 28.8 million). EBITDA for the period was EUR 30.2 million (previous year: EUR 26.0 million), up 16 percent year-on-year. The Enterprise Services segment recorded an increase in EBITDA of EUR 4.4 million and the Technology segment an increase in EBITDA of EUR 4.5 million, whereas the New Business Areas (EUR -0.1 million compared with the previous year) and Experts segments registered a decline in earnings. The Experts segment lost EUR 3.6 million in earnings due to excessive costs compared to the sales revenues achieved. Against the background of the structural and organizational weaknesses identified, the sales revenue growth planned for 2018 clearly proved overambitious.

From the remaining business (Allgeier SE and Consolidation), a decrease in EBITDA of EUR 1.1 million remained. Consolidated earnings were impacted by one-time effects due to effect from previous periods in the amount of EUR -10.3 million (previous year: EUR -2.9 million). The main special effects here were financing costs, higher losses from value adjustments on receivables and bad debt losses, increased expenses from acquisition activities, losses from the executive search of Allgeier Experts Select and one-off staff costs. In the previous year, the Group generated income of EUR 2.7 million from currency fluctuations and forward exchange transactions. This year, no income was generated from foreign currency translation and hedges.

Overall, depreciation and amortization rose from EUR 13.0 million in the previous year to EUR 14.3 million in the year under review. A large proportion of the depreciation and amortization of EUR 4.7 million (previous year: EUR 4.4 million) relates to the amortization of customer relationships and products capitalized as part of the acquisition of subsidiaries. A total of EUR 6.3 million (previous year: EUR 5.6 million) comprises depreciation, and EUR 3.3 million (previous year: EUR 3.1 million) amortization. As in the previous year, goodwill impairment expenses amounted to EUR 0.0 million in the year under review. The Allgeier Group thereby achieved EBIT of EUR 15.9 million in the 2018 financial year (previous year: EUR 13.0 million), which was 23 percent higher than the comparable figure for the previous year. Excluding acquisition-related amortization, the aforementioned one-off effects and items relating to other periods, the Group recorded EBIT of EUR 30.9 million in 2018 (previous year: EUR 20.4 million), corresponding to 52 percent growth.

Financial income of EUR 0.7 million was down year-on-year, and financial expenses of EUR 3.2 million were slightly above the previous year's level (EUR 1.1 million and EUR 2.9 million respectively). At-equity investments led to an expense of EUR 0.4 million (previous year: EUR 0.7 million). After deducting interest and the earnings share from equity accounted interests, the Group reported earnings before tax (EBT) of EUR 13.1 million (previous year: EUR 10.5 million), equivalent to an increase of 25 percent compared with the previous year.

The expense for income taxes in the continuing operations amounted to EUR 6.2 million in the reporting period (previous year: EUR 6.3 million). Income tax expenses in relation to earnings reduced significantly from 60.4 percent in the previous year to 47.7 percent. The still relatively high income tax expense is caused by expenses not deductible for tax purposes, unrecognized deferred taxes on losses, non-tax-effective valuations from equity accounted investments, and non-tax-effective income and expenses in connection with corporate acquisitions. After deducting interest, the Group achieved EUR 6.8 million of net income in its continuing operations in the period under review (previous year: EUR 4.2 million), corresponding to 64 percent year-on-year growth. Of these earnings, an amount of EUR 4.4 million (previous year: EUR 2.5 million) is attributable to the shareholders of Allgeier SE and EUR 2.4 million (previous year: EUR 1.7 million) is attributable to the non-controlling shareholders at subsidiaries.

This led to earnings per share of the Allgeier Group of EUR 0.45 in the year under review (previous year: EUR 0.26). Earnings per share (adjusted for amortization relating to acquisition activity, and with normalized taxes) amounted to EUR 1.60 during the reporting year (prior year: EUR 1.06). All of the figures relate to the continuing operations.

Including disposal results, the overall Group (both discontinued and continuing operations) achieved total comprehensive income of EUR 8.6 million in the reporting period (previous year: EUR 4.5 million). Earnings per share including the proceeds from the disposal amounted to EUR 0.63 in the year under review (previous year: EUR 0.30).

2.3.2 Financial position

As was the case in previous years, the Allgeier Group reports a solid and balanced financial situation. Due to continued growth, rising working capital requirements and acquisition activities, net debt rose in the 2018 financial year, although this is offset by both higher business volume as well as corresponding growth expectations in the current 2019 financial year. With the financing facility newly arranged in the previous year, considerable funds are still available to finance the Allgeier Group and continue its growth. Over the past years, constant funds were generated for the distribution of dividends to shareholders.

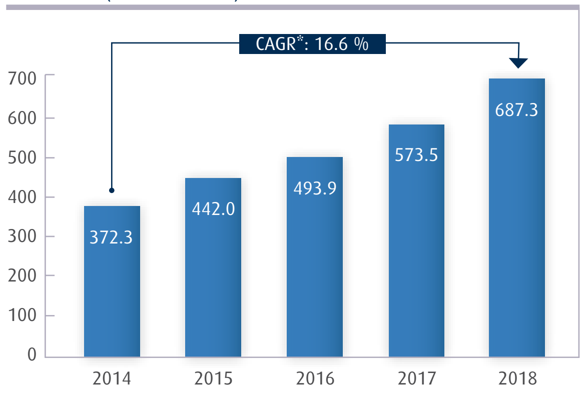
Interest-bearing financial liabilities rose to EUR 181.7 million as of December 31, 2018 (previous year: EUR 108.8 million). At the same time, cash and cash equivalents rose to EUR 77.0 million as of the balance sheet date (previous year: EUR 53.0 million). The change in cash and cash equivalents reflects the net change in cash flows from operating activities, investing activities and financing activities as well as payments deriving from capital increases and dividends. Besides cash and cash equivalents of EUR 77.0 million, the Allgeier Group had free financial resources of more than EUR 44.0 million available at the end of 2018 from its financing facility newly arranged in the previous year and further existing credit lines. Furthermore, a EUR 50.0 million customer receivable factoring facility exists, unchanged compared with the previous year. An amount of EUR 43.0 million of the factoring facility was utilized as of December 31, 2018 (December 31, 2017: EUR 37.7 million).

The Group generated EUR 38.7 million of cash inflows in the 2018 financial year from operating activities and before working capital changes (previous year: EUR 34.0 million). At EUR 35.1 million, the capital required to cover fluctuations in working capital at the balance sheet date was below the previous year's figure of EUR 36.9 million. Including the funds tied up in working capital, this resulted in a positive cash flow from operating activities of EUR 3.6 million (previous year: EUR -2.9 million). Working capital, especially including trade receivables, reported an above-average high level at the year-end (in relation to the full course of the year) due to strong revenue months during the fourth quarter.

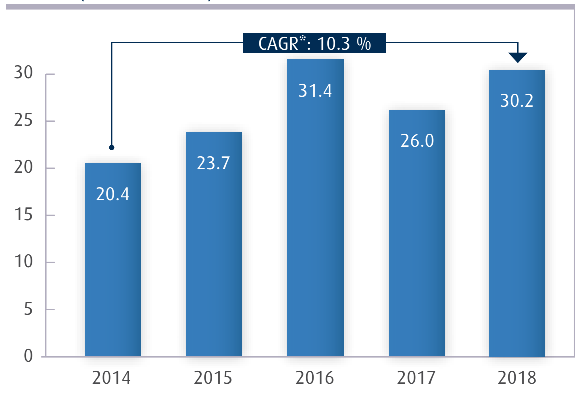
The Allgeier Group invested a total of EUR 45.5 million in the 2018 financial year (previous year: EUR 17.3 million). This amount includes payments for investments in the acquisition of subsidiaries and business units in the amount of EUR 37.8 million (previous year: EUR 9.0 million). Outgoing payments for operative investments (including finance leases) of EUR 9.3 million were also incurred in the reporting year (previous year: EUR 8.1 million). The disposal of Allgeier Medical IT in the first quarter of 2018 generated a net inflow of EUR 2.5 million for the Group in the past financial year (including disposal costs).

Pursuant to IFRS, new acquisitions are consolidated from the acquisition date in the entire Group management report and in the graphs.

REVENUES (in EUR million)



EBITDA (in EUR million)



* The CAGR (compound annual growth rate) represents the average annual growth.

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To present the adjusted earnings per share outstanding, the Allgeier Group corrects the reported operating earnings before interest and taxes (EBIT) of the continuing operations for amortization on intangible assets capitalized in the context of enterprise acquisitions (effects of purchase price allocations) and for income and expenses from purchase price adjustments through profit or loss. Under consideration of the adjustments and application of a corporate tax rate of 35 percent on the consolidated earnings, the Group's earnings per share outstanding were EUR 1.60 in 2018 (previous year: EUR 1.06).

(in EUR million)	2017	2018
Results of operating activities (reported EBIT)	**13.0**	**15.9**
Amortization of intangible assets from corporate acquisitions	4.4	4.7
Goodwill impairment losses	0.0	0.0
Purchase price adjustments recognized in profit or loss	-1.0	-0.4
Other one-off effects and effects relating to other periods	3.9	10.7
Financial result	-1.7	-2.4
Result from at-equity investments	-0.7	-0.4
Adjusted earnings before tax	**17.9**	**28.1**
Tax rate	35%	35%
Taxes	-6.3	-9.8
Adjusted net income for the period	**11.6**	**18.3**
Attributable to non-controlling interests	-1.7	-2.4
Earnings for the calculation of adjusted earnings per share	**9.9**	**15.8**
Number of shares outstanding	9,402,457	9,877,280
Adjusted earnings per share in EUR (undiluted)	**1.06**	**1.60**

The other one-time effects and effects relating to other periods include the following items:

(in EUR million)	2017	2018
Losses on the disposal of non-current assets	-0.1	-0.2
Losses from value adjustments on receivables and bad debts	-1.6	-2.3
Other non-period income (net)	1.2	0.4
Expenses from acquisition activities	-0.4	-1.6
Income from purchase price adjustments (net)	1.0	0.4
Borrowing costs	-0.7	-0.8
Expenses from stock option rights issued	-0.1	-0.4
Expenses from the translation of foreign currencies and hedging transactions	2.7	0.0
Continued pay and severance payments for employees who have left the company	-2.9	-2.8
Loss of the Executive Search of Allgeier Experts Select	0.0	-0.8
Loss from GDE participant program and joint liability for participant loans	-0.7	-0.6
Other extraordinary expenses (net)	-1.2	-1.5
	-2.8	**-10.3**

For financing purposes and distributions, the Allgeier Group received net cash of EUR 59.2 million in the 2018 financial year (previous year, including the capital increase: outgoing payments of EUR 3.8 million net). In 2018, loans in a net amount of EUR 66.1 million were drawn down (previous year: EUR 11.2 million net repaid). The shareholders of Allgeier SE received dividends in a total amount of EUR 4.9 million (previous year: EUR 4.5 million). In the 2018 financial year, the Allgeier Group paid net interest of EUR 2.4 million (previous year: EUR 3.0 million net).

In the 2018 financial year, as the net balance from the cash flows from operational activities, investing activities and financing activities, and the items for correction of currency differences in cash and cash equivalents, the Group generated a surplus of incoming payments totaling EUR 18.1 million (previous year: surplus of outgoing payments totaling EUR 25.9 million). Due to capital inflows, cash and cash equivalents increased from EUR 41.4 million on December 31, 2017 to EUR 59.4 million at the end of the 2018 financial year.

First-degree liquidity (cash and cash equivalents/current liabilities) rose slightly to 50 percent as of December 31, 2018 (previous year: 48 percent) due to the disproportionately high increase in cash and cash equivalents. The second-degree liquidity ratio (cash and cash equivalents and trade receivables/current liabilities) was 142 percent as of the balance sheet date (previous year: 151 percent).

2.3.3 Net assets

Changes in the Allgeier Group's asset position generally reflect acquisition activity and the associated addition of new Group companies, the disposal of subsidiaries, as well as the measures implemented to finance the Group. Moreover, the operative business activity and customer payment behavior, as well as payments to suppliers, also influence the asset position.

In the past financial year, the Allgeier Group acquired the assets and liabilities of ANECON, Objectiva and iQuest as well as secion, consectra and GRC Partner (previous year: acquisition of the assets and liabilities of the former Ciber companies in Germany, France and Denmark). With these six companies, assets of EUR 39.8 million (previous year: EUR 6.7 million) and liabilities of EUR 19.9 million (previous year: EUR 5.3 million) transferred to the Allgeier Group. Offsetting this, the Group incurred a EUR 37.1 million outflow for the acquisition of these companies and business units (previous year: EUR 1.2 million). With the disposal of Allgeier Medical IT, the Allgeier Group relinquished net assets of EUR 2.1 million and liabilities of EUR 1.1 million. Furthermore, the Allgeier Group expended EUR 0.6 million on subsequent purchase price payments in connection with companies acquired in previous years (previous year: EUR 7.7 million). The corporate acquisitions were financed predominantly by drawing on the syndicated credit line.

During the financial year under review, total assets increased by EUR 142.5 million as of the December 31, 2018 balance sheet date: Total assets amounted to EUR 480.4 million as of the reporting date (December 31, 2017: EUR 337.9 million). The main reasons for the increase are the addition of the assets of the new companies and the addition of goodwill from the difference between the purchase prices shown in the balance sheet and the net assets of the companies, the increase in cash and cash equivalents, and the rise in receivables in line with the growth in operating business. On the assets side of the balance sheet, non-current assets expanded by EUR 81.1 million, from EUR 148.1 million in 2017 to EUR 229.2 million in the year under review. Within non-current assets, intangible assets rose by EUR 69.9 million to EUR 187.9 million (previous year: EUR 118.0 million) and property, plant and equipment increased by EUR 8.0 million to EUR 21.4 million (previous year: EUR 13.5 million). Other non-current financial assets reduced to EUR 5.5 million (previous year: EUR 6.9 million). Deferred tax assets rose to EUR 9.5 million at the end of 2018 compared with EUR 5.0 million at the previous year's balance sheet date.

Within intangible assets, goodwill increased by EUR 66.1 million from EUR 99.9 million at the end of 2017 to EUR 166.0 million at the end of 2018 as a consequence of company acquisitions and the adjustment of goodwill acquired in foreign currencies to the closing rate as of December 31, 2018. The remaining intangible assets increased by EUR 3.7 million to EUR 21.9 million (previous year: EUR 18.2 million). This includes additions from in-house developments in the amount of EUR 2.1 million (previous year: EUR 1.9 million).

The investment ratio calculated as the ratio of non-current assets to total assets was 47.7 percent in 2018 (previous year: 43.8 percent).

Current assets rose from EUR 189.9 million at the end of 2017 to EUR 251.2 million at the 2018 balance sheet date. In the same period, trade receivables increased from EUR 28.4 million to EUR 140.5 million (previous year: EUR 112.1 million). Cash and cash equivalents rose by EUR 24.0 million from EUR 53.0 million at the end of the previous year to EUR 77.0 million as of December 31, 2018. The increase in cash and cash equivalents of EUR 11.7 million was due to funds received in connection with the company acquisitions and retained by the companies.

On the equity and liabilities side of the balance sheet, consolidated equity grew by EUR 11.0 million, from EUR 122.8 million as of December 31, 2017 to EUR 133.9 million as of December 31, 2018. Liabilities increased by EUR 131.4 million from EUR 215.1 million at the end of 2017 to EUR 346.5 million at the end of the 2019 financial year. In the same period, the equity ratio fell from 36.4 percent at the end of 2017 to 27.9 percent at the balance sheet date in 2018 as a consequence of the significant rise in total assets combined with a disproportionately low increase in Group equity.

The change in equity derives from the result for the period of EUR 8.6 million (previous year: EUR 4.2 million) and, offsetting this, from the payment of dividends to the shareholders of Allgeier SE and to non-controlling shareholders of subsidiaries totaling EUR 6.8 million (previous year: EUR 5.5 million) as well as currency differences and other effects recognized directly in equity totaling EUR 1.8 million (previous year: EUR 9.5 million). With the acquisition of iQuest, shares of non-controlling shareholders amounting to EUR 5.9 million were recognized. Equity grew by a further EUR 1.5 million as a consequence of the stock option programs, including the exercise of stock options.

Non-current liabilities rose by EUR 87.9 million, from EUR 105.4 million at the end of 2017 to EUR 193.3 million at the end of 2018. Non-current financial liabilities at the end of 2018 include EUR 145 million for the portion of the master loan taken up in 2017 and EUR 19 million and EUR 5.5 million for a portion of the borrower's note loan running until 2021. The remaining non-current liabilities decreased by EUR 33.0 million in 2018, from EUR 10.0 million to EUR 43.0 million. This was due to the rise in non-current liabilities from the acquisition of subsidiaries by EUR 25.4 million to EUR 26.4 million, the increase in liabilities from finance leases from EUR 1.0 million to EUR 4.8 million and the rise in deferred tax liabilities by EUR 2.4 million to EUR 5.9 million as of the 2018 balance sheet date.

Current liabilities increased by EUR 43.6 million to EUR 153.3 million (previous year: EUR 109.7 million). Within current liabilities, financial liabilities rose by EUR 18.1 million to EUR 31.4 million (previous year: EUR 13.3 million) and other current liabilities by EUR 25.6 million from EUR 96.3 million at the end of the previous year to EUR 121.9 million at the end of the reporting year. As a consequence, the debt ratio – the ratio between liabilities and total assets – rose from 63.6 percent in the previous year to 72.1 percent as of the end of the 2018 financial year.

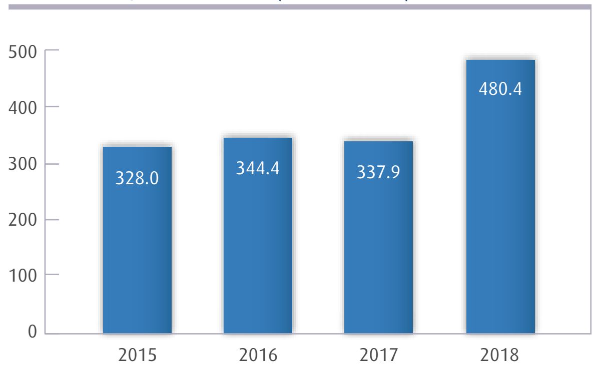
2.3.4 Segments

The segment reporting exclusively contains the segments' continuing operations. The disclosures and explanations that follow include sales revenues and earnings from transactions which the segments realize with each other.

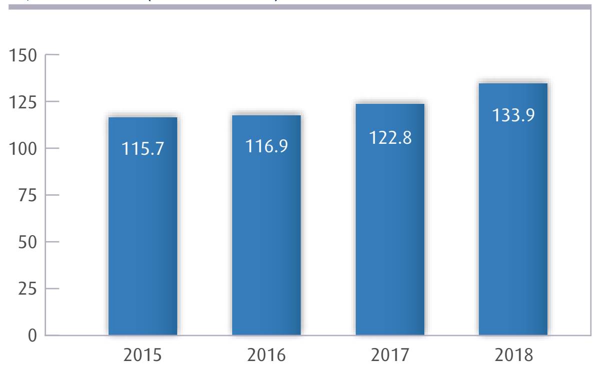
2.3.4.1 Enterprise Services segment

In the period under review, the Enterprise Services segment contributed 16 percent to consolidated sales revenues (previous year: 17 percent). In turn, the segment consists of the "Intellectual Property "and "SAP" operational business units which contributed to the comprehensive income of the segment with various growth rates and profit margins.

TOTAL ASSETS, DECEMBER 31 (in EUR million)



EQUITY 31.12. (in EUR million)



GROUP MANAGEMENT REPORT

The Enterprise Services segment in its continuing operations registered 13 percent revenue growth to a level of EUR 113.6 million in 2018 (previous year: EUR 100.3 million). Value creation (total performance less cost of sales and staff costs directly attributable to revenues) grew by 20 percent to EUR 43.7 million (previous year: EUR 36.3 million), representing a gross margin of 38.1 percent (previous year: 36.0 percent). The sales revenue growth is attributable to both business units of the segment. The SAP unit increased its third-party revenue from EUR 53.6 million in 2017 to EUR 61.6 million in 2018. Sales revenues generated with third parties by the Intellectual Property unit grew to EUR 48.2 million (previous year: EUR 44.7 million). Both of the segment's operational business units also contributed to the value creation growth. The Intellectual Property unit generated an increase of EUR 3.4 million to EUR 23.7 million (previous year EUR 20.3 million) and the SAP unit created value of EUR 20.0 million (previous year: EUR 16.0 million).

The adjusted EBITDA (EBITDA before effects which are extraordinary in terms of the operating business or relate to another tax period) grew compared with the previous year to EUR 11.1 million (previous year: EUR 7.2 million). Of this increase, EUR 2.3 million is attributable to the SAP unit and EUR 1.6 million to the Intellectual Property unit.

The EBITDA generated by the Enterprise Services segment amounted to EUR 8.5 million in the year under review (previous year: EUR 4.1 million). In the 2018 financial year, the adjusted effects, which mainly include exchange rate differences from foreign currency conversion, value adjustments applied to receivables and personnel measures, amounted to EUR -2.6 million (previous year: EUR -3.1 million). Segment depreciation and amortization amounted to EUR 4.5 million in the reporting year, above the previous year's level of EUR 3.0 million. Segment EBIT rose accordingly from EUR 1.0 million in 2017, to EUR 4.0 million in the reporting period. The net result for the period generated by the Enterprise Services segment amounted to EUR 3.3 million before taxes (previous year: EUR -0.3 million).

2.3.4.2 Experts segment

Measured by sales revenues and employees, the Experts segment is the second largest segment in the Allgeier Group. The segment contributed 41 percent to the sales revenues of the Allgeier Group in the 2018 financial year (previous year: 45 percent).

The Experts segment generated EUR 280.1 million of sales revenue in the reporting year (previous year: EUR 256.4 million), corresponding to a rise of 9 percent. Value creation was up by 7 percent year-on-year to EUR 49.5 million (previous year: EUR 46.5 million), raising the gross margin slightly to 17.7 percent (previous year: 18.1 percent).

Adjusted consolidated EBITDA (EBITDA before effects that qualify operationally as extraordinary or relating to other accounting periods) reduced slightly to EUR 4.8 million (previous year: EUR 5.5 million).

Due to higher extraordinary effects and – as described above – increased costs, the Experts segment achieved EBITDA of EUR 1.2 million in the 2018 financial year, which was correspondingly below the previous year's result (previous year: EUR 4.8 million). In the Experts segment, we continued to invest in the expansion of the business that we initiated in 2017 and its merger into a consistent corporate organization. In the second half of 2018, we corrected structural weaknesses and developments that we do not consider to be optimal. The focus was placed on individual, distinct business segments within Allgeier Experts towards an integrated regional structure focused on customer requirements. In the reporting year, indirect costs rose by EUR 3.7 million a year-on-year, representing a disproportionate percentage increase of 9.0 percent. Accordingly, EBITDA decreased from EUR 1.7 million in the previous year to EUR -1.3 million in the period under review. Before income taxes, the segment generated a net result for the period of EUR -3.0 million, compared with EUR 0.1 million in the previous year.

2.3.4.3 Technology segment

The Technology segment reported further strong and stable growth in the year under review. Accordingly, the segment, which comprises four operating units (the two existing divisions Nagarro and mgm technology partners as well as the two new business units Objectiva and iQuest), accounted for 43 percent of Group sales revenue in 2018, compared with 38 percent in the previous year.

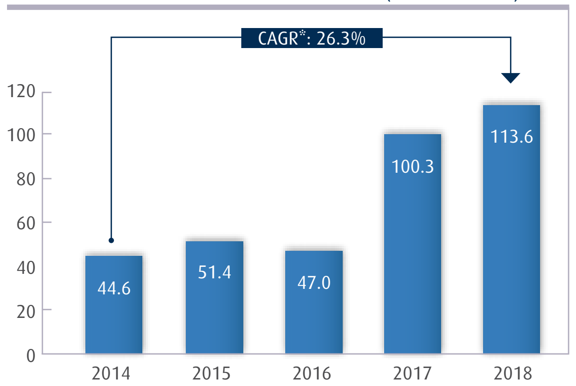
The Technology segment recorded 36 percent revenue growth in the 2018 financial year to a level of EUR 298.2 million (previous year: EUR 219.3 million). The Objectiva and iQuest business units, which joined the Group in the course of the year and were proportionately consolidated in the year under review, contributed EUR 19.4 million to revenue growth. Segment value creation grew to EUR 98.9 million (previous year: EUR 71.0 million). This corresponds to a slightly higher gross margin of 33.1 percent compared with the previous year (32.4 percent).

Adjusted EBITDA (EBITDA before effects that are classified as extraordinary or relating to other periods) amounted to EUR 34.2 million (previous year: EUR 24.3 million), representing an increase of 41 percent.

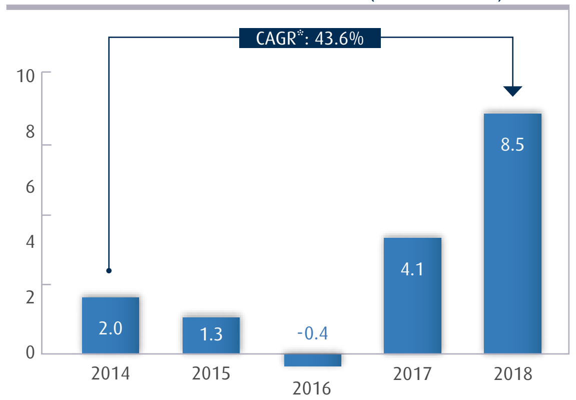
In the 2018 financial year, the Technology segment recorded extraordinary and non-period income of EUR -2.0 million (previous year: extraordinary and non-period income of EUR 3.4 million). Due to the international alignment of the segment and its significant sites, particularly in India and the USA as well as in Eastern Europe and China, segment results are subject to effects arising from exchange rates. The effects, recognized in profit or loss, from exchange rate fluctuations as well as the forward currency transactions to hedge the Indian rupee are adjusted as exceptional items. These amounted to EUR -0.1 million in the past financial year (previous year: EUR 2.6 million). Other extraordinary expenses of EUR -1.8 million (previous year: income of EUR 0.8 million) mainly result from acquisition activities. In the previous year, income was attributable to earlier periods.

The segment EBITDA amounted to EUR 32.2 million in the reporting year, compared with EUR 27.7 million in the previous year, corresponding to 16 percent growth. The increase of EUR 1.5 million is attributable to the proportionate consolidation of Objectiva and iQuest. Depreciation and amortization increased from EUR 6.5 million in the previous year to EUR 7.1 million in the year under review, with the segment achieving EBIT after depreciation and amortization of EUR 25.1 million (previous year: EUR 21.2 million). This corresponds to an increase of 19 percent. The

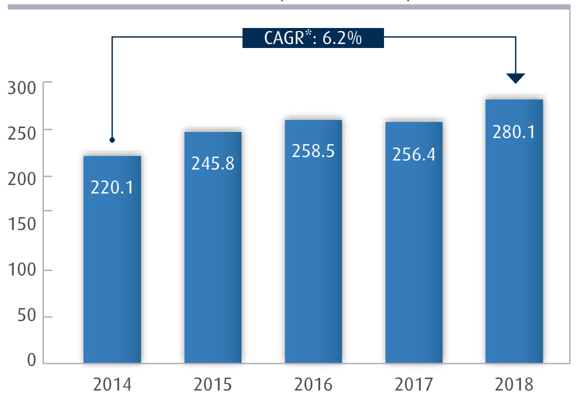
ENTERPRISE SERVICES SEGMENT REVENUE (in EUR million)



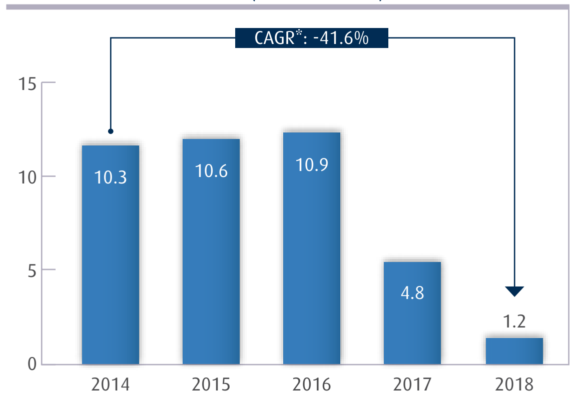
ENTERPRISE SERVICES SEGMENT EBITDA (in EUR million)



EXPERTS SEGMENT REVENUES (in EUR million)



EXPERTS SEGMENT EBITDA (in EUR million)



segment's financial result was EUR -1.6 million (previous year: EUR -0.4 million). The segment net result for the period rose by 14 percent from EUR 20.7 million in 2017, to EUR 23.6 million in the reporting period.

2.3.4.4 New Business Areas segment

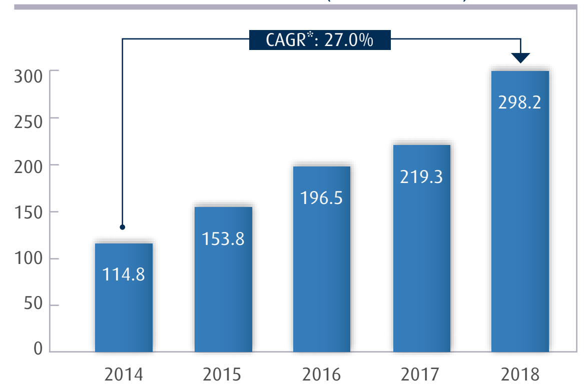
The New Business Areas segment, which was newly formed in the previous year and which comprises two operative units, is the Group's smallest operating segment. The segment contributes 1 percent to the sales revenues of the Allgeier Group (previous year: 1 percent).

The New Business Areas segment recorded a reduction in revenue in the 2018 financial year to a level of EUR 5.3 million (previous year: EUR 6.0 million). By contrast, value creation grew from EUR 2.4 million in the previous year to EUR 3.0 million in the year under review, corresponding to a gross profit margin of 55.9 percent (previous year: 39.9 percent).

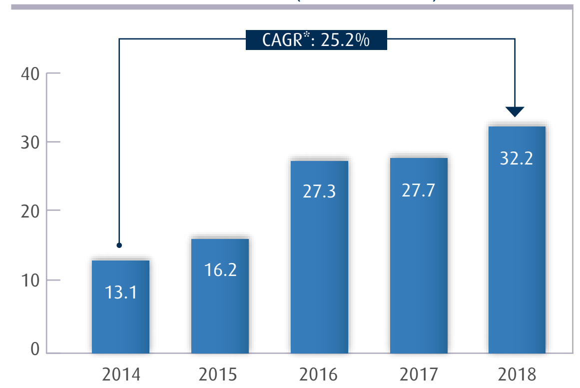
Adjusted consolidated EBITDA (EBITDA before effects that qualify operationally as extraordinary or relating to other accounting periods) rose to EUR -1.0 million in 2018 (previous year: EUR -1.3 million).

The New Business Areas segment recorded EBITDA of EUR -2.1 million in 2018 (previous year: EUR -2.0 million). As in the previous year, EBIT for the period under review was EUR -2.4 million, the same figure as in the previous year. Before tax, the segment generated a net result of EUR -3.4 million, compared with EUR -3.1 million in the previous year.

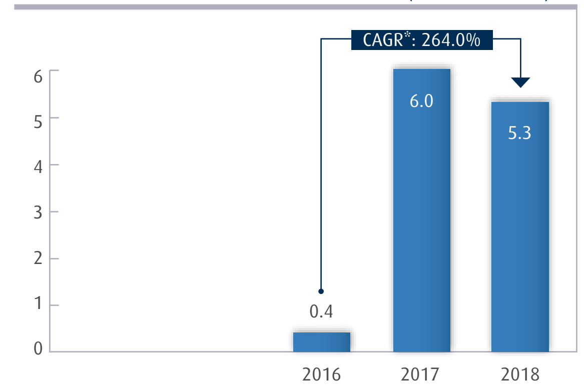
TECHNOLOGY SEGMENT REVENUES (in EUR millions)



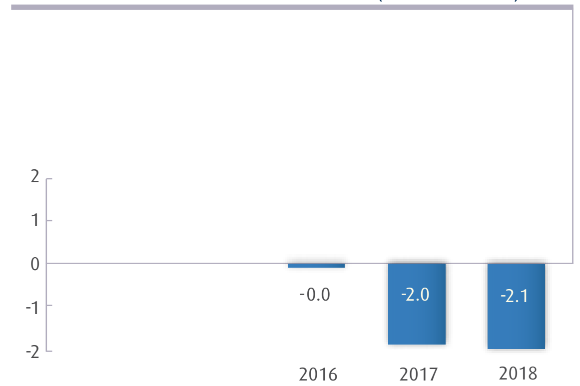
TECHNOLOGY SEGMENT EBITDA (in EUR millions)



NEW BUSINESS AREAS SEGMENT REVENUES (in EUR millions)



NEW BUSINESS AREAS SEGMENT EBITDA (in EUR millions)



2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.4.1 Financial performance indicators

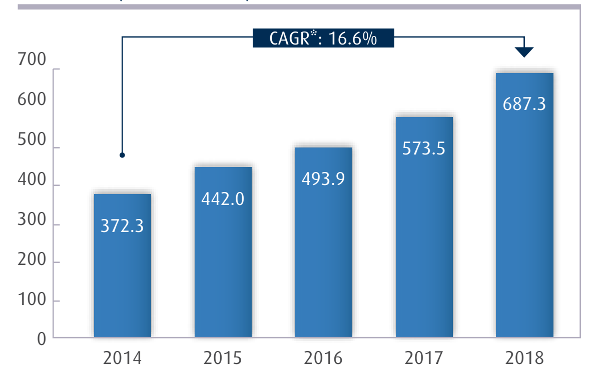
At the Group level, the following financial performance indicators, in particular, form the focus for the management of the company:

Revenue growth

Allgeier is active in the growing information technology market. Worldwide, this market has been growing faster than the economy as a whole for years, and in some areas even significantly above average. Moreover, the market has also been undergoing a consolidation process for years, which is driven by innovation and customer demand. In consequence, we believe it is crucial to keep pace with the market through above-average growth, to also outpace the market at least in some areas, and to take the right steps to accelerate in the years to come. Growth consequently forms a central topic for the Allgeier Group.

The Group's revenue growth over the past years is as follows:

REVENUES (in EUR million)



*The CAGR (compound annual growth rate) represents the average annual growth.

Profitability

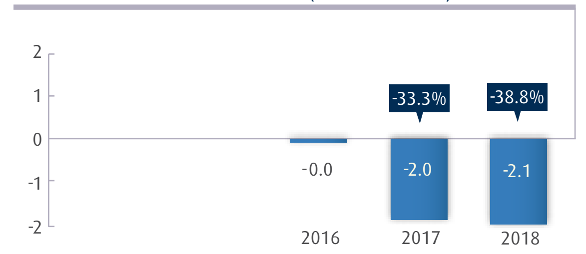
Besides growth, the objective of sustainably increasing the company's value presupposes profitability. Achievable EBITDA margins play a crucial role in planning at all Group levels. This is all the more the case as the EBITDA margin declined in the previous financial year 2017.

Trends in the EBITDA and EBITDA margin for the Group as well as its individual segments are as follows (see right-hand page).

Net debt

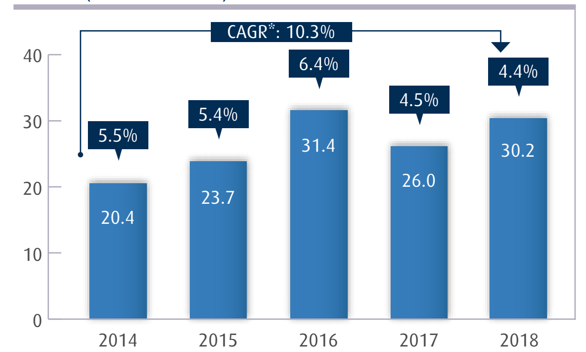
Net debt is of great significance for the valuation of Allgeier SE in the capital market and for our Group's further funding capability. Individual financing agreements make provision for compliance with certain net debt thresholds. For this reason, the planning and management of net debt play a prominent role within the overall system of corporate planning and in financing decisions. Net debt comprises financial liabilities less cash. The overall Group's net financial liabilities increased to EUR 104.7 million in the past financial year (previous year: EUR 55.8 million). The increase in cash and cash equivalents from EUR 53.0 million in the previous year to EUR 77.0 million at the 2018 balance

NEW BUSINESS AREAS SEGMENT (in EUR millions)

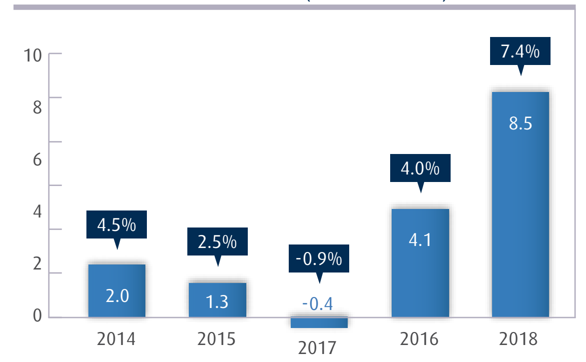


EBITDA/EBITDA MARGIN

GROUP (in EUR millions)

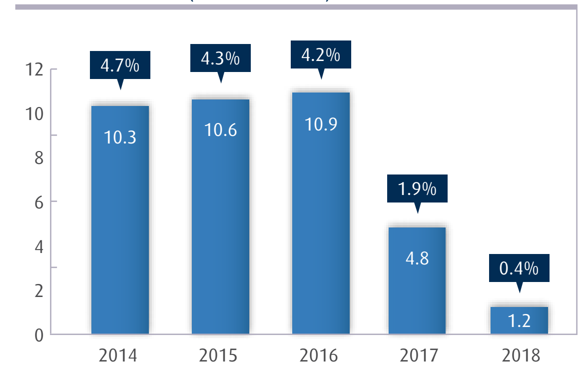


ENTERPRISE SERVICES SEGMENT (in EUR millions)

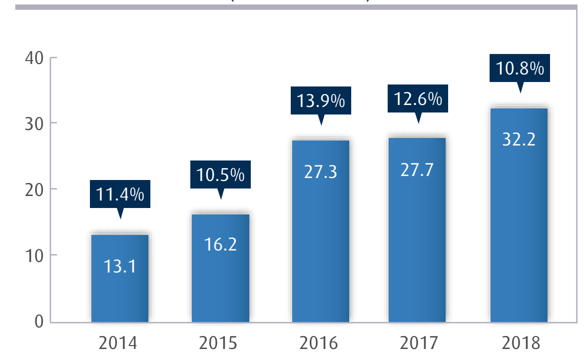


EBITDA/EBITDA MARGIN

EXPERTS SEGMENT (in EUR millions)



TECHNOLOGY SEGMENT (in EUR millions)



sheet date was offset by an increase in financial liabilities from EUR 108.8 million at the end of 2017 to EUR 181.7 million at December 31, 2018.

Accordingly, the Group's net debt in relation to the relevant adjusted EBITDA increased to 2.8 as of December 31, 2018 (previous year: 2.1).

Growth through acquisitions

Another indicator of our Group development is the ability to take advantage of market consolidation through acquisitions. This accelerates not only growth but also the potential alignment and focusing of business activities. Allgeier meanwhile has more than 15 years of in-depth experience in the implementation of acquisition projects. We are recognized in the market as a potential purchaser of medium-size enterprises in Germany and abroad, and we have proven our ability to successfully integrate companies in a sustainable process, and to develop more growth. Over the years, we have constantly improved the process, which ranges from recording all acquisition candidates submitted or actively sought by us, through to selection as well as the execution of specific transactions. This process is supported by software tools and, in the meantime, is not handled solely by Allgeier SE alone; rather, it is performed with the involvement of the Group's divisions.

Our goal is to also grow through acquisitions in the future. Specifically, transactions of recent years included:

TRANSACTIONS (ACQUISITIONS)	
2014	recompli GmbH, Grasbrunn (now: Allgeier Engineering GmbH, Munich) DIGIDOK GmbH, Essen (Asset Deal) Hexa Business Services GmbH, Vienna, Austria (now: Nagarro GmbH, Vienna, Austria) eHealthOpen Ltd., Birmingham, UK/Schliersee (divested in 2018) Metasonic AG, Pfaffenhofen (meanwhile merged with Allgeier IT Solutions GmbH, Bremen) SecureNet GmbH, Munich (now: mgm security partners GmbH, Munich) Corisecio GmbH, Darmstadt (meanwhile merged with Allgeier IT Solutions GmbH, Bremen)
2015	MOS-Tangram AG, Boswil, Switzerland (now: mgm technology partners schweiz ag, Boswil, Switzerland) Talentry GmbH, Munich SearchConsult GmbH, Düsseldorf (now Allgeier Experts Select GmbH, Düsseldorf) networker, Projektberatung GmbH, Kronberg im Taunus (now merged with Allgeier Experts Services GmbH, Unterföhring)
2016	Conduct AS, Oslo, Norway (now Nagarro AS, Oslo, Norway) Mokriya Inc., Cupertino, USA Betarun, Buckow (asset deal) (now: part Goetzfried Professionals GmbH, Wiesbaden) GDE Group, Munich (now Allgeier Education Group, Munich)
2017	Ciber AG, Heidelberg (asset deal) Ciber Managed Services GmbH, Heidelberg (asset deal) Ciber France, Entzheim, France Ciber Denmark, Copenhagen, Denmark (asset deal)
2018	ANECON Software Design und Beratung GmbH, Vienna, Austria (now: Nagarro GmbH, Vienna, Austria) iQuest Group, Bad Homburg vor der Höhe Objectiva Software Solutions, Inc., San Diego, USA consectra GmbH, Offenburg (now: Allgeier CORE GmbH, Kronberg im Taunus) secion GmbH, Hamburg GRC Partner GmbH, Kiel

GROUP MANAGEMENT REPORT

2.4.2 Non-financial performance indicators

Employee satisfaction

The employees who work for us all over the world are our Group's most valuable capital. Their know-how and motivation drive our business forward every day. They are the ones who enjoy the trust of our customers and develop and implement innovations for them. In competing for new employees, it is important to candidates that we be an attractive employer worldwide. An increasing degree of intelligent and flexible organization and diversification is required in order to combine different needs, educational levels and expectations. Various models to involve employees in customer projects play an important role in this context: These include service and work contracts, temporary employment, project outsourcing, onshore, nearshore, offshore models and much more. The continuous development of existing employees and the recruitment of new highly qualified colleagues are essential factors for the development of the entire Group. Accordingly, satisfaction of the employees within our Group represents an essential performance indicator.

2.5 HUMAN RESOURCES

Allgeier counts on dedicated and loyal employees

Highly qualified and motivated employees are an essential success factor for the development of our Group. Each Allgeier Group company is crucially dependent on its employees' technical knowledge, competencies and loyal commitment. Our employees are in constant contact with customers, providing the agreed consulting and other services, and develop innovative solutions to meet complex challenges. Our Group strategy will also depend in the future on our employees' commitment as well as our capacity to recruit new high-achieving employees in the face of market competition and retain them within the Group.

As a consequence, a central objective of our personnel policy is to continuously foster and further develop our employees' abilities and willingness to perform. Allgeier made good progress this year by further harmonizing measures for employee recruitment and retention within the divisions. We have expanded our international presence significantly in past years, gaining access to now more than 4,700 extremely well-trained software developers at our sites in India, China and Eastern Europe. In our core market of German-speaking Europe (Germany, Switzerland and Austria), we are increasingly identifying shortages of well-qualified experts at central locations. For this reason, too, we are continuously investing in our employees in order to ensure the sustained growth of our Group and to keep valuable knowledge within the enterprise. In the future this will be associated with a further rise in investment in ongoing employee training and qualification.

We believe that the attractiveness of our company – both for existing staff and for suitable applicants – is becoming an increasingly important competitive factor. Given the high dynamic of the IT sector, ongoing technical training of employees is a crucial success factor in competing for the best employees. Staying on the ball technically is also crucial in order to meet rising customer requirements and to help shape important innovations within the industry. Equally, staff at the individual Group companies benefit from the Group's constant growth, advancing internationalization as well as its increasing size and stability. As a consequence, the existing jobs in the Group are becoming more secure, and at the same time new jobs are created. New challenging orders from interesting customers provide exciting technical perspectives and good possibilities for individual development.

Organic employee growth: The number of employees increased significantly again

At the end of financial year 2018, the Allgeier Group had a total of 10,517 employees and freelance experts (previous year: 8,470) – including 9,437 hired employees and 1,080 freelance experts (previous year: 7,077 hired employees and 1,393 freelance experts). At the end of the financial year, Allgeier had a total of 4,153 employees and freelance experts in Germany (previous year: 4,374) and 6,364 foreign employees and freelance experts at the end of the year (previous year: 4,096). As a consequence, 39.5 percent of all employees and freelance experts were engaged in Germany at the end of the financial year (previous year: 51.6 percent). For the first time in the company's history, the majority of our employees work at our Group's international locations. Overall, Allgeier increased the number of its employees and freelance experts by 2,047 (previous year: 790). The number of hired employees in continuing operations grew by 2,360 individuals (previous year: 758). This consistently high growth is the result of both organic growth and growth through acquisitions: The number of employees rose by 1,013 as a consequence of organic growth (previous year: 746 employees), which corresponds to an organic increase in the number of jobs of 14 per cent over the previous year (previous year: 12 per cent). A further 1,347 jobs were created as a consequence of the acquisitions we realized in the financial year under review.

We are pleased to report that Allgeier continued to slightly increase the proportion of female employees in the 2018 financial year: The proportion of female employees amounts to 28.0 percent as of the end of 2018 (previous year: 25.0 percent). BITKOM assumes merely a proportion of around 15 percent female employees as the industry average in the German IT industry. Equally, we continue to have a high proportion of staff with university level qualifications: The proportion of such individuals stood at 49.1 percent as of the reporting date (previous year: 40.8 percent). Overall, more than 96.5 percent of our employees have a bachelor's/master's/doctoral degree, state-certified technician/master trades certificate or other qualified professional training (previous year: 96 percent). In addition to permanent further training and continuing education offerings, it is our aspiration to open up to our employees long-term perspectives and attractive personal development possibilities within the Group, through effective compatibility of family and career. The constantly increasing proportion of female employees and employees with higher qualifications, encourage us in this aim.

The number of employees in the Allgeier Group changed as follows in the last five years:

NUMBER OF EMPLOYEES ON DECEMBER 31 (by heads)	2014	2015	2016	2017	2018
Number of permanent employees	4,871	5,691	6,319	7,077	9,437
Number of freelancers	1,211	1,334	1,361	1,393	1,080
Total number of employees	6,082	7,025	7,680	8,470	10,517

3. OVERALL STATEMENT CONCERNING THE BUSINESS SITUATION

2018 was an eventful and successful year for our Group: We have continued to grow and have achieved the highest annual sales revenue and the highest annual earnings in our history. At the same time, we continued with the Group's internationalization. The continuous development of existing employees and the recruitment of new highly qualified colleagues are essential factors for the development of the entire Group. We now operate in 28 countries on five continents and are growing into a global group. With the acquisition of new high-performance Group companies and numerous highly qualified colleagues in Europe and Asia, we have significantly expanded high-end individual software development in the Technology segment and further deepened our competencies in important future technologies. At the same time, we have expanded our position in attractive industries and markets, further increased proximity to customers in many places, and significantly increased scalability and agility in software development with the new development centers in Eastern Europe and China. On this basis, we can deploy disruptive technologies to provide our customers with even better support in solving the complex strategic challenges posed by digital transformation.

In the Experts segment, we continued with the expansion of our business and its aggregation within an end-to-end corporate organization, which we launched in 2017. In the second half of 2018, we corrected structural weaknesses and developments that we do not consider to be optimal. We have shifted the focus away from individual, distinct business segments within the segment towards a consistent regional structure that concentrates on customer requirements. In addition to a stronger customer focus, especially higher productivity and a new team spirit are the goals. The new structure is taking effect from 2019. The excessive cost level built up in the old structure will be reduced back to an appropriate level in the first quarter of 2019. We have taken numerous measures to increase sales revenues and margins. Firstly, this is being achieved through a new integrated, regionally organized sales concept in a market-oriented matrix structure under the motto "One Face to the Customer", implemented since November 2018. The sales side is to be strengthened by tight performance-oriented sales controlling, earnings assurance programs and ongoing fine-tuning of the sales organization. On the earnings side, we aim to reduce costs with the "Act for Profitability" program, manage sales efficiently in the new structure and also achieve further efficiency enhancements in the Business Services area. In addition, we are increasingly integrating digitalized components into our business process, strengthening our recruitment focus through employer branding initiatives and a new high-performance web portal, and consistently focusing on the further harmonization of processes and systems. Even though we failed to achieve the ambitious targets set in 2018, the company is moving forward from the rather mixed year 2018 into the 2019 business year strengthened by the business steps it has taken. Highly motivated colleagues advance our business with a lot of energy and create an attractive home for employees and IT experts.

Following strong growth in 2017, the Enterprise Services segment continued to grow organically in the past financial year. Firstly, we have further expanded our integrated portfolio of products and services and, secondly, we have further increased the profitability of our newly created SAP consulting unit. We are making targeted investments in innovative products and services in order to improve our market position, and we also aim to further increase productivity. The investments include our own solutions as well as our offerings for SAP S/4 HANA and the IoT Store, a proprietary innovative solution for the retailing of the future. With numerous new customers acquired and a steadily growing sales pipeline, we look to the future with confidence and are convinced that we can continue the positive development, and further increase the capacity utilization of our consultants. The current topics HANA, Cloud, IoT and Multi Channel Commerce offer significant cross-selling potential, especially with the units of our Technology segment, which we intend to leverage to a greater extent in the current year.

The Technology segment can look back on a successful 2018 and was one of the Group's key growth drivers. In this segment, we have faced the challenge of rapid technological change and the establishment of new teams and customer contacts. We continued our global growth and integration process: Firstly, we succeeded in entering a number of new attractive markets and, secondly, gained several units and numerous highly qualified colleagues at new development centers in China and Eastern Europe. The segment's two existing divisions mgm technology partners Group and Nagarro Group as well as the new business units iQuest and Objectiva achieved significant, sustained double-digit growth with high profitability in their highly competitive markets. A key goal for the future is to create a modern and scalable matrix organization with flat structures that is aligned with markets/geographies, industry verticals and technologies/skills.

In the New Business Areas segment, we invested in the respective units in the past financial year and created important foundations and structures for future growth. The newly created Allgeier CORE unit brings together experienced experts from the of IT security and IT forensics areas. With a comprehensive portfolio of IT security consulting, operations and (incident) response & emergency, it aims to fully meet the growing demands of the IT security market. In the current year, we intend to continue supporting the development of Allgeier CORE into a comprehensive and market-leading business unit for cyber security. To this end, Allgeier will further strengthen CORE performance areas such as information security and, together with the Nagarro Division, invest in artificial intelligence to automate test procedures. In addition, Allgeier CORE will establish a special recruitment program to further enhance the unit's visibility to highly qualified candidates in the IT security market.

Overall, the Allgeier Group recorded sales revenue growth of 20 percent in the 2018 financial year. This growth was achieved both organically and through the pro rata consolidation of the new units that joined the Group. The profitability of customer contracts was also enhanced: Accordingly, the value creation generated from the operative business increased by 25 percent.

Adjusted EBITDA from continuing operations (EBITDA before effects that qualify as extraordinary or non-periodic) grew significantly at Group level by 41 percent to EUR 40.6 million (previous year: EUR 28.8 million), corresponding to a margin of 5.9 percent. Group EBITDA increased to EUR 30.2 million in the financial year under review, corresponding to an EBITDA margin of 4.4 percent (previous year: 4.5 percent).

Net debt increased to EUR 104.7 million (previous year: EUR 55.8 million), mainly due to the addition of new Group companies.

In 2018, we realized a further considerable strengthening of the Group companies' employee base. The number of hired employees increased from 7,077 employees to 9,437 employees, which corresponds to creation of 2,360 new jobs within our Group. In the financial year, the number of workers, including the average number of hired freelance experts, grew to 10,517 overall as of December 31, 2018. We significantly increased both the proportion of female employees, which is above the industry average, and the proportion of employees with a university degree. The constant hiring of highly qualified employees also reflects an investment in the future, which was also associated with corresponding costs in 2018. It remains important to intensify collaboration within the Group and to place a focus on high-growth areas with above-average development potential. In doing so, we will continue to take advantage of our ability to utilize market consolidation for the targeted expansion and faster development of our Group segments through value-added acquisitions.

4. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

The report on events after the balance sheet date is provided in the notes to the consolidated financial statements (F. XI. Report on events after the balance sheet date).

5. OUTLOOK, OPPORTUNITIES AND RISK REPORT

5.1 OUTLOOK

Macroeconomic expectation

The organic growth of the Group companies largely depends on the economic environment and, in particular, the development of the software and IT services market in Germany and in the other relevant markets. According to the annual economic report published by the German government, Germany recorded growth in price-adjusted German gross domestic product (GDP) of 1.5 percent in 2018. Growth was thereby weaker than in the previous year. This particularly affected the second half of the year. The German government expects further growth in 2019, albeit only in the region of 1.0 percent. The federal government emphasizes the continuation of the long-lasting growth trend with the tenth consecutive year of growth as well as the positive trend on the labor markets and in net wages and salaries with an expected increase of 4.8 percent. However, the successes of recent years cannot hide the fact that the headwind has increased primarily from the foreign trade environment and that the basic economic momentum is slowing somewhat. The government sees additional factors lying in overarching challenges for the economy, especially digitalization, which our leading to revolutionary changes in the corporate landscape and questioning traditional forms of work and business models. It also see structural challenges existing at the European level in the area of economic and monetary union that need to be resolved, as the growth of the German economy depends to a large extent on the positive development of the other European member states.

In its growth forecast, the OECD assumes the German economy will grow by 0.7 percent in the current year, thereby more than halving its original forecast. It had previously assumed 1.6 percent. The main reason for the weaker expectation is the slower growth of the global economy, on which Germany as an exporting country is particularly dependent. Global expansion continues to lose momentum due to increased political uncertainty, persistent trade tensions and continued declines in business and consumer confidence, the OECD notes in its outlook. In particular, a stronger slowdown in growth in China could put a strain on global economic development and have an impact on growth in Europe. In particular, the outlook for the Eurozone has clouded. This is partly due to pronounced political uncertainties, such as the Brexit crisis, and the predicted recession in Italy.

According to current forecasts (Economic Forecast Summary from November 2018) by the Organization for Economic Co-operation and Development (OECD), the economic outlook for 2018 for the other important markets for Allgeier, such as the USA, Scandinavia and Switzerland, is predominantly positive, although growth is slowing in many economies. In its March 2019 Interim Economic Outlook, the OECD points to a slowdown in growth, particularly in Europe, and highlights China, Europe and the financial markets as weak areas that could affect the global economy. At the same time, the organization urges governments to work together to reduce risks.

From the IMF's point of view, the further positive development of many economies is essentially linked to the resolution of the trade dispute and financial market sentiment. The IMF leaves its growth forecasts for the USA unchanged at 2.5 percent, with domestic demand in particular acting as a driver. The growth forecast for Japan has been raised slightly to 1.1 percent, with tax measures having a positive effect. For the Eurozone, the IMF anticipates weaker growth of 1.6 percent for the current year – after 1.8 percent in 2018. The IMF has lowered its growth forecasts for many European economies, in particular for Germany, due to weak private consumption, weak industrial production following the introduction of revised vehicle emission standards and subdued foreign demand, for Italy, due to weak domestic demand and higher borrowing costs as government yields remain high, and for France, due to the negative impact of street protests and industrial action. The forecast was also lowered slightly for emerging and developing countries. Despite fiscal stimuli that offset some of the effects of higher US tariffs, the Chinese economy will slow due to the combined impact of the need for tougher financial regulation and trade barriers with the USA. However, the Indian economy is expected to pick up again in 2019. From the IMF's perspective, the main sources of risk for the global outlook are trade negotiations and developments in financial markets. If the economies affected by the trade differences settle their differences without further raising the trade barriers that distort competition, and if market sentiment recovers, actual growth could exceed forecasts.

Expectations for the IT sector

According to market data published by BITKOM in January 2018, in the current year the German ITC market should grow by 1.5 percent (previous year: 2.0 percent) to EUR 168.5 billion (previous year: EUR 162.7 billion). In the overall market, growth slowed slightly in line with the overall economy, albeit at a significantly higher level. According to this analysis, the information technology market of relevance for Allgeier is expected to again report above-average growth of 2.5 percent (previous year: 3.1 percent) to EUR 92.2 billion (previous year: EUR 89.9 billion). This growth will be driven primarily by the market for software, which is expected to continue growing at a rate of 6.3 percent (previous year: 6.3 percent), well above the market average, and which, contrary to the general market and industry trend, will not lose momentum compared to the two previous years. The market for IT services also continued to perform dynamically, with constant growth of 2.3 percent (previous year: 2.3 percent).

The main growth driver in the IT market also continues to be the advancing digitalization of the economy, which entails fundamental changes in market conditions. Market trends and technologies, especially IT security, cloud computing, the Internet of Things and Services, Industry 4.0, big data and digital platforms form the basis for these trends, according to the 52nd Sector Barometer published by sector association BITKOM in 2018. With its services such as IT and software solutions, Allgeier successfully addresses such trends and future technologies, and is further expanding them on a targeted basis in accordance with growing market demand. Most companies anticipate that the cross-sectoral industrialization process will continue over an extended timeframe. According to the 50th Industry Barometer published by BITKOM, while 39 percent of companies assume that the digital transformation is a never-ending process, a further third expects the process to continue for at least the next nine years. According to the latest BITKOM industry barometer, the most important market trends include IT security, cloud computing, the Internet of Things and Services, Industry 4.0 – in other words, the digitalization of production processes – big data, in other words, solutions for analyzing, evaluating and using large amounts of data in company processes, digital platforms, cognitive computing, blockchain as well as mobile applications and websites. Allgeier benefits from the strong above-average growth of these high-tech trends.

For example, the global market for cloud services and cloud technologies – and in particular multi-cloud technologies – continues to grow steadily. This is confirmed by a recent study on cloud development, the State of the Cloud Report by cloud service provider RightScale from 2019. As a consequence, ever more companies are investing in multi-cloud technologies. In addition, investments in public clouds are rising continuously. A current forecast by market research company Forrester Research for 2019 also confirms that cloud computing will become the basis for corporate digital transformation. The report predicts that corporate spending will rise. In addition, the global cloud computing market, including cloud platforms, business services and SaaS, will exceed USD 200 billion in 2019 and grow by more than 20 percent. According to a recent forecast conducted by the technology community Wikibon, the global market for big data software and services is growing from USD 42 billion in 2018 to USD 103 billion in 2027. IT security solutions are also playing an increasingly important role. In a study published in December 2017, market research company Gartner Inc. forecasts that around USD 113 billion is to be spent on IT security worldwide by 2020. The Internet of Things (IoT) is showing clear market growth. The study "Internet of Things 2019" by the survey institute IDG Research Services shows the future relevance of the Internet of Things. Of the 524 companies surveyed, 50 percent expect the IoT to have a positive impact on their business. The number of companies with IoT initiatives has more than doubled since 2017 from 21 to 44 percent. The majority of companies continue to require additional internal or external resources for their IoT projects, especially for software development. Accordingly, 59 percent of the companies intend to invest more in IoT initiatives in the coming years. The focus is on investments in cloud services, security, connectivity and AI technologies. Industry 4.0 is also showing growing interest and an increased willingness to invest on the part of companies. According to the Deloitte study "Success personified in the Fourth Industrial Revolution" of 2019, companies are investing more in disruptive technologies than in the previous year, are relying on data-based decisions, are training employees more frequently for tomorrow's world of work and attach more importance to ethical aspects when using 4.0 technologies. The increasing importance of Industry 4.0 is also reflected in the increasing importance of digital transformation. According to the study "Digital Transformation 2018" by the digital consultancy etventure, 62 percent of the German companies surveyed rank digital transformation among the three most important corporate goals. This is a significant increase compared to the previous year (50%) and 2016 (41%).

Other important technology areas, such as enterprise content management, business process management, Collaboration/ Enterprise 2.0 and Enterprise Resource Planning (ERP), can also function as additional growth drivers for Allgeier; these are areas where Allgeier Group companies have already been commanding a strong market position for many years. As a central software system, ERP optimizes business processes, in that it interconnects individual links in the production chain. The industry megatrends also boost ERP sales, as ERP software solutions significantly facilitate companies' controlling and planning processes. The mood among suppliers is positive, as the ERP barometers of the industry association BITKOM show.

The Management Board expects the dependency on IT to continue increasing in an ever more globalized world. As a consequence, the forecast growth in the identified future areas is significantly stronger than in the sector average. In this context, IT itself is also subject to rapid change, resulting in an ongoing demand for innovation and investment – areas that were still up-to-date to this point in time are now being superseded and replaced by other topics. Thanks to the Group's favorable position in important innovation and future areas, Allgeier is convinced of the structural growth opportunities in the IT services and software field.

Expectations of the Allgeier Group

The overall development of the Allgeier Group will be defined by the expectations for the overall economic environment and the IT market discussed above, in Germany as well as in the other relevant markets, particularly in the USA, Central and Northern Europe and increasingly also in Asia. Despite the weakening of growth in the German market and some uncertainties due to a possible intensification of trade conflicts between the USA and the European Union, we expect the starting position for a continuation of our organic growth to remain good. The importance of high-quality and resilient IT solutions is a crucial factor for most commercial enterprises, but it is also a crucial factor for public institutions' competitiveness and efficient management. In some cases new dimensions will be achieved with digitalization and new business areas in information technology will open up; whether relating to IT security, the use and evaluation of large quantities of data, or the digitalization of the industrial world referred to as Industry 4.0. In the opinion of Allgeier SE, this, together with important areas of the future such as artificial intelligence, augmented reality, machine learning, blockchain and wearables, will continue to support above-average development in large parts of the industry. Global markets and global service providers as drivers of the technological development will internationalize further as a consequence. Furthermore, a scarcity of highly qualified IT specialists exists in strong economic markets as well as pricing pressure from global players. This requires an interplay of international know-how and capacities with local presence in proximity to the customer. Allgeier will continue to pursue its policy of further focusing its business models, internationalizing its business and optimizing its internal organization in the 2019 financial year.

We provide the following forecast for the individual performance indicators:

Current planning for the 2019 financial year reflects a continuation of the positive growth trend from the 2018 financial year. Consequently, we plan consolidated revenue growth of between 15 and 20 percent for the 2019 financial year. All segments will contribute to the planned growth. In addition to the planned growth, the Allgeier Group is working on continuing to add market share on a targeted basis through acquisitions.
According to the planning, consolidated EBITDA is to grow at a disproportionally fast rate, with the EBITDA margin reaching a level between 6.5 and 7.0 percent. All planning figures relate exclusively to the organic development of the currently existing Group, and exclude other changes to the portfolio. Future acquisitions in the individual segments can make an additional contribution to growth.

We plan the following revenue and earnings trends for the specific segments:

- The Enterprise Services segment plans revenue growth of between 18 and 23 percent and an increase in the EBITDA margin to a level at around between 9 and 10 percent. The newly established SAP business unit exerts a significant effect in this context, which in turn is to make a disproportionate contribution to the revenue growth.
- The Experts segment plans revenue growth in a range between 3 and 5 percent. The EBITDA margin should rise to between 3.0 and 3.5 percent.
- The Technology segment plans revenue growth of between 20 and 25 percent and a slightly expanded EBITDA margin in a range of between 11 and 14 percent.
- The New Business Areas segment plans to double revenues with a slightly positive EBITDA. This segment remains in the buildup phase. For this reason, a greater scope of uncertainty attaches to this forecast.

The Allgeier Group does not intend to significantly increase its net debt in the 2019 financial year without taking into account possible further acquisitions.

By way of summary, the Management Board anticipates further sustainable revenue growth for the 2019 financial year, with an increase in the EBITDA margin. Furthermore, where possible, the intention remains that additional

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targeted acquisitions are to accelerate the Group's growth and positioning and support the individual segments in the market. Allgeier will finance the planned investments utilizing both its own funds and debt. Existing and new financing will be reviewed on an ongoing basis for this purpose and adapted as required.

Intelligent integration and focus on growth markets
The following continues to apply for 2019: The sustainable development of our Group and the company's value is our leading objective. In this regard the Group should become more attractive to employees and customers, with improved performance. As a major mid-market player, we see ourselves as a reliable partner with close proximity to the customer, but with the potential to also offer these qualities in major projects with long terms and increasingly also at the international level. IT has long since become more than a national issue. The ability to perform internationally and operate eye-to-eye with regard to technology are the prerequisites; as a rule local proximity is desired.

Our specific goals for 2019 are to continue focusing on the segments. This involves continuing the organizational further development of the segments' divisions and business units.

In the Enterprise Services segment, we offer a comprehensive and bundled service portfolio for our enterprise customers extending from provision of modern software solutions to contiguous operating and support scenarios. The Allgeier Enterprise Services segment is continuing its development into a fully fledged IT solution provider, offering customers a comprehensive range of services and products for business process digitalization as an end-to-end service provider – especially in close interplay with the other segments: The offerings range from SAP advice and SAP-managed services, through to Microsoft applications and solutions in the areas of Enterprise Content Management (ECM), Enterprise Resource Planning (ERP) as well as security. As a first-mover in groundbreaking SAP cloud offerings, we thereby aim to continue growing faster than the sector average, and advance our internationalization.

In the Experts segment we are positioning ourselves as a comprehensive partner to our customers for IT, personnel and project topics. In addition to conventional personnel mediation and personnel leasing models for flexible project deployment of IT experts, first and foremost we also offer takeover of project services and managed services extending to provision of services performed as an IT services partner. Personnel and project services in the engineering area, which comprise an interface to the conventional IT area, represent a high-growth area of this business.

In the Technology segment, we are developing business-critical software and IT solutions for our customers and supporting them in changing their business models as part of digitalization. We continue to provide support for some of the software solutions we have created over many years, which especially comprises the further development and further adaptation to new customer requirements. Innovation in terms of deployed IT and software solutions has meanwhile become a quite decisive competitive factor for customers. In the course of the massively advancing digitalization of many industrial sectors we will consequently transition from an IT partner to a strategic partner for many customers – a partner working together with the customer on innovation in the core business.

We created the new segment of New Business Areas in 2017 as a structural unit. Over the past year, we have come a great deal closer to our goal of building a comprehensive and market-leading business unit for cyber security under the name. The continuous development of existing employees and the recruitment of new highly qualified colleagues are essential factors for the development of the entire Group. In the future, too, we aim to continue to develop business in this segment. We are convinced it addresses important future trends and technologies, and consequently justifies investment.

Targeted acquisitions also continue to form an express part of the growth strategy in 2019. Here we are harnessing the advancing consolidation of the market, driven by technological development and the increasing intensity of cooperation with customers.

5.2 RISK MANAGEMENT

5.2.1 Risk management system

The Allgeier Group is exposed to a variety of risks as part of its business activity. We define risks in the broadest sense as the possibility that we may not reach our financial, operational or strategic goals as planned. Identifying risks and eliminating or mitigating them through suitable management measures is essential to ensure the company's long-term success. We apply tiered risk management and control systems on the level of the Management Board and Group controlling of Allgeier SE and on the level of the divisions and Group companies, which support us in identifying at an early stage going-concern risks and developments to our company. We have combined the elements of a top-down and bottom-up approach. Our risk management and control systems are subject to continuous further development and adaptation to changing requirements for the Group and the environment in which it operates. Moreover, the Supervisory Board of Allgeier SE reviews the effectiveness of the risk management system at least once a year.

At the level of the Group companies, the independently acting members of the Executive Management act on the basis of their specific business. We have implemented controlling systems and established a management organization in the individual companies to ensure a high level of transparency, so that we obtain very timely information about the development of the companies. Division management and Group management also accompany and review the work of the Management Boards and managing directors through the corresponding governing bodies such as supervisory boards and shareholders' meetings. The rules of procedure for the management bodies of Group companies define clear information and approval requirements. An intensive and regular exchange of information also occurs between the management bodies of the various Group companies, as well as with division management teams and Group management. In addition to the monthly reporting and controlling, quarterly business review meetings are held involving the Management Board of Allgeier SE and the individual division management teams, in which business development, including specified key performance indicators (KPIs), market trends and strategy, as well as necessary measures for plan adherence are intensively discussed. Group-wide bodies which meet regularly, such as the Management Committee and an annual finance meeting, supplement the regular information exchange.

Corporate controlling and risk management has been implemented on the level of Allgeier SE. We regularly review its function and efficiency, with adaptations to reflect changing conditions. In system terms, this is based on integrated planning, controlling and reporting instruments that ensure ongoing business analysis of the divisions and individual companies, and extend to Group level. The system monthly incorporates all key Group figures at the holding level. We monitor and review Group liquidity and the liquidity planning of all Group companies weekly. Furthermore, we gather economic performance data and trends, in other words, revenues, orders on hand, incoming orders and the number of employees, in part analyzed at the project level, from the individual companies as part of an established routine. These data are recorded in a business intelligence system, which we use to evaluate the data.

Annual corporate planning in terms of the budget for the following financial year – consisting of the income statement, budgeted balanced sheet and financial plan – which is approved by the Supervisory Board of Allgeier SE, is executed on the basis of bottom-up planning for the divisions and individual companies, and is presented and discussed in planning meetings with Group management. The budget is supplemented by two-year planning for the following years. We conduct a monthly budget/actual analysis as well as a comparison of the respective previous year's period, which enables us to suitably manage the operating divisions and individual companies as well as the Group. Analysis results are discussed in quarterly meetings with the management of the individual divisions, possible deviations are examined, and decisions are reached on appropriate measures where applicable. We have defined an escalation process for significant planning deviations, calling for an immediate, more detailed examination and the initiation of reorganization steps. After the end of each quarter of the following planning year, we review the overall planning figures and ascertain any need for adjustments, in accordance with a forecast.

We also conduct a risk assessment as an additional risk management tool. For this purpose, utilizing a professional software tool, we regularly request individual risk reports from the responsible management boards and managing directors at the Group companies. These are prepared on the basis of a standardized catalog of risks as well as individual risks according to the various risk classes, including likelihood of occurrence and the amount of loss. Group-wide, uniform methods are applied so that it is possible to compare the risk assessments across the four segments. As a consequence, the Group specifically has a software-based risk matrix.

The Management Board of Allgeier SE with the support of Group controlling regularly evaluates the available information and initiates timely and suitable measures to counteract developments, as needed. Targeted projects for analysis and initiation of appropriate measures are implemented in certain cases. The Management Board also reports regularly on the Group's current development, as well as specific events and decisions to the Supervisory Board of Allgeier SE and involves it, as specified in the rules of procedure for the Management Board, in decisions that are of special importance for the Group.

Compliance is a topic that is closely linked to risk management. Companies today are confronted by increasingly complex legislative and regulatory requirements. In accordance with the high significance of the topic in Germany and internationally, compliance in the Allgeier Group is a priority of the Management and Supervisory boards. The

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compliance management system of the Allgeier Group follows the five-pillar model. At an abstract level, this has aggregated the basic elements of compliance requirements into five pillars:

Leadership
Managers, above all, the Management Board, are responsible for good and responsible leadership in conformity with regulations. For this reason, the Management and Supervisory boards put our values into daily practice and require other Group managers to follow their lead.

Risk assessment
The identification, evaluation and documentation of a company's compliance risks forms a core element in any compliance management system. Company-specific compliance risks affect not only the orientation of the compliance management system depending on the company, but also the effective deployment of corporate resources. All Group companies gather and evaluate their respective compliance risks on a semi-annual basis, and report them to the respective divisional head and to Group management.

Standards & controls
This pillar comprises the building blocks derived from the risk assessment in order to establish the compliance organization, for a compliance management system integrated into the management landscape, and the related fixed regulations set down in writing. An extensive code of conduct applies for the entire Allgeier Group. This is published in the Allgeier Compliance Basic Handbook and is implemented in all subsidiaries. This handbook sets minimum standards, from which only upward deviation, in other words, a more stringent individual regulation and definition, is permitted for individual divisions and Group companies. Most Group companies have their own handbooks, which even extend beyond the standards of the basic handbook and which are adapted individually to the respective operations of the company or division, as well as further relevant guidelines and codes of conduct. Implementation of, and compliance with, the basic handbook is ensured especially through mandatory semi-annual reporting and review through the appointed compliance contact individuals at Allgeier SE.

Training & communication
Raising employee awareness about existing risks represents a primary objective of effective compliance training and compliance communication. In the second step, this optimally leads to the minimization of such risks, as risks are identified and avoided as a consequence. Communication thereby makes the requisite risk monitoring easier, as compliance presence within the company enhances the probability that relevant matters are notified to the compliance function. Employee awareness is raised through both face-to-face and e-training. The topics that are taught generally depend on the respective employees' area of deployment. Moreover, managers and employees are informed quarterly about current compliance topics and developments through a newsletter as well as by a special newsletter when special topics arise.

Monitoring, auditing & response
This pillar directs the focus to relevant topics relating to the monitoring, auditing and assessment of the compliance management system as well as reporting on the compliance management system itself. Fixed routines in terms of an internal audit within the Group, both dependent and independent of specific events, help to identify potential compliance offenses at an early stage. If the compliance offense is uncovered, the respective employee is subject to a precise employment law measure, and the compliance management system is reviewed for potential improvement. The Group has a central point to notify compliance offenses or corresponding suspicions. Such notifications can also be submitted on an anonymous basis.

5.2.2 Internal control and risk management system with reference to the Group accounting process

Through the characteristics of its internal control and risk management system cited below, Allgeier SE ensures for all Group companies that the accounting process captures, processes and recognizes relevant circumstances fully and accurately in the accounting records, and that the financial accounting complies with legal requirements. This also ensures that accounting is able to provide the information required for the purpose of controlling, and fulfills internal and external reporting obligations reliably and in a timely manner at all times, and that the company's assets cannot be misappropriated. The key characteristics of the internal control system and risk management system with regard to our accounting process are as follows:

- Material processes relevant to accounting are subject to regular analytical reviews.
- A defined organizational, controlling and monitoring structure has been established.
- Tasks and responsibilities related to the accounting process are clearly assigned.
- The IT systems applied in accounting are protected against unauthorized access.
- Standard software products are mainly utilized in the IT systems relevant for accounting.
- All persons involved in the accounting process meet high quality standards.
- The integrity and accuracy of accounting data are reviewed regularly on the basis of samples and plausibility checks through manual controls.
- All processes of high relevance to accounting are subject to the principle of dual control.
- The relevant risks are covered.
- Among other things, the Supervisory Board examines material accounting and risk management issues.
- A systematic analysis and the control of risk factors, as well as risks that could threaten the company's survival, are performed through the planning, reporting, controlling and early warning system utilized in the Group.
- Adequate documentation is assured.
- Intercompany balances, as well as any unrealized profits on assets, are eliminated. Fully capturing these items is assured by the account structure of the companies and additionally by a reporting procedure.

5.3 RISKS

Significant risks that can have a material, detrimental impact on the Group's net assets, financial position and results of operation, and consequently also on the share price are discussed below. This listing of risks is not exclusive. In addition to those named, our Group may be exposed to additional risks that can impair the business operations of our Group companies. In addition, other potential risks exist that we do not include below because we have identified them as non-essential.

5.3.1 Market and strategic risks

5.3.1.1 Economic conditions

Our market environment is highly dependent on both global and local macroeconomic factors, such as macroeconomic trends in our core markets in Europe and the USA. In particular, the economic situation of our customers, which for the most part likewise depend on economic Growth in the markets of relevance for them, also influences their expenditure behavior with regard to IT expenses, and consequently also indirectly influences our business. The same applies for public budgets, which are also influenced by issues such as state and public sector debt. Our business, which mainly consists of providing services for industrial enterprises and trading companies but also public-sector customers, is consequently directly and indirectly influenced by general, economic developments to which our customers are exposed and which affect our customers in different ways. A muted, volatile or even recessive market trend may cause individual customers to stop placing orders or reduce budgets for IT services. This can have a negative influence on our operations, net assets, financial position and results of operations.

5.3.1.2 Market trends in the industry environment

Moreover, in the IT industry additional factors exist that have a considerable influence on our business development, such as the dynamic development of technology trends, high competitive pressure and price pressure, as well as scarcity of personnel. In the IT sector, the technology transformation is extensive and advancing rapidly, which can entail both opportunity and risk. Those that cannot keep pace, or that rely for too long on particular technologies and market segments and whose future is being superseded by new trends, can thereby incur considerable disadvantages, and in some cases even incur disadvantages that jeopardize them as a going concern. The worldwide IT market, as well as the German IT market, are subject to constant change and associated consolidation. In particular, large customers with high requirements and large order volumes aim to consolidate their suppliers in order to both improve performance and quality but also considerably reduce costs. This increases competition in the industry and confronts us with the challenge of withstanding cost pressure and competition. We can even benefit from this. Some of our competitors are significantly larger and have higher sales revenues than we do and have more extensive resources at their disposal. In some cases smaller competitors are more specialized than we are. It is also possible that in specific cases competitors could respond to new market opportunities more effectively and more quickly. The scenarios identified above can lead to reduced sales revenues, decreasing margins or a negative impact on our market share. On the other hand, we expect that the trend among our customers in favor of outsourcing IT services to a high-performance, flexible partner will continue to intensify. The cost reduction efforts of large corporate groups, in particular, will however also mean that some IT services will continue to be awarded to lower-cost companies in the emerging markets, especially India. With more than 4,700 highly qualified software developers at nearshore and offshore sites, Allgeier is also in a position to possibly benefit from this development. Nevertheless, the realization of the risks cited above can have a negative influence on our operations, net assets, financial situation and results of operations.

5.3.2 Operational risks

5.3.2.1 Personnel

Dedicated, entrepreneurial employees constitute a key success factor for our companies. This applies for the members of the management teams, as well as other leading staff, and also to all employees and experts at our

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Group companies. For further growth in the management area, we are confronted with the risk of promoting our own prospective managers, or on a case-by-case basis recruiting additional employees from outside. Succession solutions have to be developed in good time ahead of generational changes. In the employee area in general, an ongoing task is to find a sufficient number of IT specialists and staff with other orientations such as sales. This presents a challenge, particularly in the boom regions where we are active. Likewise, it is essential for us to tie these persons to us for the long term. A lack of management and IT personnel can negatively impair our business development, and consequently also our net assets, financial situation and results of operations.

5.3.2.2 Customers

Maintaining relationships with our customers through excellent work and ongoing, good and competent support and acquiring new customer orders comprise crucial success factors. As a Group we have the possibility of offering our customers 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, a risk exists that we may lose key customers, for example due to business difficulties on the customer side, personnel changes, especially at the management level of the customer, as well as related changes to business strategies, or because of competing offers, or the fact that projects can only be continued with a reduced scope. We work for international corporate groups involved in large projects (with each of 115 customers, in 2018 we generated annual revenues exceeding EUR 1 million; previous year: 98 customers). It has already been shown in previous years that the loss of parts of such large projects can exert significant effects on the respective Group company. However, experience has also shown that the Group as a whole, can handle such a scenario and replace the loss with new business relatively quickly. If we do not succeed in this endeavor or do not succeed quickly enough, this can exert a negative effect on our operations, net assets, financial position and results of operations.

5.3.2.3 Products, technology and know-how

IT trends and technology leadership continue to constitute both opportunity as well as risk. The timely identification and exploitation of these trends are extremely important in maintaining competitiveness. Technological transformation and changing requirements imposed on IT security and data protection, for example, require constant innovation at the appropriate speed. This also applies for the further development of our own software products. For our own software products, the additional risk exists that in the event of improper function, or function that is not as agreed in the contract, liability and warranty obligations can arise. Here, Allgeier relies on its employees' know-how and devotes great care to the development of products and solutions. The resources in other geographic areas, such as India and China, also help in providing a sufficiently high performance capacity and quality. In some cases, the companies must rely on partner firms or subcontractors. If we cannot adequately fulfill the changing requirements, our business situation, net assets, financial situation and results of operations can be negatively impaired.

5.3.2.4 Contracts and projects

With respect to business operations, the Allgeier Group companies in certain cases assume contractual liability and warranties in contracts with their customers, e.g. with respect to fixed price calculations for project orders or to maintain certain service levels. Good corporate organization and project control, including risk management, are crucial in this regard. Specific legal risks can be partially covered by insurance or claims against third parties. Risks are managed and limited by obtaining insurance coverage when we consider this necessary and expedient in view of the economic benefit. Insurance policies exist within the Allgeier Group which cover the main business risks such as, in particular, Group-wide public liability insurance and D&O insurance. Despite the measures that have been implemented, however, the possibility cannot be excluded that in the specific case, rework or increased expenses will be required that can negatively influence the financial result arising from the order in question, or can mean loss contributions. Also liability risks arising from projects cannot be completely excluded. Appropriate provisions are formed for the respective companies for relevant legal risks, in particular insofar as concrete risks arise from contractual liability. Occurrence of such contractual and project risks can exert a negative impact on the business, financial situation or results of operations.

5.3.2.5 Company transactions

In addition to the organic further development of Group companies, our strategy also encompasses strengthening the Group through additional acquisitions. Every transaction is associated with significant investments and costs, and bears the risk that the acquired company may not develop as planned, or in spite of all care, negative consequences from the past are also assumed with the transaction. A risks exists that assets, including goodwill, which are recognized based on the transaction may have to be written off due to unforeseen developments, which can exert a significant impact on annual results. In addition, the risk exists that the newly acquired company contributes losses to the Group result, and that a restructuring that becomes necessary ties up resources and funds which cannot then be deployed for the Group's further development. Financing risks also exist when a transaction is financed in part by debt. This can negatively impact our operations, net assets, financial situation and results of operations. The same also applies for the decision to sell parts of the business. As a rule, these decisions are made to pursue a changed strategic direction or to relinquish operations that do not adequately contribute to the future development of the Group. Contractual risks can also arise from such transactions. In addition, the decision to dispose of a company or part of a company is associated with strategic risks – the decision can be made too late, or it can negatively impact the perception of the Group in the market and among customers. Ultimately in-house structural measures, such as mergers and integration projects, also involve risks that can negatively impact the business, financial situation or results of operations, particularly if the planned success does not occur or does not occur in the anticipated manner, or if growth slows or employees leave the company due to these factors.

In reviewing and realizing enterprise acquisitions or other transactions, the Management Board of Allgeier SE operates subject to the strict duties of care for decisions of particular importance to the Allgeier Group. The Management Board also regularly utilizes the expertise and experience of internal advisers, such as members of the Supervisory Board or select persons from within the Group, as well as external consultants, such as banks, consultants, auditors, tax advisers and lawyers. We conduct an adequate due diligence assessment before executing transactions. Appropriate contract provisions are implemented to protect against specific risks.

5.3.3 Financial risks

5.3.3.1 Liquidity and credit risks

On the assets side of the balance sheet, the Allgeier Group continues to hold a high level of cash and cash equivalents in the amount of EUR 77.0 million on December 31, 2018 (December 31, 2017: EUR 53.0 million). On the equity and liabilities side of the balance sheet, interest-bearing financial liabilities of EUR 181.7 million exist as of the balance sheet date (December 31, 2017: EUR 108.8 million), consisting mainly of liabilities from the borrower's note loan and the revolving credit line. Redemption of these loans when due will either require refinancing, which has yet to be arranged, or will have to be covered by company funds. The risk exists that when a redemption becomes due it is not possible to pay off the liability completely from the Group's own funds, and a refinancing does not succeed in adequate scope and at the proper time.

The financial liabilities are generally associated with interest risk and contract risk due to early repayment obligations. Risks also exist relating to compliance with balance sheet and income statement indicators and ratios, as well as other requirements, which can lead to the termination of loans, and make borrowings fall due for immediate repayment in the event of non-compliance. The worsening of the Group's rating due to negative business developments can also considerably influence the Group's financing capability and the conditions that can be obtained. For further information please consult the more detailed description of liquidity risks in the notes to the consolidated financial statements. The Group manages its financial risks with the help of accounting ratios, as well as ongoing income and balance sheet forecasts, focusing in particular on the short and medium-term development of liquidity. Planned acquisitions by Group companies are only executed when financing these companies does not lead to liquidity and credit risks. The effects of planned acquisitions on the liquidity and credit situation are simulated and tested for feasibility in the course of integrated financial planning. Nevertheless, an unforeseen worse performance by an acquired company can be problematic in terms of financing and compliance with contractual financial key indicators.

We conduct talks and negotiations on an ongoing basis to evaluate and examine additional financing for acquisitions and the growth of the Group. To the extent that new debt or equity financing is required for our future growth, we depend on the development of the financial and capital markets as well as the ability to access new debt or equity financing.

The future cash flows and the Group's liquidity situation can also be negatively influenced by altered customer payment habits, e.g. longer payment terms or default. The default risk for some subsidiaries is also covered by insurance. The occurrence of one or more of the risks cited above can have a considerable negative impact on our business, financial situation or results of operations.

5.3.3.2 Hedging policy and financial instruments

The Allgeier Group is exposed to price, interest rate and currency fluctuations with respect to its business activities. The greater level of internationalization is elevating the potential for currency risks.

The Allgeier Group manages and monitors market price

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risks and market opportunities mainly as part of its operating business and financing activities, deploying derivative financial instruments where required. Due to the Group's global orientation, exchange rate risks and opportunities arise from operating business and financial transactions. These result in particular from fluctuations in the US dollar and the Indian rupee. An exchange rate risk or opportunity arises in the operating business primarily when revenues are generated in a currency other than the currency of the costs (transaction risk).

We continuously monitor and evaluate these risks. In certain cases we have limited or avoided these risks through hedging, although the hedging relationships do not fulfill the prerequisites for hedge accounting as stipulated in IAS 39. The Allgeier Group hedges some of the cash flows from intragroup disposal and acquisition transactions in order to hedge foreign currency risks.

An implemented liquidity planning and controlling tool along with cash management systems flags potential liquidity squeezes in advance, so that appropriate steps can be taken. Cash and cash equivalents, as well as working capital financing in the form of credit lines totaling EUR 12.5 million are available as of the December 31, 2018 reporting date for financing of the working capital requirement (December 31, 2017: EUR 6.8 million). Various Allgeier companies also have access to a EUR 50 million volume of factoring facilities for customer receivables. Factoring was utilized in an amount of EUR 43.0 million as of the December 31, 2018 reporting date (December 31, 2017: EUR 37.8 million). Foreign currency fluctuations extending beyond the existing hedges or potentially arising losses from the hedging instruments that have been arranged could exert negative effects on our business positioned, net assets, financial position and results of operations.

5.3.4 Legal and regulatory risks

5.3.4.1 Legal risks

As part of the operative business, legal risks exist in contracts with customers. These can be liability and warranty risks, as well as risks of costs in individual projects being exceeded (see number 5.3.2.4 above). Depending on the type of project, risks from topics such as data privacy violations or data losses, as well as damages due to loss of production on the customer side. If contractual obligations relative to or arising from enterprise transactions are violated, legal disputes can ultimately occur. Depending on the jurisdiction in which the disputes occur, the risk can be increased through local conditions. Topics relating to contract formulation, e.g. for outsourcing or work contracts, can in the specific case, regardless of the underlying regulatory issues, trigger legal risks if the requirements imposed on such contracts are not taken into sufficient consideration and implemented. If we are not able to meet the legal risks in an appropriate manner, this can have a negative impact on our business, financial situation or results of operations.

5.3.4.2 Regulatory and compliance risks

Changes to laws or their interpretation may affect the sales revenues and profitability of the companies of the Group. Should legal conditions change in Germany, e.g. in the areas of taxation and social insurance, employment law, service contracts and contracts for work and labor, this may lead to higher costs or elevated liability risks for the companies. The time limitation for the assignment of employees is to be assessed as critical in relation IT projects, as such projects are set up on a long-term basis in many cases. Individual solutions are coordinated with customers on a case-by-case basis. Effects on the industry as a whole over the medium term cannot be adequately quantified as of today. The regulatory prerequisites for the activity of independent IT experts as subcontractors is also subject to discussion and transformation that are difficult to foresee in the specific case. In this context, to some extent insufficient legal security exists due to recent legislation, in relation to which insufficient secured legal precedence exists. The Group companies affected in this regard, especially in the Experts segment, review the respective requirements very carefully and track each announced change and take into consideration new statutory requirements, although even through very extensive measures and precautions the possibility of regulatory and compliance risks cannot be excluded with certainty.

Due to the continued international expansion of our business activities, regulatory risks in other states in Europe, the USA, China and India are becoming more relevant, and are finding increasing reflection in future operating activities. In specific cases, tax issues exist in relation to the exchange of goods and services and the settlement of the same with respect to transfer pricing. Primarily these risks relate to the Technology segment, due to the international alignment of its business activity. Risks are also associated with the financing of Group companies and the related rules for the declaration of loans and the deductibility of interest on such financing instruments. If we cannot adequately fulfill these requirements, the consequences can negatively impact our business, net assets, financial position and results of operations.

5.3.5 Overview of the Group's risk position

The most relevant risks for the Allgeier Group were presented in the four preceding sections "5.3.1 Market and strategic risks", "5.3.2 Operational risks", "5.3.3 Financial risks" and "5.3.4 Legal and regulatory risks". With regard to the likelihood of their occurrence and their possible effect we believe that the risks resulting from the economic environment and the development of the market are currently the most significant. With our risk and control system, which is subject to ongoing review and adaptation, from our perspective we take the Group's risk position into appropriate account. Overall, the risk landscape for Allgeier has not changed significantly in the past financial year compared to the previous year. As of the present time, we have not identified any risks which either individually or considered together could jeopardize our Group as a going concern. For this reason, the Management Board is convinced that Allgeier can continue to successfully master the challenges resulting from the aforementioned risks.

5.4 OPPORTUNITIES

In addition to the risks described and above and beyond the business development already planned, additional opportunities exist for the Allgeier Group to improving the services it offers and its competitive position. The Management Board sees these opportunities particularly in the following aspects:

5.4.1 Acquisitions

On April 2, 2019 Allgeier Nagarro Holding GmbH, Munich, acquired all shares of Farabi Technology Middle East LLC. based in Dubai, United Arab Emirates, as well as its spin-off, Solutions 4 Mobility LLC, Dubai, United Arab Emirates (together "Farabi") (see the report in the notes to the consolidated financial statements on events after the balance sheet date (A. VII. Events after the balance sheet date and prior to adoption of the balance sheet)). Beyond this acquisition, no specific acquisition projects are included in the corporate planning for the 2019 financial year, as these cannot generally be planned in advance in individual cases. Nevertheless, acquisitions should constitute an integral element of further company development. Corresponding to the risks from acquisitions described above, these also constitute a significant opportunity to accelerate growth and pursue the further selective and strategic expansion of the Group. Accordingly, other portfolio shifts, such as the disposal of individual business areas, can represent opportunities for a new alignment of the Group.

5.4.2 Employees

As the Group grows, the factors that make our company attractive for new employees are improved as well. Increased international cooperation and working on complex, challenging projects with the associated more extensive know-how form an increasing incentive for new employees to work for Allgeier. The prospect of actively helping shape future value creation and success primarily attracts managers who represent a significant enrichment of our teams and strengthen the Group. This also applies to the colleagues gained through acquisitions. In this context, it will also be essential to establish or further develop the right incentive scheme within the Group.

5.4.3 Technologies and markets

The possibility of developing or expanding technology know-how, especially for trend technologies, constitutes another opportunity that is gaining importance with the ongoing development of the Group. The IT industry is subject to considerable transformations which offer enormous future opportunities, in addition to the described risks. Totally new fields of business with major growth possibilities and opportunities for differentiation in the competition are emerging. Here, too, acquisitions, in addition to organic growth, can play a crucial role in dynamic further development. The same applies to entry into new market segments and the development of these new market segments – regionally and with regard to industries. New opportunities are also created here through growth and acquisitions.

5.4.4 Processes and systems

Finally, we also see opportunities for our future development in the continuous improvement of our internal organization and cooperation through the improvement of the systems and defined processes that are used. Coming from an environment that is very much defined by mid-sized companies, investments in uniform systems only become expedient and affordable with increasing size. This can support the realization of synergies and shared potential or make it possible and meaningful in the first place. The continuous improvement of internal company processes is closely related. This applies to internal cooperation within the Group, for example in aspects of know-how, available resources or customer relationships, and to the more efficient implementation of customer projects and the quality of our work.

The corporate governance statement pursuant to Section 289f of the German Commercial Code (HGB) is presented below in the corporate governance report (Section B.1.9).

6. COMPENSATION REPORT

6.1 COMPENSATION FOR MEMBERS OF THE MANAGEMENT BOARD

Compensation for members of the Management Board is based on the Group's economic and financial development, taking into account the responsibilities and performance of the respective Management Board member. It offers incentives for successful company management aimed at sustainability. The Management Board compensation system is approved and reviewed at regular intervals by the Supervisory Board. Changes to the compensation scheme are reported to our shareholders at the Ordinary AGM.

The compensation for the members of the Management Board comprise the following components in the 2018 financial year: (i) a fixed annual salary and (ii) variable compensation in the form of a bonus linked to consolidated earnings. One twelfth of the fixed annual salary is paid out as a monthly salary. Caps on variable compensation are established for all members of the Management Board.

The Management Board also receives common fringe benefits, such as the use of a company car and health or pension insurance subsidies as permitted by law.

In 2018, one member of the Management Board received his compensation for the first nine months of the year via a related company within the framework of a Management Board secondment contract. The expense that arises in this regard is shown in the other operating expenses.

For 2018, Management Board compensation totaled EUR 2,793 thousand (previous year: EUR 2,452 thousand). Total compensation (including the compensation structure agreed via a Management Board secondment contract) without stock options is divided into (i) fixed annual salaries totaling EUR 1,188 thousand (previous year: EUR 1,153 thousand) and (ii) variable compensation totaling EUR 1,460 thousand (previous year: EUR 1,299 thousand). Variable compensation based on consolidated results was recognized as a provision and will be paid out after the Supervisory Board has approved the Allgeier SE consolidated financial statements for the 2019 financial year.

Three members of the Management Board were issued with a total of 520,000, of which 380,000 were issued in 2012 and 140,000 in 2017. In all cases, they can first be exercised no sooner than after four years. Exercise for 2012 is possible from a share price of EUR 9.51 and for 2014 from a share price of EUR 24.42. In 2018, two members of the Management Board exercised a total of 92,000 stock options at a price of EUR 9.51 per share.

Adjustments to the valuation of stock options resulted in staff costs of EUR 435 thousand in the 2018 financial year (previous year: EUR 52 thousand).

The disclosure of Supervisory Board compensation, analyzed by member for the reporting periods until December 31, 2019, is omitted according to the resolution of the shareholders' meeting on June 23, 2015.

6.2 COMPENSATION FOR MEMBERS OF THE SUPERVISORY BOARD

Compensation for the Supervisory Board was established by the shareholders' meeting on June 21, 2011 and is regulated by Section 13 of the company's bylaws. Supervisory Board compensation is based on the tasks and responsibilities of the Supervisory Board and the company's economic and financial development. The compensation of the Supervisory Board consists of (i) fixed compensation (fixed annual salary and attendance fees) and (ii) variable compensation depending on consolidated earnings, subject to a cap. Variable compensation based on the consolidated results was recognized as a provision and will be paid out after the consolidated financial statements for the 2019 financial year for Allgeier SE have been approved. A higher fixed salary is paid to the Chair of the Supervisory Board.

Compensation for the Supervisory Board in 2018 totaled EUR 426 thousand (previous year: EUR 379 thousand). The total compensation is composed of (i) fixed compensation, including attendance fees, totaling EUR 108 thousand (previous year: EUR 103 thousand) and (ii) variable compensation components totaling EUR 318 thousand (previous year: EUR 276 thousand).

The disclosure of Supervisory Board compensation, analyzed by member for the reporting periods until December 31, 2019, is omitted according to the resolution of the shareholders' meeting on June 23, 2015.

In the 2018 financial year, members of the Supervisory Board provided consulting services amounting to EUR 3 thousand (previous year: EUR 0 thousand).

7. TAKEOVER-RELATED INFORMATION (PURSUANT TO SECTION 289A AND SECTION 315A OF THE GERMAN COMMERCIAL CODE [HGB]) AND EXPLANATORY REPORT (PART OF THE GROUP MANAGEMENT REPORT)

7.1 COMPOSITION OF SUBSCRIBED CAPITAL

The subscribed capital of Allgeier SE on the reporting date of December 31, 2018 of EUR 10,088,649.00 (previous year: EUR 9,978,649) was divided into 10,088,649 no-par bearer shares with a notional nominal amount of EUR 1.00 per share. All of the company's no-par shares are of the same class. The shares are fully paid in.

In the 2018 financial year, the subscribed capital of Allgeier SE increased through the allocation of 110,000 new registered shares from Conditional Capital 2010 (subscription shares).

Only one share class exists. All shares have the same rights and obligations. In particular, each share has one vote in the shareholders' meeting. Excepted from this are treasury shares which endow no rights. The company's shares are listed on the regulated market of the Frankfurt Stock Exchange (General Standard) (ISIN DE000A2GS633; German Securities Identification Number/WKN A2GS63). Rights and obligations associated with the company's shares are defined in the bylaws and, in addition, the SE-VO and SE Implementation Act as well as the German Stock Corporation Act (AktG).

7.2 RESTRICTIONS ON VOTING RIGHTS OF THE TRANSFER OF SHARES

The Management Board is not aware of any restrictions affecting the voting rights all the transfer of shares.

7.3 SHAREHOLDINGS EXCEEDING 10 PERCENT OF THE VOTING RIGHTS

The following individuals have notified us (as of December 31, 2018) that their direct or indirect interests in the share capital exceed 10 percent of the voting rights of Allgeier SE measured in terms of the total number of voting rights of 10,088,649:

- The Supervisory Board Chairman, Mr. Detlef Dinsel, Germany, directly and indirectly holds an investment of 12.13 percent.
- The Management Board Chairman (CEO), Mr. Carl Georg Dürschmidt, Germany, directly and indirectly holds an investment of 26.51 percent.
- Lantano Beteiligungen GmbH, Munich, directly holds an investment of 26.03 percent.
- Christa Kleine-Dürschmidt, Germany, directly and indirectly holds an investment of 28.24 percent.
- Ms. Laura Dürschmidt, Germany, indirectly holds an investment of 26.03 percent.
- Ms. Linda Dürschmidt, Germany, directly and indirectly holds an investment of 26.03 percent.

Other direct or indirect investments that exceed 10 percent of the voting rights were not reported to the company and are not otherwise known.

7.4 SHARES WITH SPECIAL RIGHTS CONFERRING CONTROL

The company has no shares that confer special rights, especially rights of control over the company for their owners, as compared to the other shareholders.

7.5 TYPE OF VOTING RIGHTS CONTROL WHEN EMPLOYEES HOLD AN INTEREST IN THE SHARE CAPITAL AND DO NOT UTILIZE THEIR CONTROL RIGHTS DIRECTLY

The Management Board is not aware of any employee investments in the company's capital, where employees do not exercise the control rights for their investment directly.

7.6 LEGAL REGULATIONS AND PROVISIONS OF THE BYLAWS REGARDING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND AMENDMENTS TO THE BYLAWS

The requirements for appointing and dismissing members of the Management Board and amending the bylaws are defined in the provisions of the bylaws, the SE-VO, the SE Implementation Act and the German Stock Corporation Act. According to Section 6.1 of our bylaws and Article 39 of the SE-VO, the Management Board consists of one or more individuals; the number of members of the Management Board is determined by the Supervisory Board.

According to Section 6.1 of the bylaws and Section 84 of the German Stock Corporation Act (AktG), the Supervisory Board can appoint a Chair of the Management Board. If a required member of the Management Board is lacking, the court, pursuant to Section 85 of the German Stock Corporation Act (AktG), shall appoint the member in urgent cases by application of a shareholder. Pursuant to Article 39 of the SE-VO and Section 84 of the German Stock Corporation Act (AktG), the Supervisory Board can revoke the appointment of members of the Management Board and the Chair for an important reason. Pursuant to Article 46 of the SE-VO and Section 6.2 of our bylaws, members of the Management Board are appointed for a maximum of six years. Reappointment is allowable pursuant to Article 46 of the

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SE-VO and Section 6.1 of our bylaws. The Supervisory Board appoints the members of the Management Board by resolution with a simple majority of votes cast.

Amendments to the bylaws require a resolution by the shareholders' meeting. Pursuant to Article 59 of the SE-VO, Section 51 of the SE Implementation Act and Section 18.2 of the bylaws, a resolution to amend the bylaws, insofar as no mandatory legal regulations exist to the contrary, requires a majority of two-thirds of the votes cast or the simple majority of the votes cast insofar as at least half of the share capital is represented. The bylaws consequently make use of the option pursuant to Section 51 of the SE Implementation Act. A larger majority is prescribed in Section 51 of the SE Implementation Act, e.g. to change the company's purpose of to relocate the registered office to another member state. The Supervisory Board is authorized pursuant to Section 14.2 of the bylaws and Section 179 of the German Stock Corporation Act (AktG) to pass amendments to the bylaws that only affect the wording.

7.7 AUTHORIZATION OF THE MANAGEMENT BOARD TO ISSUE OR REPURCHASE SHARES

7.7.1 Authorized capital

Until the registration of the resolution of the Annual General Meeting on June 29, 2018 to cancel Authorized Capital I and II on July 6, 2018 by resolution of the Annual General Meeting on June 17, 2014 (Authorized Capital I) and June 23, 2015 (Authorized Capital II), respectively, as amended by resolution of the Supervisory Board on June 21, 2017, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the company's share capital once or several times until

- June 16, 2019, by total of up to 1,814,300.00 by issuing up to 1,814,300 new no-par value registered shares (Authorized Capital I)
- June 22, 2020, by total of up to 1,814,301.00 by issuing up to 1,814,301 new no-par value registered shares (Authorized Capital II)

against cash or non-cash capital contributions. The Management Board with the approval of the Supervisory Board is authorized to exclude statutory shareholder subscription rights for the following cases:

- Authorized capital I

a) For a rights issue for odd lot amounts resulting from the subscription ratio;
b) For a capital increase in exchange for non-cash capital contributions (also indirect) to purchase companies, parts of companies, investments in companies or other assets when the purchase is in the interest of the company;

- Authorized capital II

a) For a rights issue for odd lot amounts resulting from the subscription ratio;
b) For a capital increase in exchange for non-cash capital contributions (also indirect) to purchase companies, parts of companies, investments in companies or other contributable assets in conjunction with such a purchase, when the purchase is in the interest of the company;
c) For a capital increase in exchange for cash capital contributions, for a proportion of authorized capital in the amount of up to a total of EUR 1.00, insofar as the issue price of the new shares does not fall significantly below the stock market price. The proportion of share capital allotted to the shares issued in exchange for non-cash capital contributions, calculated in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), must not exceed a total of 10 percent of share capital existing at the time this authorization takes effect – or if this value is lower – at the time this authorization is used. Shares that fall within this restriction are shares issued or sold during the term of this authorization until the time it is used in direct or appropriate application of this regulation, as well as shares that must be issued or granted due to a convertible bond issue that has been floated during the term of this authorization, excluding the subscription right in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG).

By resolution of the Annual General Meeting on June 29, 2018, the Management Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions until June 28, 2023 by up to a total of EUR 4,989,324.00 by issuing up to 4,989,324 new no-par value registered shares against cash or non-cash capital contributions (Authorized Capital 2018).

The Management Board with the approval of the Supervisory Board is authorized to exclude statutory shareholder subscription rights for the following cases:

a) For a rights issue for odd lot amounts resulting from the subscription ratio;
b) For a capital increase in exchange for non-cash capital contributions (also indirect) to purchase companies, parts of companies, investments in companies or other contributable assets in conjunction with such a purchase, when the purchase is in the interest of the company;
c) For a capital increase against cash capital contributions for a portion of the authorized capital of up to a total of EUR 997,864.00, provided that the issue price of the new shares is not significantly lower than the market price of the already listed shares at the time of the final determination of the issue price, which should be as close as possible to the placement of the shares. The proportion of share capital allotted to the shares issued in exchange for non-cash capital contributions, calculated in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), must not exceed a total of 10 percent of share capital existing at the time this authorization takes effect – or if this value is lower – at the time this authorization is used. Shares that fall within this restriction are shares issued or sold during the term of this authorization until the time it is used in direct or appropriate application of this regulation, as well as shares that must be issued or granted due to a convertible bond issue that has been floated during the term of this authorization, excluding the subscription right in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG).

As of the December 31, 2018 reporting date, Allgeier SE had authorized capital with a total nominal value of EUR 4,989,324.00. Further details are regulated in Section 4 of the bylaws

7.7.2 Conditional capital

By resolution of the Annual General Meeting on June 17, 2010, amended by resolutions of the Annual General Meeting on June 17, 2014 and June 28, 2017, and the issue of 110,000 new no-par value registered shares from Contingent Capital 2010 (subscription shares) in the 2018 financial year, the share capital of the company was conditionally increased by up to EUR 350,000.00 through the issue of up to 350,000 new no-par value registered shares (Contingent Capital 2010). The Conditional Capital 2010 serves to service 460,000 option rights issued by the company under the Stock Option Plan 2010 in financial year 2012.

By resolution of the Annual General Meeting on June 17, 2014, amended by resolutions of the Annual General Meetings on June 28, 2017 and June 29, 2018, the share capital of the company has been conditionally increased by up to EUR 140,000.00 through the issue of up to 140,000 new no-par value registered shares (Conditional Capital 2014). The Conditional Capital 2014 is intended for exercising 140,000 option rights under the Stock Option Plan 2014 that can be issued by the company until June 16, 2019. The company issued a total of 140,000 option rights in the 2017 financial year.

By resolution of the shareholders' meeting on June 28, 2017, the share capital of the company is conditionally increased by up to EUR 3,500,000.00 through issue of up to 3,500,000 new no-par registered shares (Conditional Capital 2017). The Conditional Capital 2017 serves to service convertible bonds, bonds with warrants and/or income bonds or participation rights with conversion or option rights, which may be issued by the company itself or a company in which it holds a direct or indirect majority by June 27, 2022. The Group has not issued any corresponding conversion or option rights to date.

By resolution of the shareholders' meeting on June 29, 2018, the share capital of the company is conditionally increased by up to EUR 340,000.00 through issue of up to 340,000 new no-par registered shares (Conditional Capital 2018). The Conditional Capital 2018 is intended for exercising 340,000 option rights under the stock option plan 2018 that can be issued by the company until June 28, 2023. The company has not yet issued any corresponding option rights.

7.7.3 Purchase of treasury shares

Finally, the Management Board by resolution of the shareholders' meeting on June 29, 2018 is authorized to acquire the company's treasury shares until June 28, 2023 with a volume of up to 997,864 shares (10 percent of the capital stock) subject to the condition that these, together with other treasury shares already acquired and still held by the company or allocated to the company pursuant to Section 71a ff. of the German Stock Corporation Act (AktG), do not exceed more than 10 percent of capital stock. The treasury shares can be purchased through the stock exchange or a public offer to buy. With the approval of the Supervisory Board the Management Board is authorized to use the shares acquired in accordance with Section 71 (1) No. 8 of the Stock Corporation Act (AktG) for all purposes permitted by law, in particular (i) to resell them, (ii) to use them as compensation for a third-party non-cash capital contribution to the company, (iii) to use them for exercising conversion or option rights, (iv) to use them for issuing shares to employees or retract them with no further resolution of the shareholders' meeting.

On the reporting date of December 31, 2018, Allgeier SE and a subsidiary held a year-on-year unchanged total of 151,199 treasury shares (previous year: 151,199 shares), which unchanged to the previous year corresponds to approximately 1.50 percent of share capital (previous year: approximately 1.52 percent).

7.8 IMPORTANT COMPANY AGREEMENTS SUBJECT TO A CHANGE OF CONTROL DUE TO A TAKEOVER OFFER

Some lending agreements contain provisions linking legal consequences to a majority takeover or control exceeding 50 percent, or a disposal of material company assets.

7.9 COMPENSATION AGREED BY THE COMPANY WITH MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES FOR THE INSTANCE OF A TAKEOVER OFFER

In case of a change of control, in other words, when a third party obtains control over the company pursuant to Section 29 (2), Section 30 of the Securities Trading Act (WpÜG), a member of the Management Board has the right to terminate the employment agreement. Exercising the right results in a gratuity claim limited to one year's compensation. Moreover, Allgeier SE has not entered into any other compensation agreements with members of the Management Board or employees in case of a takeover offer.

8. CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289F OF THE GERMAN COMMERCIAL CODE (HGB)

The corporate governance statement pursuant to Section 289f of the German Commercial Code (HGB) is part of the management report; however, the information it contains is not included in the audit according to Section 317 (2) Clause 3 of the German Commercial Code (HGB). The corporate governance statement pursuant to Section 289f of the German Commercial Code (HGB) is found below in the corporate governance report (Section B.1.9).

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B. Corporate Governance

1. CORPORATE GOVERNANCE REPORT

In the following, we report on corporate governance and its principal characteristics in the Allgeier Group, including the statement of compliance with the German corporate governance codex, the compensation report and other disclosures according to the provisions of the German Commercial Code (HGB). Good corporate governance is indispensable for sustained business success. The relevant standards for the corporate governance of Allgeier SE are the regulations of Council Directive (EC) No. 2157/2001 of October 8, 2001 on the statute of the European Union (SE) (SE directive or SE-VO) as well as the SE Implementation Act and the SE Investment Act, the German Stock Corporation Act (AktG), the provisions of the company's by-laws and the rules of procedure for the Management Board and Supervisory Board as well as the provisions of the German Corporate Governance Code, insofar as we follow its recommendations.

1.1 CORPORATE CHARTER OF THE SOCIETAS EUROPAEA (SE)

Allgeier is a European company, a Societas Europaea (SE). As a European company, Allgeier SE, in addition to the provisions of the German Stock Corporation Act (AktG) is subject to the special European and German regulations for the European company. The essential characteristics of a German public stock corporation, in particular the dual management system consisting of a Management Board and Supervisory Board, were retained.

Cooperation between the Management Board and Supervisory Board is aligned with the interests of the company and the shareholders in the successful further development of the Allgeier Group's existing business and the ongoing increase in the Group's value through further acquisitions. That being said, the Group's strategic direction is also subject to regular reviews and adjustments as required. The Management Board and Supervisory Board work together closely in the interests of the company.

1.2 SUPERVISORY BOARD

The Supervisory Board of Allgeier SE consists of three members. The current Supervisory Board was elected in the shareholders' meeting on June 29, 2018. For the members of the Supervisory Board of Allgeier SE, the term in office ends with the end of the regular shareholders' meeting for the 2022 financial year but no later than six years after being elected.

The Supervisory Board advises the Management Board in the management of the company and monitors its activities. Due to the number of members, the Supervisory Board has not formed any committees. In addition to the responsibilities established by law, such as appointing the members of the Management Board and establishing the compensation system for members of the Management Board, monitoring the company's financial development including planning for future financial years, reviewing risk management and the internal control system as well as reviewing and approving the annual financial statements and the proposed appropriation of accumulated profits, the Supervisory Board mainly deals with matters that require the approval of the Supervisory Board according to the company's by-laws and the rules of procedure for the Management Board.

Deliberations and decisions regarding proposed acquisitions constitute a focal point of the Supervisory Board's activities. The Supervisory Board is also involved in all decisions that are of fundamental importance for the company, such its strategic development or specific matters of significance. For this purpose a regular exchange of information occurs between the Management Board and members of the Supervisory Board and especially its Chair. Details of the cooperation between the Supervisory Board members are defined in a code of procedure for the Supervisory Board. The Supervisory Board has set itself various goals in accordance with Section 5.4.1 of the German Corporate Governance Code. The primary objective is to ensure that the Supervisory Board properly meets its advisory and monitoring obligations in its proposed composition and that the members have the required knowledge, skills and experience in order to fulfill their responsibilities responsibly and to best effect. For Allgeier SE whose by-laws call for a Supervisory Board consisting of three members, this means in concrete terms that the following qualifications in particular should be represented in the Supervisory Board if possible (competence profile): the qualification as an independent finance expert expressly required by law, the ability to

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evaluate companies in the service sector (not limited to just the IT business), the ability to evaluate acquisition opportunities domestically and abroad along with corresponding transaction experience, and experience with the organization and procedures of a fast-growing Group in a holding structure. Due to the ongoing internationalization of the Allgeier Group, the Supervisory Board shall have a sufficient number of members with international experience. Furthermore, the composition of the Supervisory Board must make it possible for the Supervisory Board to work efficiently and for its members to have adequate capacity for this responsible task.

The Supervisory Board is also to have an adequate number of independent members. The Supervisory Board deems that a member is not independent if, for example, the member has a personal or business relationship with Allgeier SE that may lead to a significant and not only temporary conflict of interests. Due to the current number of three Supervisory Board members, the Supervisory Board shall have at least one independent member pursuant to Section 5.4.2 of the German Corporate Governance Code. Furthermore, the Supervisory Board shall not have more than two former members of the Management Board. Finally, Supervisory Board members shall not be members of any governing bodies or act in an advisory capacity for major competitors of the company.

Another objective of the Supervisory Board is that, when several candidates with similar, suitable technical qualifications are being considered for future appointments, those candidates are to be preferred that correspondingly enrich the composition in view of their gender, nationality or other characteristics in favor of the desired diversity pursuant to Section 5.4.1 (2) of the German Corporate Governance Code. However, the Supervisory Board categorically does not consider rigid quotas to be an adequate tool. Nevertheless, the Supervisory Board welcomes the legal obligation to specify target values for increasing the proportion of women on the Supervisory Board and Management Board. With regard to the specification of an age limit, the company deviates from the recommendations of the German Corporate Governance Code, as a fixed age limit can constitute an undesirable exclusion criterion.

The Supervisory Board has implemented the objectives it set for itself as described below:

In its resolution regarding the nominations, the Supervisory Board, in addition to considering the applicable legal requirements and the provisions of the German Corporate Governance Code and rules of procedure for the Supervisory Board, paid particular attention to its established objectives. The Supervisory Board is composed of Mr. Detlef Dinsel, Mr. Thies Eggers and Mr. Christian Eggenberger. Mr. Dinsel and Mr. Eggers are German and Mr. Eggenberger is a Swiss citizen. They are members of different professions and have been active internationally for many years, especially in the service sector and the M&A business.

The recommendation of the German Corporate Governance Code was also observed, according to which the Supervisory Board should not have more than two former members of the Management Board; currently the Supervisory Board only has one former member of the Management Board. In the assessment of the Supervisory Board, all three members of the Supervisory Board are independent in the sense described above.

For further details regarding the composition of the Management Board, see the Consolidated notes under G. Other disclosures IV. Governing bodies of the parent company. Information on the concrete activities is found in the report of the Supervisory Board.

1.3 MANAGEMENT BOARD

The Management Board is responsible for managing and directing the company. It manages the company on its own responsibility. In the past financial year, the Management Board of Allgeier SE consisted of four members, Mr. Carl Georg Dürschmidt (Chair), Mr. Manas Fuloria, Dr. Marcus Goedsche and Mr. Hubert Rohrer.

Mr. Carl Georg Dürschmidt and Mr. Dr. Marcus Goedsche have individual signing authority. Mr. Manas Fuloria and Mr. Hubert Rohrer have joint signing authority. In its function as the governing body of the Allgeier Group, the Management Board is responsible in particular for the strategy to support the Group's further development and works towards the objective of lasting value creation and increasing the value of the Group. The principle of joint responsibility applies, in other words, the members of the Management Board are jointly responsible for corporate governance as a whole. Based on the corporate structure of the Allgeier Group and the specific position of Allgeier SE as the holding company with the associated tasks, there was no strict assignment of duties within the Management Board in the past financial year, in the manner that is commonly seen in companies with a classic management structure. Nevertheless, the tasks and responsibilities within the Management Board are assigned according to appropriate focus points and technical qualifications. The Management Board did not form any committees due to its size.

Key decisions, for example concerning proposed acquisitions, are made by the entire Management Board.

Details regarding cooperation within the Management Board and with the Supervisory Board are established in the rules of procedure for the Management Board. In addition to Section 9 of the Allgeier SE by-laws, the rules of procedure for the Management Board also contain a catalog of transactions for which the Management requires the approval of the Supervisory Board. With respect to the role of a shareholder or in the function of supervisory bodies for the Group companies, the Management Board of Allgeier SE carries out a controlling, coordination and management function to the extent permitted by law.

For further details regarding the composition of the Management Board, see the Consolidated notes under G. Other disclosures IV. Governing bodies of the parent company.

1.4 SHAREHOLDERS' MEETING

Our shareholders exercise their rights in the shareholders' meeting. The regular annual shareholders' meeting for a past financial year at which the Management Board and Supervisory Board answer to the shareholders regarding the past financial year, is held within the first six months of the following financial year. Each share confers one vote for voting on resolutions. We support voting by our shareholders by providing a voting rights representative who exercises voting rights solely according to the instructions of the respective shareholder.

The shareholders' meeting elects the members of the Supervisory Board. It decides on the appropriation of accumulated profits, formally approving the actions of the Management Board and Supervisory Board, and appointing the auditor. Furthermore, the shareholders' meeting is responsible for passing resolutions regarding by-law amendments, corporate actions, company agreements and the compensation of the Supervisory Board.

1.5 SHAREHOLDINGS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

On December 31, 2018, the members of the Management Board directly and indirectly held a total of 2,864,669 (previous year: 2,786,669) shares of Allgeier SE. On December 31, 2018 the members of the Supervisory Board directly and indirectly held a total of 1,477,698 (previous year: 1,413,977) shares of Allgeier SE.

1.6 DIRECTORS' DEALINGS

In accordance with Art. 19 of EU Regulation No. 596/2014 dated April 16, 2014 regarding market abuse (Market Abuse Regulation), reportable transactions with shares of Allgeier SE or related financial instruments by a member of the Management Board or Supervisory Board, or a person closely associated with a member, were properly reported in the past financial year.

1.7 COMPREHENSIVE AND TRANSPARENT COMMUNICATION

We inform shareholders, shareholder representatives, analysts, media and the interested public, regularly and in a timely manner, regarding the company's current business development and position. The various groups of persons are treated equally in the process. With the annual report, half-yearly financial report and two voluntary interim business statements in the past financial year, we reported on current business developments as well as the financial position and results of operations four times, in particular to our shareholders.

We also use our website extensively in order to inform our shareholders and all other persons associated with the company, for example by publishing a financial calendar, ad-hoc statements, investor presentations and press releases in addition to our financial reports.

1.8 ACCOUNTING AND AUDITS

The individual financial statements of Allgeier SE are prepared in accordance with the German Commercial Code (HGB), and the consolidated financial statements of Allgeier SE in accordance with International Financial Reporting Standards (IFRS). The individual financial statements and consolidated financial statements were audited by the audit firm LOHR + COMPANY GmbH, Düsseldorf.

1.9 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289F HGB (PART OF THE GROUP MANAGEMENT REPORT)

The corporate governance statement pursuant to Section 289f of the German Commercial Code (HGB) is part of the management report; however, the information it contains is not included in the audit according to Section 317 (2) Clause 3 of the German Commercial Code (HGB).

CORPORATE GOVERNANCE

1.9.1 Statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG)

Statement of the Management Board and Supervisory Board of Allgeier SE on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG): Since issuing the last statement of compliance in March 2017, Allgeier SE has complied with and will comply with the recommendations of the "Government Commission German Corporate Governance Code" published by the Federal Ministry of Justice in the version dated February 7, 2017 since their publication, with the following exceptions:

1.9.1.1 Code Section 3.8 (3)

"A corresponding deductible shall be defined in D&O insurance for the Supervisory Board."

A deductible in accordance with legal requirements is defined in the D&O insurance for the Management Board. For the Supervisory Board, such a deductible is not prescribed by law. Leeway exists to assess the appropriateness of such a provision, taking into account the differences in the character and scope of the responsibilities of the Management Board and Supervisory Board. The company shall monitor further developments regarding the appropriateness of the D&O insurance and deductibles going forward and review possible need for changes.

1.9.1.2 Code Section 4.2.3 (4) Clauses 1 and 3

"When concluding contracts for members of the Management Board, provisions shall be put in place to ensure that payments to a Management Board member when that member's Management Board activities end prematurely, including fringe benefits, do not exceed twice the value of the annual compensation (gratuity cap) and do not compensate for more than the remaining term of the employment contract. ... The overall compensation in the past financial year and, if applicable, also the expected overall compensation for the current financial year shall be used for the calculation of the gratuity cap."

It is the opinion of the Supervisory Board that appropriate contracts can be drafted without a general gratuity cap depending on the term and other parameters. The premature termination of contracts with members of the Management Board that are concluded for a fixed term with no provision for orderly cancellation has to be evaluated and negotiated based on the circumstances on a case-by-case basis. In evaluating the appropriateness of terms and conditions for terminating a contract prematurely, the question of a gratuity cap is merely one of several aspects that need to be dutifully examined by the Supervisory Board. The Supervisory Board reserves the right to examine and design each aspect individually, as establishing a general cap does not relieve the Supervisory Board from this duty to review and evaluate each case.

1.9.1.3 Code Section 4.2.4

By way of precaution, the Management Board and Supervisory Board point out that the shareholders' meeting decided not to disclose the compensation of the Management Board individually and by naming each member of the Management Board. In keeping with the applicable legal regulations, disclosure takes place annually in the annual report for the Management Board as a whole, analyzed by fixed and variable compensation.

1.9.1.4 Code Section 4.2.5 (3) Clauses 1 and 2

"The compensation report is also to show for each member of the Management Board:

- benefits granted in the year under review including fringe benefits; supplemented in the case of variable compensation components, by the maximum and minimum compensation possible,
- amounts received for the period under review including fixed compensation, short-term variable compensation and long-term variable compensation, differentiated by the respective years of receipt,
- for retirement and other pension benefits, the cost of benefits in and/or for the period under review.
- The sample tables in the annex are to be used for this information."

On June 23, 2015, the Annual General Meeting resolved not to disclose the remuneration of the members of the Management Board in the annual and consolidated financial statements for the period from January 1, 2015 to December 31, 2019 (inclusive) in individualized form and by name for each individual member of the Management Board. Disclosure complies with the applicable legal regulations and the recommendations of the Corporate Governance Code for the Management Board as a whole.

1.9.1.5 Code Section 5.1.2 (2, Clause 3 and Section 5.4.1 (2) Clause 2

"An age limit shall be established for members of the Management Board."

In terms of its composition, it should take appropriate account, within the confines of the specific situation of the company, ... of an age limit to be defined for members of the Supervisory Board and a time limit to be defined for length of service on the Supervisory Board."

In making decisions to fill Management Board positions and for nominations of Supervisory Board members, evaluating the personal and technical suitability of the candidates for the company is crucial. This evaluation must be performed on a case-by-case basis after an extensive examination of suitability and taking into account all relevant persons. No justification exists for establishing a general age limit, which merely constitutes one criterion. In fact, a rigid age limit could constitute an unwanted criterion excluding qualified Management Board or Supervisory Board members. Nor is there any requirement for a control limit for the duration of membership on the Supervisory Board. Members of the Supervisory Board are appointed in accordance with Article 46 SE-VO and Section 10.2 of the by-laws of Allgeier SE for a term in office lasting until the conclusion of the shareholders meeting that decides whether to formally approve the member's actions for the fourth financial year after commencement of their term in office. The financial year in which the term in office commences shall not be counted. However the appointment occurs at the longest for 6 years. After expiration of this period, the shareholders' meeting decides on any reappointment.

1.9.1.6 Code Section 5.4.6 (3)

"The compensation for members of the Supervisory Board shall be disclosed individually in the notes or the management report, analyzed by elements. Compensation paid by the company to members of the Supervisory Board or benefits granted for personally provided services, in particular consulting and brokerage services, shall also be disclosed individually."

In keeping with the way the disclosure of Management Board compensation is handled, the company also does not consider the individual disclosure of Supervisory Board compensation appropriate and necessary for the size of the company and the Supervisory Board. The provisions for Supervisory Board compensation in the by-laws and the disclosure of overall compensation and its structure, as well as the compensation for other services in the annual report result in adequate transparency.

1.9.1.7 Code Section 7.1.2 Clause 3

"The consolidated financial statements and the group management report shall be available to the public within 90 days after the end of the financial year, the obligatory interim reports during the year within 45 days after the end of the reporting period."

The company prioritizes the accuracy and integrity of the respective financial statements and reports. The company endeavors to provide shareholders with the respective financial statements and reports as quickly as possible. Nevertheless, the company reserves the right to utilize the statutory time limits for publication in every case, if this is required in order to properly prepare and review the financial statements and reports.

1.9.2 Information on company management practices

The company management practices are discussed in greater detail in the Corporate Governance report above.

1.9.3 Procedures of the Management and Supervisory boards

The way in which the Management and Supervisory Boards work can be taken from the Corporate Governance Report in sub-sections 1.2 Supervisory Board and 1.3 Management Board. Neither the Management Board nor the Supervisory Board formed any committees.

1.9.4 Target figures for the legitimate participation of women and men in management positions

1.9.4.1 Targets for the Supervisory Board and Management Board (Section 111 (5) AktG)

Allgeier SE advocates and supports the professional development of women in companies. The Supervisory Board consists of three members who have been elected until the regular shareholders' meeting in 2023. The Management Board consists of four members whose contracts run until 2019 or 2023. Changes or additions to these bodies are currently not intended. For this reason, it is not possible for the Supervisory Board to define targets for the Supervisory and Management Boards for the period until December 31, 2023 that are any different from the status quo. The Supervisory and Management boards currently include no women. For future periods, the Supervisory Board will determine new target figures for the Supervisory Board and the Management Board at the appropriate times. Nevertheless, the Supervisory Board will strive, when several candidates with similar, suitable technical qualifications are being considered for future appointments, to prefer those candidates that appropriately enrich the composition in view of their gender, nationality or other characteristics in favor of the desired diversity.

1.9.4.2 Target figures for the management levels below the Management Board (Section 76 (4) of the German Stock Corporation Act (AktG))

In addition to members of the Management Board, Allgeier SE employs a total of 8.5 persons who do not have any leadership or management tasks. Consequently, no management level exists below the Management Board at Allgeier SE.

2. COMPENSATION REPORT (PART OF THE GROUP MANAGEMENT REPORT)

The compensation report disclosures are found in the Group management report (Section A.6).

3. DISCLOSURES RELEVANT TO TAKEOVERS (PURSUANT TO SECTION 289A AND 315A HGB) AND EXPLANATORY REPORT (PART OF THE GROUP MANAGEMENT REPORT)

Disclosures relevant to takeovers (pursuant to Section 289a and Section 315a 4 HGB) and the explanatory report can be found in the Group management report (Section A.7)

Consolidated financial statements

OF ALLGEIER SE
ACCORDING TO IFRS FOR THE 2018 FINANCIAL YEAR

CONSOLIDATED BALANCE SHEET OF ALLGEIER SE, MUNICH, DECEMBER 31, 2018

CONSOLIDATED BALANCE SHEET (in EUR thousand)

ASSETS	Notes	December 31, 2018	December 31, 2017
Intangible assets	1	187,936	118,043
Property,plant and equipment	2	21,430	13,461
At-equity investments	3	3,778	3,632
Non-current contract costs	8	554	776
Other non-current financial assets	4	5,469	6,932
Other non-current assets	5	530	257
Deferred tax assets	6	9,487	4,995
Non-current assets		**229,184**	**148,094**
Inventories	7	512	513
Current contract costs	8	301	260
Contractual assets	9	6,902	4,448
Trade receivables	10	140,541	112,118
Other current financial assets	4	7,216	6,118
Other current assets	5	10,555	7,324
Income tax receivables		8,191	6,072
Cash and cash equivalents	11	76,995	52,997
Current assets		**251,214**	**189,850**
Assets		**480,398**	**337,944**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (in EUR thousand)

EQUITY AND LIABILITIES	Notes	December 31, 2018	December 31, 2017
Subscribed capital	12	10,089	9,979
Capital reserves	13	33,592	32,214
Retained earnings	14	102	102
Treasury shares	15	-1,379	-1,379
Profit carried forward	16	66,558	68,671
Profit or loss for the period		6,194	2,801
Changes in equity recognized directly in equity	17	-3,242	-5,154
Equity share of shareholders of the parent company		**111,914**	**107,234**
Equity share of shareholders with non-controlling interest	18	21,943	15,611
Equity		**133,857**	**122,845**
Non-current financial liabilities	19	150,298	95,473
Non-current provisions for post-employment benefits	20	3,501	2,881
Other non-current provisions	22	558	294
Non-current contractual liabilities	9	364	191
Other non-current financial liabilities	21	32,646	3,104
Deferred tax liabilities	6	5,896	3,490
Non-current liabilities		**193,264**	**105,434**
Current financial liabilities	17	31,379	13,327
Current provisions for post-employment benefits	20	423	307
Other current provisions	22	19,381	15,108
Current contractual liabilities	9	7,327	7,243
Trade payables		36,995	33,814
Other current financial liabilities	21	38,674	26,054
Other current liabilities	23	7,416	8,530
Income tax liabilities		11,683	5,282
Current liabilities		**153,277**	**109,665**
Equity and liabilities		**480,398**	**337,944**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF ALLGEIER SE, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in EUR thousand)

		Total		Discontinued operations		Continuing operations	
Income statement	**Notes**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Sales revenues	25	687,978	576,976	687	3,452	687,291	573,524
Other own work capitalized		2,115	1,645	0	0	2,115	1,645
Other operating income	26	7,286	9,472	0	0	7,286	9,472
Cost of materials	27	218,995	199,581	189	1,012	218,805	198,570
Staff costs	28	354,707	283,537	342	1,315	354,364	282,222
Impairment expense from trade receivables and contract assets		3,198	2,671	0	38	3,198	2,633
Other operating expenses	29	90,207	75,823	117	607	90,091	75,216
Earnings before interest, taxes, depreciation and amortization		**30,272**	**26,481**	**39**	**480**	**30,233**	**26,001**
Depreciation and amortization	30	14,296	13,030	5	20	14,291	13,010
Results of operating activities		**15,976**	**13,452**	**34**	**460**	**15,942**	**12,992**
Finance income	31	730	1,148	0	0	730	1,148
Finance expenses	32	3,178	2,889	0	0	3,178	2,889
Result of at-equity investments	33	-398	-747	0	0	-398	-747
Earnings before taxes		**13,130**	**10,963**	**34**	**460**	**13,095**	**10,504**
Income tax results	34	-6,261	-6,480	-11	-139	-6,250	-6,341
Net income		**6,869**	**4,483**	**23**	**320**	**6,846**	**4,163**
Discontinued operations:							
Earnings from discontinued operations before tax		1,747	0	1,747	0	0	0
Earnings from discontinued operations		**1,747**	**0**	**1,747**	**0**	**0**	**0**
Total comprehensive income from continuing and discontinued operations:							
Earnings before taxes		14,877	10,963	1,781	460	13,095	10,504
Income tax results		-6,261	-6,480	-11	-139	-6,250	-6,341
Total comprehensive income		**8,616**	**4,483**	**1,770**	**320**	**6,846**	**4,163**
Attribution of total comprehensive income:							
to parent company shareholders		6,194	2,801	1,770	320	4,424	2,481
to non-controlling interests		2,421	1,683	0	0	2,421	1,683
Other comprehensive income							
Items that cannot be reclassified to the income statement:							
Actuarial gains (losses)		-102	177	0	0	-102	177
Tax effects		50	-54	0	0	50	-54
		-52	**123**	**0**	**0**	**-52**	**123**
Items that cannot be reclassified to the income statement:							
Currency differences		1,887	-7,192	0	0	1,887	-7,192
		1,887	**-7,192**	**0**	**0**	**1,887**	**-7,192**
Other comprehensive income		**1,835**	**-7,068**	**0**	**0**	**1,835**	**-7,068**
Total comprehensive income		**10,451**	**-2,585**	**1,770**	**320**	**8,681**	**-2,905**
Attribution of total comprehensive income:							
to parent company shareholders		7,949	-2,171	1,770	320	6,179	-2,491
to non-controlling interests		2,502	-414	0	0	2,502	-414
Undiluted earnings per share:							
Average number of shares outstanding weighted pro rata temporis		9,877,280	9,402,457	9,877,280	9,402,457	9,877,280	9,402,457
Earnings per share in EUR	35	0.63	0.30	0.18	0.03	0.45	0.26
Diluted earnings per share:							
Average number of shares outstanding weighted pro rata temporis		10,176,163	9,643,096	10,176,163	9,643,096	10,176,163	9,643,096
Earnings per share in EUR	35	0.61	0.29	0.17	0.03	0.43	0.26

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ALLGEIER SE, MUNICH, AS OF DECEMBER 31, 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in EUR thousand)

	Subscribed capital	Capital reserves	Retained earnings	Treasury shares	Profit carried forward	Profit or loss for the period	Changes in equity not affecting income – OCI	Changes in equity not affecting income – not OCI	Equity share of shareholders of the parent company	Equity share of non-controlling interests	Equity
Balance on December 31, 2016	**9,072**	**17,033**	**102**	**-1,379**	**68,689**	**4,442**	**11,904**	**-6,460**	**103,403**	**13,489**	**116,891**
Transfer of previous year's net income to profit carried forward	0	0	0	0	4,442	-4,442	0	0	0	0	0
Adjustment of the exercise price of stock options from the Stock Option Plan 2010	0	17	0	0	0	0	0	0	17	0	17
Stock options from the Stock Option Plan 2014 issued in the financial year under review	0	35	0	0	0	0	0	0	35	0	35
Capital increase	907	15,129	0	0	0	0	0	0	16,036	0	16,036
Actuarial gains (losses)	0	0	0	0	0	0	123	0	123	-12	111
Addition of outstanding shares of non-controlling shareholders of the GDE Group	0	0	0	0	0	0	0	-3,538	-3,538	3,538	0
Return of shares in non-controlling interests of the Nagarro Group as part of an employee stock purchase program	0	0	0	0	0	0	0	8	8	-8	0
Sale of shares in mgm consulting partners GmbH	0	0	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	-4,460	0	0	0	-4,460	-993	-5,453
Net income	0	0	0	0	0	2,801	0	0	2,801	1,683	4,483
Currency differences	0	0	0	0	0	0	-7,192	0	-7,192	-2,085	-9,277
Balance on December 31, 2017	**9,979**	**32,214**	**102**	**-1,379**	**68,671**	**2,801**	**4,835**	**-9,989**	**107,234**	**15,611**	**122,845**
Transfer of previous year's net income to profit carried forward	0	0	0	0	2,801	-2,801	0	0	0	0	0
Adjustment of the exercise price of stock options from the Stock Option Plan 2010	0	24	0	0	0	0	0	0	24	0	24
Adjustment of the exercise price of stock options from the Stock Option Plan 2014	0	411	0	0	0	0	0	0	411	0	411
Exercise of stock options from the Stock Option Plan 2010	110	942	0	0	0	0	0	0	1,052	0	1,052
Actuarial gains (losses)	0	0	0	0	0	0	-52	0	-52	-51	-104
Disposal of shares in iQuest Holding GmbH as part of an employee stock purchase program	0	0	0	0	0	0	0	0	0	10	10
Shares of non-controlling interests from the acquisition of the iQuest Group	0	0	0	0	0	0	0	0	0	5,732	5,732
Disposal of shares in AES SPP as part of an employee stock purchase program	0	0	0	0	0	0	0	0	0	12	12
Disposal of shares in the SAP Group as part of an employee stock purchase program	0	0	0	0	0	0	0	67	67	-67	0
Return of shares in non-controlling interests of the Nagarro Group as part of an employee stock purchase program	0	0	0	0	0	0	0	9	9	-28	-19
Dividends	0	0	0	0	-4,914	0	0	0	-4,914	-1,868	-6,782
Net income	0	0	0	0	0	6,194	0	0	6,194	2,421	8,616
Currency differences	0	0	0	0	0	0	1,887	0	1,887	172	2,060
Balance on December 31, 2018	**10,089**	**33,592**	**102**	**-1,379**	**66,558**	**6,194**	**6,671**	**-9,913**	**111,914**	**21,943**	**133,857**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT OF ALLGEIER SE, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018

CONSOLIDATED CASH FLOW STATEMENT (in EUR thousand)

	Total		Discontinued operations		Continuing operations	
	2018	2017	2018	2017	2018	2017
Results of operating activities	15,976	13,452	34	460	15,942	12,992
Depreciation and amortization on non-current assets	14,296	13,030	5	20	14,291	13,010
Expenses from the disposal of non-current assets	388	220	0	0	388	220
Change in non-current provisions	832	349	0	0	832	349
Non-cash reversals and additions to provisions	17,608	14,197	1	61	17,608	14,136
Other non-cash expenses and income	72	4,593	0	0	72	4,593
Income taxes paid	-10,468	-11,818	-98	6	-10,369	-11,824
Cash flow from operating activities before changes in working capital	**38,705**	**34,023**	**-59**	**547**	**38,763**	**33,476**
Cash flow from changes in working capital	-35,110	-36,878	361	-131	-35,470	-36,747
Cash flow from operating activities	**3,595**	**-2,854**	**302**	**416**	**3,293**	**-3,270**
Payments for investments in non-current assets	-7,740	-6,619	-15	-20	-7,725	-6,598
Payments from finance leases	-1,687	-1,599	0	0	-1,687	-1,599
Payments received from the disposal of non-current assets	169	138	0	0	169	138
Payments made for the acquisition of subsidiaries	-37,138	87	0	0	-37,138	87
Payments made for purchase price components for companies not acquired in the financial year under review	-630	-7,724	0	0	-630	-7,724
Payments made for the acquisition of assets and rights	0	-1,328	0	0	0	-1,328
Payments of loans to at-equity investments	-544	0	0	0	-544	0
Payments received from the disposal of subsidiaries	3,196	156	0	0	3,196	156
Decrease in cash and cash equivalents from the disposal of subsidiaries with loss of control	-727	0	-727	0	0	0
Payments in non-current financial assets	-400	-400	0	0	-400	-400
Cash flow from investing activities	**-45,499**	**-17,287**	**-742**	**-20**	**-44,757**	**-17,267**
Payments from capital increase	1,052	16,036	0	0	1,052	16,036
Repayment of borrower's note loan	0	-78,500	0	0	0	-78,500
Drawing down bank borrowings	68,217	78,759	0	0	68,217	78,759
Repayment of bank borrowings	-2,134	-11,489	0	0	-2,134	-11,489
Cash flow from financing discontinued operations	0	0	0	-143	0	143
Cash flows from intragroup financing	0	0	0	0	0	0
Interest received	283	221	0	0	283	221
Interest paid	-2,697	-3,200	0	0	-2,697	-3,200
Distributions	-4,914	-4,460	0	0	-4,914	-4,460
Payment balance with non-controlling shareholders	-657	-1,214	0	0	-657	-1,214
Cash flow from financing activities	**59,151**	**-3,846**	**0**	**-143**	**59,151**	**-3,703**
Total cash flow	**17,247**	**-23,988**	**-440**	**252**	**17,687**	**-24,240**
Change in cash and cash equivalents attributable to exchange rates	846	-1,914	0	0	846	-1,914
Total changes in cash and cash equivalents	**18,092**	**-25,902**	**-440**	**252**	**18,532**	**-26,154**
Cash and cash equivalents at beginning of period	41,350	67,252	440	188	40,910	67,064
Cash and cash equivalents at end of period	59,442	41,350	0	440	59,442	40,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

OF ALLGEIER SE
ACCORDING TO IFRS FOR THE 2018 FINANCIAL YEAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • GENERAL INFORMATION

Notes to the consolidated financial statements of Allgeier SE according to IFRS for the 2018 financial year

A. GENERAL INFORMATION

I. Information about the Group and Allgeier SE

The Allgeier Group is a corporate Group offering IT services, IT solutions and products, as well as personnel services, to make process and cost structures more flexible. Allgeier SE is the Group's parent company. Its registered office is Wehrlestrasse 12, 81679 Munich, Germany. It is entered in the commercial register of the Munich District Court under commercial register sheet number 198543. Allgeier SE acquires, holds and disposes of companies in the information technology and service sectors as well as related fields. Furthermore Allgeier SE provides consulting services and other business management services for companies.

II. Accounting and valuation principles

The consolidated financial statements of Allgeier SE were prepared in compliance with the International Financial Reporting Standards (IFRS) as they apply in the European Union and according to the commercial law regulations pursuant to Section 315e of the German Commercial Code (HGB). These consolidated financial statements of Allgeier SE prepared in accordance with IFRS meet the requirements for the exemption from preparing consolidated financial statements according to Section 290 HGB. They consist of the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes. The consolidated financial statements of Allgeier SE are based on the going concern assumption.

The derivatives and purchase price liabilities from business combinations and shares in a venture capital company recognized in the financial assets and liabilities are measured at fair value. All other assets and liabilities are recognized at amortized cost.

With the following exceptions, the applied accounting and valuation methods remain unchanged relative to the previous year.

- In connection with the first-time application of IFRS 15, the "change in work in progress" shown in a separate line in the consolidated statement of comprehensive income in the previous year was combined with "revenues". The previous year was adjusted accordingly.
- As of the 2018 financial year, impairment losses on trade receivables and contract assets are presented in a separate line in the consolidated statement of comprehensive income. The previous year's figure was adjusted. In the previous year, the impairment loss was included in other operating expenses.
- Income from benefits in kind, which was previously included in other operating income and represents an adjustment item for staff costs, will be netted within staff costs from 2018. To improve comparability, the previous year's figures were adjusted. Other operating expenses totaled EUR 3,285 thousand in the 2018 financial year (previous year: EUR 2,842 thousand). The adjustments related to the income statement and segment reporting.
- In the reconciliation of shareholders' equity, the development of the items attributable to "OCI" is shown in a separate column. Changes in equity that are not attributable to OCI are not included in this column. With this information, a direct reconciliation of the other comprehensive income from the consolidated statement of comprehensive income with the balance sheet is possible.
- The balance sheet item "Provisions for post-employment benefits" comprises the provisions for pensions and the provision for gratuity obligations.
- The composition of the "Experts" and "New Business Segments" segments changed slightly in the 2018 financial year. In the segment reporting, the previous year's figures have been adjusted to improve comparability.

Unless otherwise stated, all figures in the consolidated financial statements are in EUR thousand. In the tables, deviations of +/- EUR 1 thousand are possible due to rounding. The figures reported in the consolidated financial statements for the financial year under review are presented with comparative figures from the previous year.

III. Accounting regulations to be applied for the first time in the financial year under review

The application of the following standards and interpretations revised or newly issued by the IASB is mandatory for the first time in the 2018 financial year:

STANDARD/INTERPRETATION	TITLE OF THE STANDARD, INTERPRETATION OR AMENDMENT
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 40	Transfers of Investment Property
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 15	Clarifications to IFRS 15
Improvements to IFRS 2014 – 2016	Amendments to IFRS 1 and IAS 28
IFRS 22	Foreign Currency Transactions and Advance Consideration

Insofar as the first-time application of the standards or interpretations was significant for the Allgeier Group, their effects are explained below:

IFRS 9 – Financial Instruments

IFRS 9 replaces the existing guidelines IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains revised guidelines for the classification and evaluation of financial instruments, including a new model of the expected credit defaults for calculation of the decrease in value of financial assets, as well as the new general accounting provisions for hedging transactions. It also takes over the guidelines for recognition and derecognition of financial instruments from IAS 39.

The Group uses the option of not adjusting comparable information for previous periods in respect to classification and measurement changes. The first-time application of IFRS 9 as of January 1, 2018 did not have any effect on recognition, disclosure and measurement. However, new disclosures on the impairment of financial assets have been included in the notes.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies a comprehensive framework determination, as to whether, in what amount, and at what point in time revenues are recognized. It replaces guidelines applied until the 2017 financial year for recognizing revenues, including IAS 18 Revenues, IAS 11 Manufacturing Orders and IFRIC 13 Customer Loyalty Programs. Moreover, the standard provides for extensive disclosure requirements concerning the type, amount, temporal course of revenues and cash flows, as well as their associated uncertainties, including impairment expenses applied.

In making the transition to IFRS 15, the Allgeier Group decided to apply the modified retrospective method as at January 1, 2018. Thus the previous year figures in the 2018 consolidated financial statements are shown without change in line with IAS 11 and IAS 18. The accounting policies have been changed in accordance with the transitional provisions.

The effects of the changeover to IFRS 15 relate only to the balance sheet presentation without changes in equity compared with the previous year. In contrast to the previous method, contract fulfillment costs as well as positive and negative contract values arising for customer-specific construction contacts are not shown under inventories or trade receivables / trade payables, but from the 2018 financial year are shown as separate balance sheet items.

IFRS 15 ADJUSTMENTS AS OF DECEMBER 31, 2017/JANUARY 1, 2018 (in EUR thousands)	ORIGINALLY REPORTED	ADJUSTMENTS	AFTER ADJUSTMENTS
Assets			
Non-current assets			
Inventories	776	-776	0
Contract costs	0	776	776
Current assets			
Inventories	261	-261	0
Contract costs	0	261	261
Contractual assets	0	4,448	4,448
Trade receivables	116,567	-4,448	112,119
Equity and liabilities			
Non-current liabilities:			
Contractual liabilities	0	191	191
Other liabilities	191	-191	0
Current liabilities:			
Contractual liabilities	0	7,243	7,243
Trade payables	36,230	-2,416	33,814
Other liabilities	4,827	-4,827	0

As at December 31, 2017, the output value of customer-specific construction contracts measured using the PoC method amounted to EUR 7,490 thousand, of which EUR 5,916 thousand related to production costs and EUR 1,574 thousand to profit shares. In the financial year, of this amount, a total of EUR 5,453 thousand of installments received were offset under receivables and payables from customer-specific construction contracts.

After offsetting the performance values against the advance payments received, construction contracts with customers existed with an asset-side balance of EUR 4,448 thousand and a liability-side balance of EUR 2,404 thousand. Revenues in the 2017 financial year contain realized order values using the percentage-of-completion methods of EUR 6,681 thousand.

As of January 1, 2018, there were no other changes to the previous accounting practices under IAS 18 or IAS 11. The expanded disclosures in the notes have been included in the notes.

IV. Standards and interpretations that have not been applied early

The IASB and IFRIC have issued the following standards, interpretations and amendments to existing standards, the application of which was not yet mandatory for the 2018 financial year according to EU regulations:

STANDARD/ INTERPRETATION	TITLE OF THE STANDARD, INTERPRETATION OR AMENDMENT	FIRST-TIME APPLICATION
EU endorsement already issued		
IFRS 16	Leases	01-Jan-19
Amendments to IFRS 9	Prepayment Features with Negative Compensation	01-Jan-19
IFRS 23	Uncertainty over Income Tax Treatments	01-Jan-19
Amendments to IFRS 28	Long-term Interests in Associates and Joint Ventures	01-Jan-19
Improvements to IFRS 2015 – 2017	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	01-Jan-19
EU endorsement pending		
IFRS 17	Insurance Contracts	01-Jan-21
IFRS Framework	Amendment to References to the Conceptual Framework in IFRS Standards	01-Jan-20
Amendments to IFRS 3	Definition of a Business	01-Jan-20
Amendments to IAS 1 and IAS 8	Definition of Material	01-Jan-20

If the amendments could be significant for the Allgeier Group in the future, the amendments will be explained below:

IFRS 16 – Leases

IFRS 16 introduces a uniform invoicing model, according to which leases must be recognized in the balance sheet of the lessee. A lessee recognizes a right-of-use asset that represents its right to use the underlying asset, as well as a debt arising from the leasing relationship, that constitutes its obligation to make leasing payments (balance sheet extension). Exemptions exist for short-term leases and leases regarding low-value assets.

IFRS 16 replaces the existing guidelines concerning leases, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard applies for annual periods beginning on or after January 1, 2019. Early application is permitted. The Group intends to apply IFRS 16 for the first time in the 2019 financial year, using the full retrospective method (including adjustment of previous year figures). The cumulative effect from the IFRS 16 is recognized as an adjustment of the opening balances in the earnings reserves as at January 1, 2018.

The Allgeier Group has determined the effects of the application of IFRS 16 on its reported assets and liabilities. Among other things, the quantitative effects ultimately depend on the selected transition method and the scope in which the Group applies the simplification rules and recognition exemptions. If the Allgeier Group were to apply IFRS 16 already in the 2018 financial year, assets would probably increase by EUR 58 million and liabilities by EUR 61 million, thereby reducing the equity ratio from 27.9% to 24.3%. Furthermore, the type of expenses from leases will change,as IFRS 16 replaces other operating expenses for operating leases with amortization for right-of-use assets and interest expense for lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • GENERAL INFORMATION

IFRIC 23 – Uncertainty over Income Tax Treatments

The tax treatment of certain items and transactions may depend on the future recognition by the tax administration and the tax courts. IAS 12 Income Taxes regulates how current and deferred taxes are to be recognized. IFRIC 23 supplements the regulations in IAS 12 regarding the consideration of uncertainties regarding the income tax treatment of items and transactions.

Subject to adoption in EU law, the interpretation is to be applied for the first time on January 1, 2019. Earlier application is permitted. Currently the Allgeier Group anticipates that this will have no material changes to the consolidated financial statements.

Amendment to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments contain a clarification that IFRS 9 applies to non-current interests in associates or joint ventures whose accounting is not on the basis of the equity method. Subject to adoption in EU law, the amendments are to be applied for the first time on January 1, 2019. Currently the Allgeier Group anticipates that this will have no material changes to the consolidated financial statements.

Improvements to IFRS 2015 – 2017

As a result of the Annual Improvements to IFRS 2015-2017, four IFRS were amended.

In IFRS 3 it is clarified that when an entity obtains control of a business in which it was previously invested in the context of a joint operation, the principles of a business combination achieved in stages are to be applied. The share previously held by the acquirer must be remeasured.

In IFRS 11 it is determined that when a party obtains joint control in a business in which it was previously invested in the context of a joint operation, the previously held share is not to be remeasured.

IAS 12 is changed to that extent that all income tax consequences from dividend payments are to be recognized as the income on which the dividends are based.

Finally, IAS 23 states that in determining the capitalization rate, if an entity generally borrows funds for obtaining a qualifying asset, the borrowing costs specifically in connection with obtaining a qualifying assets are not to be recognized until completion.

Subject to adoption in EU law, the amendments are to be applied for the first time on January 1, 2019. Earlier application is permitted. Currently the Allgeier Group anticipates that this will have no material changes to the consolidated financial statements.

V. Consolidation principles

In the consolidated financial statements of Allgeier SE, Allgeier SE and all companies that are directly or indirectly controlled by Allgeier SE, or for whom Allgeier SE directly or indirectly has the majority of votes, are included and fully consolidated. For all fully consolidated companies Allgeier SE can determine the financial and business policy, and benefit economically from the subsidiaries. Associated companies over which Allgeier SE can exercise significant control are included in the Allgeier Group and are recognized according to the equity method.

With the exception of the two subsidiaries in India, all companies of the Allgeier Group prepare their individual financial statements as at December 31. The Indian subsidiaries, which have the deviating reporting date of March 31, for purposes of the consolidated financial statements, prepare interim financial statements as at December 31.

The Allgeier Group consolidates the newly acquired companies in accordance with the acquisition method. The assets, liabilities and contingent liabilities of the acquired companies are identified at the time of acquisition, and the hidden reserves and liabilities are recognized at fair value and the applicable deferred taxes reported in the Group. The shares of non-controlling interests are recognized at the portion of the fair value of the assets and liabilities allocated to them. Any remaining surplus between the acquisition costs of the acquired companies and the fair values of the assets, liabilities and shares of non-controlling shareholders are capitalized as goodwill. Incidental acquisition costs for legal and consulting services and brokerage commissions are recognized as other operating expenses through profit or loss.

The consolidation of the companies newly acquired by the Group occurs starting from the month that control is exercised. From this point in time, the income and expenses of the acquired companies are included in the consolidated financial statements. Receivables and liabilities, as well as income and expenses between the Group companies, are subtracted. Profits and losses that originate from Group-internal disposals, are likewise eliminated. Deferred taxes are recognized on consolidation processes affecting income or loss.

Deconsolidation of subsidiaries occurs as soon as the parent-subsidiary relationship ceases and control over the companies no longer exists. The assets and liabilities of subsidiaries are derecognized in the month of deconsolidation. The disposal of companies and business areas are shown in the consolidated statement of comprehensive income and in the consolidated cash flow statement in discontinued operations. The previous year numbers of discontinued operations are adjusted in order to present discontinued operations separately from continuing operations in all comparison years. For the transactions between continuing operations and discontinued operations areas, continuation of the relationships is ceased and such relationships are eliminated in the discontinued operations area.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • GENERAL INFORMATION

VI. Scope of consolidation

On December 31, 2018, the scope of consolidation of Allgeier SE consisted of 88 fully consolidated companies (previous year: 69) and with no changes compared with the previous year one company recognized in accordance with the at-equity method. In detail, the number of companies consolidated by Allgeier SE changed as follows in the 2018 financial year:

	FULLY CONSOLIDATED	CONSOLIDATED AT-EQUITY	TOTAL
Number as of December 31, 2017	**69**	**1**	**70**
Acquisitions:			
ANECON Software Design und Beratung G.m.b.H., Vienna, Austria	1	0	1
ANECON Software Design und Beratung GmbH, Dresden (subsequently: Nagarro Testing Service GmbH)	1	0	1
Objectiva Software Solutions, Inc., San Diego, USA	1	0	1
Objectiva Software Solutions (Beijing) Inc., Beijing, China	1	0	1
Objectiva Software Solutions (Xi'an) Inc., Xi'an, China	1	0	1
iQuest Holding GmbH, Bad Homburg	1	0	1
iQuest Technologies GmbH & Co. KG, Bad Homburg	1	0	1
iQuest Verwaltungs GmbH, Bad Homburg	1	0	1
iQuest Technologies SRL, Cluj-Napoca, Romania	1	0	1
iQuest Tech Labs SRL, Cluj-Napoca, Romania (in liquidation)	1	0	1
iQuest Technologies SRL, Brasov, Romania	1	0	1
iQuest Solutions SRL, Sibiu, Romania	1	0	1
iQuest Schweiz AG, Zürich, Switzerland	1	0	1
iQuest SPZOO (Poland), Warsaw, Poland	1	0	1
Blitz 18-492 GmbH, Munich (subsequently: Quest SPP GmbH)	1	0	1
consectra GmbH, Offenburg (subsequently: Allgeier CORE GmbH)	1	0	1
secion GmbH, Hamburg	1	0	1
Blitz 18-725 AG, Munich (subsequently: Allgeier Connect AG)	1	0	1
Blitz 18-616 GmbH, Munich (subsequently: AES SPP GmbH, Bremen)	1	0	1
GRC Partner GmbH, Kiel	1	0	1
Formations:			
Nagarro Ltd. (Malta), Valetta, Malta	1	0	1
Nagarro (Pty.) Ltd., Pretoria, South Africa	1	0	1
Nagarro Inc., Toronto, Canada	1	0	1
Nagarro Software LLC, Abu Dhabi, United Arab Emirates	1	0	1
Mergers:			
Nagarro Austria Beteiligungs GmbH, Vienna, Austria	-1	0	-1
ANECON Software Design und Beratung G.m.b.H., Vienna, Austria	-1	0	-1
Allgeier Document Solutions GmbH, Vienna, Austria	-1	0	-1
Deletions:			
Allgeier Medical IT GmbH, Freiburg	-1	0	-1
eHealthOpen Ltd., Birmingham, UK	-1	0	-1
Number as of December 31, 2018	**88**	**1**	**89**

The extensive changes in the scope of consolidation due to the additions and disposals of Group companies have a significant influence on the development of the Allgeier Group's net assets, financial position and results of operations. In comparisons and analyses of the 2018 financial year with the previous year, these changes must be taken into account accordingly.

With the exception of SPP Co-Investor GmbH & Co. KG, Munich, and Nagarro Software LLC, Abu Dhabi, United Arab Emirates, Allgeier SE directly or indirectly holds the majority of voting rights.

- Thus calculated, Allgeier SE holds 24.57% (previous year: 23.76%) of the voting rights of SPP Co-Investor GmbH & Co. KG. The company was fully included in the consolidated financial statements of Allgeier SE due to the assumption of liability risks and the exercise of management duties.
- Allgeier SE indirectly holds 41.37% of the voting rights in Nagarro Software LLC, founded in August 2018. Due to the right to determine the management of the company alone and to exercise a controlling influence, this company was also fully included in these consolidated financial statements.

Acquisition of ANECON Software Design und Beratung GmbH, Vienna, Austria

On January 8, 2018, Nagarro Austria Beteiligungs GmbH, Vienna, Austria, acquired all business shares of ANECON Software Design und Beratung GmbH headquartered in Vienna, Austria ("ANECON"). ANECON is one of the leading companies for software development and consulting in the Austrian market. The company offers the highest quality for its customers' IT projects and maps the entire software lifecycle. The approximately 150 employees advise on transformations, develop individual software and secure software quality with on the basis of tests and test automation. ANECON in turn holds all shares in ANECON Software Design und Beratung GmbH, Dresden (both companies together referred to as the "ANECON Group"). ANECON Software Design und Beratung GmbH, Dresden, was renamed Nagarro Testing Service GmbH in the financial year under review.

A purchase price of EUR 5,191 thousand was paid for the acquisition of ANECON in the 2018 financial year. In addition, the purchaser has undertaken to pay an earn-out of a maximum of EUR 3 million. The earn-out depends on reaching specified profit margins in the 2018 to 2020 financial years. The company expects the earn-out to reach its full amount in 2019 and to be due for payment at the beginning of 2020. After discounting, the capitalized variable purchase price thereby amounts to EUR 2,926 thousand. In return for the purchase price, the Allgeier Group and the ANECON Group received cash and cash equivalents amounting to EUR 1,307 thousand. In addition, costs of EUR 116 thousand were incurred, which were booked as other operating expenses.

With the acquisition of the ANECON Group, the Allgeier Group received assets of EUR 5,809 thousand and liabilities of EUR 3,290 thousand on January 1, 2018. In addition to the assets and liabilities recognized in the balance sheet under commercial law, this includes identified customer relationships in the amount of EUR 952 thousand and an increase of EUR 7 thousand in allowances for doubtful accounts. Deferred taxes of EUR 236 thousand were booked on both items. The purchase price of EUR 8,117 thousand and the net assets of EUR 2,519 thousand resulted in goodwill of EUR 5,598 thousand. The goodwill reflects the future potential arising from the merger of the ANECON Group with the Allgeier Group.

The carrying amounts and fair values of the net assets of the ANECON Group as of January 1, 2018 were:

(in EUR thousand)	Carrying amounts	Allocation	Fair values
Intangible assets	54	952	1,006
Property,plant and equipment	212	0	212
Contractual assets	8	0	8
Trade receivables	2,505	-7	2,498
Other financial assets	387	0	387
Other assets	187	0	187
Income tax receivables	28	0	28
Cash and cash equivalents	1,353	0	1,353
Deferred tax assets	131	0	131
Acquired assets	**4,864**	**945**	**5,809**
Bank borrowings	47	0	47
Provisions	765	0	765
Contractual liabilities	59	0	59
Trade payables	556	0	556
Other financial liabilities	1,051	0	1,051
Other liabilities	429	0	429
Income tax liabilities	147	0	147
Deferred tax liabilities	0	236	236
Acquired liabilities	**3,054**	**236**	**3,290**
Net assets	**1,811**	**709**	**2,519**

Trade receivables consist of gross receivables of EUR 2,604 thousand and value adjustments of EUR 106 thousand. The net receivables of EUR 2,498 thousand were paid in the 2018 financial year.

In 2017, the ANECON Group achieved revenues of EUR 17,256 thousand and earnings before interest, taxes, depreciation and amortization of EUR 1,638 thousand. In the reporting year 2018, ANECON was merged with Nagarro GmbH, Vienna, so that no separate disclosures can be made for the ANECON Group for the year 2018. The ANECON Group was integrated into the "Technology" segment. ANECON Software Design und Beratung GmbH, Dresden, was renamed Nagarro Testing Service GmbH in the 2018 financial year.

Acquisition of Objectiva Software Solutions, Inc., San Diego, USA

On June 8, 2018, Allgeier Project Solutions GmbH signed a purchase agreement for the acquisition of 100 percent of the shares of Objectiva Software Solutions, Inc. with headquarters in San Diego, California, USA ("Objectiva"). The company specializes in software development solutions and cross-platform technology implementation, particularly in the areas of e-commerce and content. Objectiva has a sales network at several US locations and maintains with its two subsidiaries Objectiva Software Solutions (Beijing) Co. Ltd., Beijing, China, and Objectiva Software Solutions (Xi'an) Co. Ltd., Xi'an, China, two software development centers in China with a total of around 450 highly qualified developers (all Objectiva companies together referred to as the "Objectiva Group").

A fixed purchase price of USD 14.0 million (EUR 12,019 thousand) and variable purchase price components of up to USD 26 million were agreed for the acquisition of the company. The variable purchase prices depend on reaching certain EBITDA targets in the 2018 to 2021 years. A maximum of USD 7.0 million may be paid for 2018, USD 9.0 million for 2019 and USD 10.0 million for 2020, with unused maximum amounts increasing the cap for the following year. When calculating the variable purchase price to be capitalized, the Allgeier Group assumed that the planning submitted by the company would be adhered to. According to this plan, the earn-out will be achieved in full and will be paid in installments of USD 8.2 million, USD 8.1 million and USD 9.7 million in the years 2020 to 2022. In euros and after discounting, the capitalized variable purchase price consequently amounts to EUR 21,573 thousand. In addition to the purchase price, consulting and due diligence costs of EUR 243 thousand were incurred, which were recorded as other operating expenses.

The Objectiva Group was initially consolidated on July 1, 2018. With the fulfillment of the closing conditions, control over the company was transferred to the Allgeier Group at that time. The consolidated financial statements of the Objectiva Group prepared as of the initial consolidation date show assets of EUR 7,065 thousand and liabilities of EUR 5,153 thousand. The identification of hidden reserves and hidden charges to be recognized as part of initial consolidation according to IFRS led to the capitalization and recognition of customer relationships in an amount of EUR 683 thousand. In addition, a valuation allowance of EUR 69 thousand was recognized on receivables for two older receivables and a liability of EUR 1,770 thousand was recognized for potential tax receivables. In total, the Allgeier Group acquired net assets of EUR 590 thousand with the Objectiva Group. The capitalized purchase price of EUR 33,592 thousand and the net assets accordingly resulted in a difference of EUR 33,002 thousand, which was capitalized as goodwill. The goodwill from the acquisition of Objectiva is justified by the potential from future cooperation between the Objectiva Group and the Allgeier Group companies and the expansion of joint activities in Germany, Europe and the USA. The details of the carrying amounts and fair values of the Objectiva Group's net assets as of July 1, 2018 were:

(in EUR thousand)	Carrying amounts	Allocation	Fair values
Intangible assets	607	683	1,290
Property,plant and equipment	114	0	114
Trade receivables	3,480	-69	3,411
Other financial assets	144	0	144
Other assets	71	0	71
Cash and cash equivalents	2,649	0	2,649
Acquired assets	**7,065**	**614**	**7,679**
Provisions	858	0	858
Trade payables	57	0	57
Other financial liabilities	1,851	0	1,851
Other liabilities	8	0	8
Income tax liabilities	2,379	1,770	4,148
Deferred tax liabilities	0	166	166
Acquired liabilities	**5,153**	**1,935**	**7,089**
Net assets	**1,912**	**-1,322**	**590**

The acquired trade receivables have meanwhile been almost fully paid.

In the second half of 2018, the Objectiva Group achieved sales revenues of EUR 10,386 thousand and earnings before interest, taxes, depreciation and amortization of EUR 1,030 thousand. The Objectiva Group was integrated into the "Technology" segment.

Acquisition of iQuest SPP GmbH, Munich (formerly: Blitz 18-492 GmbH)

Allgeier Project Solutions GmbH, Munich, acquired all shares of Blitz 18-492 GmbH, Munich, on August 13, 2018. The purchase price of EUR 27 thousand was offset by equity and cash and cash equivalents of EUR 24 thousand each. The difference between the purchase price and the equity of EUR 3 thousand was written down. Immediately after the acquisition, the company was renamed iQuest SPP GmbH. As part of a program for the participation of employees in the iQuest Group, 38.92% of the shares in the company were sold to executives of the iQuest Group. Via iQuest SPP GmbH and a direct participation in iQuest Holding GmbH, a participation program was created for the employees concerned, through which they hold a total of 11.69% of the shares in the iQuest Group.

Acquisition of iQuest Holding GmbH, Karlsruhe

On August 13, 2018, Allgeier Project Solutions GmbH and iQuest SPP GmbH signed agreements to acquire 66.67 percent of the shares of iQuest Holding GmbH, Karlsruhe, ("iQuest"). As a result of the participation program placed in iQuest SPP GmbH, Allgeier SE now holds 60.82% of the shares in iQuest. iQuest is the parent company of a total of eight subsidiaries based in Germany, Romania, Poland and Switzerland (all iQuest companies together referred to as the "iQuest Group"). iQuest holds 100% of the shares in all subsidiaries. The iQuest Group develops individual software solutions for large international customers, particularly in the life sciences, telecommunications, financial services, transport and energy sectors. The remaining shares are held by the founder and the operational management of the company.

A purchase price of EUR 26,500 thousand was paid for the acquisition of the iQuest shares. In addition, costs of EUR 521 thousand were incurred, which were recorded as other operating expenses. The iQuest Group was consolidated for the first time after the closing conditions were met on October 1, 2018. With the acquisition of the iQuest Group, the Allgeier Group received assets totaling EUR 21,431 thousand and liabilities totaling EUR 6,802 thousand. In addition to the assets and liabilities recognized in the company's consolidated financial statements under German commercial law, customer relationships and order book positions totaling EUR 3,602 thousand were recognized, as were contractual assets and provisions. Deferred taxes of EUR 866 thousand net were attributable to the revaluations. The purchase price and net assets of EUR 14,629 thousand and the non-controlling interest of EUR 5,731 thousand resulted in a difference of EUR 17,602 thousand, which was capitalized as goodwill. The goodwill from the acquisition of the iQuest Group is based on the potential from the future cooperation of the iQuest Group with the other Allgeier Group companies and the expansion of joint activities in Germany and Europe. The details of the carrying amounts and fair values of the iQuest Group's net assets as of October 1, 2018 were:

(in EUR thousand)	Carrying amounts	Allocation	Fair values
Intangible assets	237	3,602	3,839
Property,plant and equipment	1,651	0	1,651
Contractual assets	-361	462	101
Trade receivables	7,520	0	7,520
Other financial assets	934	0	934
Other assets	681	0	681
Income tax receivables	198	0	198
Cash and cash equivalents	6,185	0	6,185
Deferred tax assets	1	321	322
Acquired assets	**17,046**	**4,385**	**21,431**
Bank borrowings	672	0	672
Provisions	1,129	496	1,625
Contractual liabilities	190	22	212
Trade payables	447	0	447
Other financial liabilities	1,962	0	1,962
Other liabilities	487	0	487
Income tax liabilities	208	0	208
Deferred tax liabilities	0	1,187	1,187
Acquired liabilities	**5,097**	**1,705**	**6,802**
Net assets	**11,949**	**2,680**	**14,629**

Trade receivables consist of a gross amount of EUR 7,646 thousand and value adjustments of EUR 126 thousand. Of the receivables, a total of EUR 7,181 thousand was paid in the remaining 2018 financial year.

In the fourth quarter of 2018, the iQuest Group generated revenues of EUR 9,049 thousand and earnings before interest, taxes, depreciation and amortization of EUR 382 thousand. The iQuest Group was integrated into the Technologies segment.

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Acquisition of Allgeier CORE GmbH (formerly consectra GmbH, Offenburg)

On August 9, 2018, Allgeier One AG, Munich, acquired all shares in consectra GmbH, Offenburg ("consectra"). Consectra is a consulting and service company specializing in IT service management, information security and data protection to protect the information of companies and public authorities. Allgeier SE expands its portfolio of IT security services through the acquisition of this interest. The Allgeier Group paid EUR 305 thousand for the acquisition of consectra. In addition, costs of EUR 26 thousand were incurred in connection with the acquisition, which were recorded as other operating expenses. After the acquisition, consectra was renamed Allgeier CORE GmbH.

With consectra, the Allgeier Group acquired assets totaling EUR 199 thousand and liabilities of EUR 70 thousand. In addition to the assets and liabilities recognized under commercial law, customer relationships amounting to EUR 61 thousand and deferred tax liabilities amounting to EUR 4 thousand net were identified and recognized. The difference between the purchase price and net assets resulted in goodwill of EUR 176 thousand. As part of the Allgeier Group, consectra aims to further expand its services in security awareness and ISMS consulting faster in terms of quality and number, which confirms the capitalization of goodwill. On the initial consolidation date, July 31, 2018, the carrying amounts and fair values of consectra's assets and liabilities were as follows:

(in EUR thousand)	Carrying amounts	Allocation	Fair values
Intangible assets	0	61	61
Property,plant and equipment	11	0	11
Inventories	9	0	9
Trade receivables	26	0	26
Other financial assets	4	0	4
Income tax receivables	28	0	28
Cash and cash equivalents	44	0	44
Deferred tax assets	0	15	15
Acquired assets	**122**	**77**	**199**
Provisions	2	0	2
Trade payables	17	0	17
Other financial liabilities	9	0	9
Other liabilities	23	0	23
Deferred tax liabilities	0	19	19
Acquired liabilities	**51**	**19**	**70**
Net assets	**71**	**58**	**129**

All acquired trade receivables were paid in the 2018 financial year. No value adjustments had to be made on the receivables.

In the period from August to December 2018, consectra generated sales revenue of EUR 363 thousand and earnings before interest, taxes, depreciation and amortization of EUR 95 thousand. Consectra strengthens the "New Business Areas" segment.

Acquisition of secion GmbH, Hamburg

On November 2, 2018, Allgeier One AG, Munich, acquired all shares in secion GmbH, Hamburg ("secion"). secion is active in two business areas, IT security business and output management. As the purchase price for the company, the parties agreed on a fixed purchase price of EUR 3,800 thousand and variable purchase price components of up to a maximum of EUR 2,450 thousand. Of the variable purchase prices, an initial share of EUR 917 thousand was dependent on the achievement of a target result for 2018. This part of the purchase price is expected to be paid in the second quarter of 2019. A second variable component of EUR 642 thousand is dependent on the fulfillment of a service contract with a company executive. In the positive event, this amount of EUR 500 thousand will fall due in 2020, EUR 100 thousand in 2021 and

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EUR 42 thousand in 2022 and will be recognized as other operating expense. A third variable component of EUR 642 thousand also requires the achievement of sales revenue and contribution margin targets in 2019 and 2020. It was also agreed that incoming payments of up to EUR 250 thousand from a contract with a customer would subsequently increase the purchase price. If the criteria for fulfilling the variable purchase prices are not met or not met in full, the earn-out is reduced accordingly or is waived completely. In addition to the purchase price, consulting and due diligence costs of EUR 95 thousand were incurred in 2018, which were recorded as other operating expenses. The fixed purchase price was paid in November 2018. secion was consolidated for the first time on November 1, 2018. secion was integrated into the Allgeier segment "New Business Areas".

With the acquisition of secion, the Allgeier Group received assets of EUR 2,610 thousand and liabilities of EUR 1,849 thousand. The assets and liabilities include hidden reserves in customer relationships of EUR 632 thousand determined as part of the initial consolidation as well as deferred taxes of EUR 196 thousand that are attributable to it. The capitalized purchase price of EUR 5,599 thousand (before discounting EUR 5,609 thousand) and the net assets of EUR 760 thousand resulted in goodwill of EUR 4,839 thousand. As part of and with the support of the Allgeier Group, secion will expand its IT security services in terms of quality and number, which justifies the capitalization of goodwill. The carrying amounts and fair values of secion's assets and liabilities as of November 1, 2018 were as follows:

(in EUR thousand)	Carrying amounts	Allocation	Fair values
Intangible assets	25	632	657
Property,plant and equipment	45	0	45
Inventories	1	0	1
Trade receivables	757	0	757
Other financial assets	17	0	17
Other assets	23	0	23
Cash and cash equivalents	1,109	0	1,109
Acquired assets	**1,978**	**632**	**2,610**
Bank borrowings	908	0	908
Provisions	146	0	146
Trade payables	343	0	343
Other financial liabilities	97	0	97
Other liabilities	30	0	30
Income tax liabilities	130	0	130
Deferred tax liabilities	0	196	196
Acquired liabilities	**1,654**	**196**	**1,849**
Net assets	**324**	**436**	**760**

Trade receivables show the balance of gross contractual receivables of EUR 771 thousand and a value adjustment of EUR 14 thousand. Of the receivables, a total of EUR 463 thousand was paid in the remaining months of the 2018 financial year.

In the months of November and December 2018, secion generated sales revenue of EUR 665 thousand and earnings before interest, taxes, depreciation and amortization of EUR 11 thousand

Acquisition of Allgeier Connect AG, Munich (formerly: Blitz 18-725 AG)

Allgeier SE, Munich, acquired all shares of Blitz 18-725 AG, Munich, on October 25, 2018. The company provides management and consulting services within the Allgeier Group and for third parties. The purchase price for the company was EUR 54 thousand. The purchase price was offset by equity and cash and cash equivalents of EUR 48 thousand each. The difference between the purchase price and the equity of EUR 6 thousand was written down. The company was renamed Allgeier Connect AG in December 2018.

Acquisition of AES SPP GmbH, Bremen (formerly: Blitz 18-616 GmbH, Munich)

Allgeier Enterprise Service AG, Bremen, acquired all shares in Blitz 18-616 GmbH, Munich, on December 19, 2018. The purchase price for the company amounted to EUR 25 thousand. The purchase price was offset by equity and cash and cash equivalents of EUR 24 thousand each. The difference of EUR 1 thousand resulting from the purchase price and equity was written down. Immediately after the acquisition, the company was renamed AES SPP GmbH and its registered office moved to Bremen. The company has established a program for the participation of executives in the SAP division of Allgeier, through which the executives held a total interest of 5% in the SAP Group.

Acquisition of GRC Partner GmbH, Kiel

Allgeier One AG, Munich, acquired all shares in GRC Partner GmbH, Kiel ("GRC Partner") by way of purchase agreements dated December 20, 2018. The company provides IT security services and develops and sells the DocSetMinder® compliance management software. A fixed purchase price of EUR 3,750 thousand and variable purchase price components of up to EUR 1,400 thousand were agreed for the acquisition of the company. The variable purchase prices are dependent on the managing directors and certain employees already working for the company continuing to work for the company and achieving certain license revenues. If these conditions are met, these purchase prices of EUR 1,085 thousand will be due for payment in January 2020, and EUR 325 thousand in January 2021. The variable purchase price is booked as other operating expenses in the month of payment. In addition to the purchase price, consulting and due diligence costs of EUR 116 thousand were incurred in 2018, which were recorded as other operating expenses. The fixed purchase prices from the acquisition of the GRC partners were paid in January 2019. Control of GRC was transferred to Allgeier with the purchase agreement, so that the company was consolidated for the first time in the Allgeier Group as of December 31, 2018.

With the acquisition of GRC Partner, the Allgeier Group received assets of EUR 506 thousand and liabilities of EUR 350 thousand according to the annual financial statements prepared in accordance with German commercial law as at December 31, 2018. In addition, hidden reserves in customer relationships and the acquired DecSetMinder® software totaling EUR 1,474 thousand and the related deferred taxes of EUR 457 thousand were identified and recognized as part of the initial consolidation. In total, this resulted in acquired net assets of EUR 1,173 thousand. The capitalized purchase price of EUR 3,750 thousand and the net assets resulted in goodwill of EUR 2,577 thousand. As part of and with the support of the Allgeier Group, GRC Partner will expand its IT security services in terms of quality and number, which substantiates the capitalization of goodwill.

The carrying amounts and fair values of the assets and liabilities of the GRC partners were as follows as of December 31, 2018:

(in EUR thousand)	Carrying amounts	Allocation	Fair values
Intangible assets	0	1,474	1,474
Property,plant and equipment	12	0	12
Inventories	0	0	0
Contractual assets	0	0	0
Trade receivables	188	0	188
Other financial assets	4	0	4
Other assets	0	0	0
Income tax receivables	0	0	0
Cash and cash equivalents	301	0	301
Deferred tax assets	0	0	0
Acquired assets	**506**	**1,474**	**1,980**
Bank borrowings	0	0	0
Provisions	13	0	13
Contractual liabilities	121	0	121
Trade payables	7	0	7
Other financial liabilities	51	0	51
Other liabilities	24	0	24
Income tax liabilities	134	0	134
Deferred tax liabilities	0	457	457
Acquired liabilities	**350**	**457**	**807**
Net assets	**156**	**1,017**	**1,173**

No value adjustments were applied to the acquired trade receivables amounting to EUR 188 thousand. Payment disruptions for these claims are not expected. In the Allgeier Group, the company will be integrated into the "New Business Areas" segment.

Disposal of Allgeier Medical IT GmbH, Freiburg, Germany

Due to the restructuring in the Enterprise Services segment, the IT Medical division was discontinued in 2018. In this connection, Allgeier Enterprise Services AG, Bremen, sold all shares in Allgeier Medical IT GmbH, Freiburg, including its subsidiary eHealthOpen Ltd., Birmingham, UK, by contract dated March 23, 2018. A purchase price of EUR 3,460 thousand was agreed for the company. With the sale, the Allgeier Group disposed of net assets of EUR 1,024 thousand. In addition, costs of EUR 589 thousand were incurred in connection with the sale, so that the gain from the sale amounted to EUR 1,847 thousand before income taxes. Allgeier Medical IT was deconsolidated as of March 31, 2018.

Allgeier Medical IT GmbH generated sales revenues of EUR 3,452 thousand and earnings before interest and taxes of EUR 460 thousand in the 2017 financial year. In the first quarter of 2018, the divested business generated sales revenues of EUR 687 thousand and earnings before interest and taxes of EUR 34 thousand.

Specifically, the following assets and liabilities were disposed of on March 31, 2018:

(in EUR thousand)	March 31, 2018
Intangible assets	14
Property,plant and equipment	21
Deferred tax assets	50
Non-current assets	**85**
Inventories	262
Trade receivables	968
Other current financial assets	29
Other current assets	64
Income tax receivables	5
Cash and cash equivalents	727
Current assets	**2,055**
Total assets	**2,140**
Other current provisions	48
Current contractual liabilities	532
Trade payables	253
Other current financial liabilities	186
Income tax liabilities	97
Current liabilities	**1,117**
Net assets	**1,024**

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Pro forma result of the merged companies

If the companies acquired in the 2018 financial year had already been consolidated in the Allgeier Group on January 1, 2018 and the companies acquired in the 2017 financial year had already been consolidated in the Allgeier Group on January 1, 2017, the sales revenues and earnings of the Allgeier Group would have been as follows:

REVENUE AND RESULTS (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
Sales revenues	728,467	574,439	687	3,452	729,154	577,891
Earnings before interest, taxes, depreciation and amortization	34,147	26,199	39	480	34,186	26,679
Earnings before taxes	16,184	10,700	34	460	16,218	11,160

No past figures are available for the business operations acquired in the 2017 financial year as part of insolvency proceedings. These figures were consequently not included in the pro forma results of the merged companies.

In the course of the conversion to IFRS 15, the previous year's figures were adjusted.

Subsidiaries with non-controlling interests

The following table shows the financial figures of the subsidiaries of the Allgeier Group in which Allgeier SE does not hold all shares.

FINANCIAL FIGURES OF THE SUBSIDIARIES (in EUR thousand)	mgm Group		mgm sp Munich		mgm cp Hamburg		Oxygen		Allgeier Experts Select		Nagarro Group		AES SPP Group	iQuest Group
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2018
Percentage rate non-controlling interests (effective)	20.00%	20.00%	44.00%	44.00%	44.00%	44.00%	10.00%	10.00%	20.00%	20.00%	15.57%	15.63%	5.00%	39.18%
Non-current assets	9,846	9,820	210	506	9	15	45	43	264	393	63,658	55,312	9,267	5,773
Current assets	34,704	26,907	1,299	1,757	3,324	3,842	697	849	802	962	81,711	61,119	20,131	16,388
Non-current liabilities	810	617	64	149	0	0	7	9	42	60	9,758	5,426	3,694	1,374
Current liabilities	18,308	10,996	801	1,427	2,386	1,975	46	62	2,466	1,153	75,788	60,862	25,584	6,300
Net assets	**25,433**	**25,114**	**644**	**687**	**947**	**1,882**	**688**	**820**	**-1,443**	**141**	**59,823**	**50,144**	**121**	**14,487**
Carrying amount of non-controlling interests	**5,860**	**6,201**	**427**	**440**	**180**	**460**	**84**	**82**	**-720**	**-404**	**11,049**	**9,731**	**13**	**5,658**
Sales revenues	74,805	64,872	3,976	3,377	11,893	9,794	609	953	4,550	4,674	204,095	154,533	67,393	9,049
Results of operating activities	10,290	7,642	474	241	1,401	1,145	86	75	-1,523	-81	15,400	13,409	1,348	-200
Earnings before taxes	2,357	7,640	461	162	1,368	1,145	98	88	-1,567	-93	14,391	13,007	1,966	-194
Net income	**1,020**	**5,198**	**305**	**73**	**922**	**771**	**75**	**69**	**-1,584**	**-184**	**8,637**	**7,188**	**1,467**	**-160**
Other comprehensive income	**-40**	**-5**	**0**	**0**	**0**	**0**	**-207**	**-174**	**0**	**0**	**1,043**	**-7,710**	**1**	**-351**
Total comprehensive income	**980**	**5,194**	**305**	**73**	**922**	**771**	**-132**	**-105**	**-1,584**	**-184**	**9,680**	**-522**	**1,467**	**-511**
Cash flow from operating activities	8,980	4,112	45	1,010	1,697	90	55	37	-1,461	458	-1,934	6,659	2,204	1,540
Cash flow from investing activities	-2,357	-1,725	-14	88	-2	-13	-19	-8	-12	-119	-6,839	-6,259	-916	5,940
Cash flow from financing activities	-667	-1,446	-361	-1,286	-1,890	0	11	13	1,505	-1,252	3,618	-1,429	769	-83
of which from dividends to non-controlling interests	-661	-569	-104	-348	-557	0	0	0	-645	-645	0	0	0	0
of which from payments from non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in cash and cash equivalents attributable to exchange rates	-34	60	0	0	0	0	-162	-138	0	0	-10	-840	0	85
Net increase (decrease) in cash and cash equivalents	**5,923**	**1,002**	**-330**	**-188**	**-195**	**77**	**-115**	**-96**	**33**	**-913**	**-5,163**	**-1,868**	**2,058**	**7,482**

Allgeier SE holds 80% of the shares in mgm tp Munich. mgm tp Munich in turn holds 70% of mgm sp Munich and mgm cp Hamburg, so that Allgeier SE holds 56% of the shares in these two companies.

VII. Currency translation

The functional currency of Allgeier SE and its subsidiaries located in the Eurozone is the euro. The functional currency of all other subsidiaries is their respective local currency. As part of the preparation of the consolidated financial statements, the annual financial statements of subsidiaries prepared in a foreign currency were translated into euros. The closing rates as of December 31, 2018 were used for the translation of assets and liabilities, and the annual average rates from the mean closing rates for the months January 2018 to December 2018 for income and expenses. For currencies which did not exist in the Group prior to 2018 or for which there was no company to be consolidated with this local currency, the average exchange rates are reported from the date on which the company belonged to the Group or was founded.

From the differences that occurred in the components included in equity from the translation from the reporting date rates of the year under review and the previous year, as well as from the historic rates, equity changes with no effect on profit or loss were adjusted.

The following exchange rates applied for the translation of annual financial statements prepared in foreign currencies:

FOREIGN CURRENCY EXCHANGE RATES					
		Average rate per 1 EUR		Period-end rate per 1 EUR	
		2018	2017	31-Dec-18	31-Dec-17
UAE dirham	AED	4.331	4.174	4.200	4.399
Australian dollar	AUD	1.583	1.477	1.625	1.534
Canadian dollar	CAD	1.535	-	1.559	-
Swiss franc	CHF	1.152	1.116	1.125	1.169
Chinese yuan renminbi	CNY	7.931	-	7.865	-
Czech crown	CZK	25.659	26.281	25.707	25.546
Danish krone	DKK	7.453	7.439	7.466	7.444
British pound	GBP	0.886	0.876	0.901	0.888
Indian rupee	INR	80.518	73.734	79.471	76.322
Japanese yen	JPY	129.987	133.008	126.180	134.960
Mexican peso	MXN	22.577	21.362	22.470	23.572
Malaysian ringgit	MYR	4.756	4.887	4.748	4.860
Norwegian krone	NOK	9.621	9.357	9.946	9.839
Polish zloty	PLN	4.303	-	4.295	-
Romanian leu	RON	4.645	4.569	4.652	4.652
Swedish krone	SEK	10.293	9.643	10.250	9.833
Singapore dollar	SGD	1.590	1.562	1.562	1.601
Turkish lira	TRY	5.689	4.145	6.019	4.531
US dollar	USD	1.179	1.137	1.144	1.198
Vietnamese dong	VND	27,105.275	25,592.380	26,521.100	27,120.000
South African rand	ZAR	15.890	-	16.485	-

In the consolidated non-current assets, the acquisition costs and the accumulated depreciation and value adjustments are translated at historical exchange rates. Differences arising from the translation of historical exchange rates to the closing rates on December 31, 2018 are shown in separate columns. In the statement of changes in provisions, the translation differences arising from the different closing rates between December 31, 2018 and December 31 of the previous year are also shown in a separate column.

Transactions in foreign currencies in the ordinary course of business are translated at the exchange rate prevailing on the transaction date. If from these postings, exchange rate gains or exchange rate losses occur due to payments or valuations at later points in time, these will be recognized in the income statement. Currency differences from expense and income consolidation are also recognized in the Income statement

VIII. Balance sheet

Intangible assets

The Allgeier Group capitalizes at fair value orders on hand, customer lists, websites, and products that have been acquired as part of business combinations. Amortization of the orders on hand occurs concurrently with revenue recognition of the orders. The acquired products are amortized on a straight-line basis over 4 years. The customer lists are amortized over a term of 5 years.

In-house developments are recognized as intangible assets, if the development costs can be reliably valued, and from which an economic benefit from a sale of the services anticipated in the future is probable. The capitalized costs for the in-house developments are measured at cost less accumulated depreciation and impairment. In-house developments are depreciated for the first time from the month of completion on a straight-line basis with a term of 4 years. If required, extraordinary impairments are applied to in-house developments.

Purchased software, licenses and rights are valued at their acquisition costs. Brands and domains are written off on a straight-line basis over a term of 15 years. Otherwise software, licenses and rights are subject to scheduled amortization on a straight-line basis over 3 to 6 years. Software, licenses and rights are capitalized if it is likely that the company will obtain a future economic benefit from the asset and the acquisition or production cost of the assets can be correctly determined.

On every balance sheet date, the Group reviews whether an unplanned decrease in value on the assets must be recognized. Interest on debt is not included in the cost of production.

Goodwill that occurs as part of business combinations is recognized as an intangible asset with an indefinite useful life. Goodwill is subject to annual impairment tests. If the recoverability is no longer present, impairment is taken on the goodwill. Impairment tests are also performed should certain findings indicate a need for necessary adjustments.

Property,plant and equipment

Non-current assets are recognized at cost of acquisition or production, less accumulated depreciation. For company-produced assets, the cost of production includes costs that can be directly assigned, pro-rata overhead costs and depreciation. Interest on borrowings is also included in the cost of production for buildings. Repair and maintenance costs are expensed directly. Straight-line depreciation is applied over the expected, estimated useful life of the assets. The carrying amounts of property, plant and equipment are subject to an impairment test as soon as this is indicated. Land, land rights and buildings, including constructions on third-party property, are measured according to the acquisition cost model. Straight-line depreciation on buildings is recognized over a maximum useful life of 50 years. Other plant, operating and office equipment is subject to straight-line depreciation over a period of 3 to 15 years.

Finance lease contracts are capitalized with their utilization value, if the conditions of the finance lease are met. For finance-lease, economic ownership of the leased assets is deemed to be held by the lessee, insofar as the lessee bears the material opportunities and risks associated with ownership of the leased asset. In this case, the leased asset is capitalized when the leasing agreement is concluded, at the present value of the lease payments plus incidental costs borne by the lessee. The depreciation of the utility values of the leased assets occurs in accordance with the terms of comparable assets. Payment obligations resulting from future lease payments are recognized as non-current and current liabilities. The lease payments are allocated to financing costs and the repayment share of the residual debt.

Determining whether an agreement is or contains a lease relationship is made on the basis of the economic content of the agreement at the time the agreement is entered into. An agreement is or contains a lease relationship, if the fulfillment of

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the contractual agreement depends on the use of a specific asset or assets and the agreement transfers a right to use the asset or assets, even if this asset or these assets is not/are not expressly specified in an agreement.

In addition to finance lease agreements, the Group has entered into lease agreements that meet the criteria for operating leases and are not capitalized. This includes, in particular, lease agreements for company vehicles, usually with a contractual term of 3 years and the subsequent return of the leased assets to the lessor at the end of the lease term. The leasing costs from operating leases are recognized as other operating expenses. The future obligations arising from these agreements are reported within other financial liabilities.

At-equity investments

Investments in joint ventures and associated companies are recognized according to the at-equity method. According to the at-equity method, the pro-rata share of the annual results leads to a corresponding increase or corresponding decrease of the investment's carrying amount in the consolidated financial statements. Pro-rata losses are written off with the carrying amount of the investment, and amounts greater than the carrying amount are offset with the loan granted on the at-equity investment. The goodwill related to associates is not amortized, but is part of the carrying amounts of the at-equity investments. .

Deferred tax

Deferred tax assets and liabilities are recognized for temporary differences between values for tax and financial reporting purposes and for consolidation measures affecting profit or loss. Deferred tax assets also include tax reduction claims resulting from the expected utilization of loss carry-forwards in subsequent years where utilization is assured with sufficient certainty.

Deferred taxes are calculated at the applicable or expected tax rates at the time of realization according to the current legal situation in the respective countries. Deferred taxes are calculated on the asset and liability differences of temporary differences between the IFRS carrying amounts and the tax bases as well as the loss carryforwards realizable according to planning using country-specific tax rates, taking into account any company-specific features (e.g. municipal trade tax rates in Germany, tax-reduced start-up phase in India). The country-specific tax rates are as follows (see table on the left).

COUNTRY	TAX RATE	
	2018	2017
Germany	31.0%	31.0%
Austria	25.0%	25.0%
USA	27.0%	27.0%
India	34.0%	34.0%
Romania	16.0%	-
Sweden	21.4%	-
Denmark	22.0%	22.0%
France	33.3%	33.3%
Norway	22.0%	23.0%
Turkey	20.0%	20.0%
Switzerland (Canton of Zürich)	21.1%	-
Switzerland (Canton of Zug)	-	12.5%
Australia	30.0%	-
Malta	35.0%	-

Deferred tax assets and liabilities are netted if they can be offset in relation to a tax authority. Deferred tax assets and liabilities are reported under non-current assets and non-current liabilities.

Contract costs

Capitalized contract costs in the Allgeier Group relate to the costs of fulfilling a customer contract. If the costs of fulfilling the contract are not within the scope of another standard (e.g. inventories, intangible assets or property, plant and equipment), they must be capitalized separately in the balance sheet if they create resources in connection with a customer contract and it is expected that the costs will be covered by future revenues. They are measured at direct costs plus proportionate production overheads. Capitalized costs are expensed as incurred in accordance with the revenue recognition to which the asset relates. The amortization period must also include probable contract extensions in the future. If the expected sales revenues less expenses still to be incurred are lower than the contract costs to be capitalized, an impairment loss is recognized.

Inventories

Inventories consist primarily of purchased hardware and software intended for resale to customers. Inventories are valued at the lower of the cost and net realizable value. The weighted average method is used to establish the cost of acquisition. Impairments are recognized if the cost of acquisition or net realizable value has decreased on the reporting date.

Contractual assets and liabilities

If one of the contractual parties between Allgeier and a customer has fulfilled its contractual obligations, a contractual asset or contractual liability is shown on the balance sheet, depending on the relationship between Allgeier's performance and the customer's payment. Contractual assets and liabilities are mainly reported as current, as they generally arise within the normal operating cycle of less than one year.

Contractual assets and liabilities include customer-specific construction contracts that are accounted for using the percentage-of-completion method (PoC) in accordance with IFRS 15. Revenues are recognized in line with the stage of completion on the reporting date. The stage of completion corresponds to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs as at the reporting date. After deduction of the partial payments received, they are reported in the balance sheet under contractual assets and services if the contract balance is positive, and under contractual liabilities if the contract balance is negative. Borrowing costs are not capitalized in customer-specific orders.

Trade receivables

Trade receivables are recognized when the right to receive the consideration is no longer subject to any condition. Measurement is at amortized cost. These acquisition costs are determined applying the effective interest method. The carrying amount corresponds to cost less value adjustments. For trade receivables, the expected credit losses are calculated using a simplified approach on the basis of calculated loss rates derived from historical data and taking into account the respective customer and the economic environment of the region. Trade receivables are derecognized if payment is no longer expected.

Other financial assets

Other financial assets are recognized at nominal value, less allowances for doubtful accounts. For other financial receivables, expected credit losses are determined on the basis of default risks, either on the basis of defaults expected in the next twelve months or on the basis of the remaining term to maturity. Significant changes in default risks are taken into account. Receivables can be derecognized as part of factoring if essentially all opportunities and risks associated with ownership are transferred.

The Allgeier Group uses foreign exchange forwards and interest rate swaps as derivative financial instruments to reduce exchange rate risks. These hedging transactions are recognized at market value. Positive market values result in the recognition of a financial asset and negative market values in the recognition of a financial liability. Gains and losses due to changes in present value are recognized through profit or loss, unless the specific regulations for hedge accounting apply. Derivatives are recognized on the respective trading day.

Other assets and income tax receivables

Other assets and income tax receivables are recognized at their nominal values.

Cash and cash equivalents

Cash and cash equivalents include cash balances, bank balances and current deposits with original terms of less than three months. They are measured at their nominal values.

Treasury shares

Treasury shares are reported as negative values under equity. The purchase or sale of treasury shares does not affect profit or loss. All consideration received or paid is recognized directly in equity.

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Provisions for post-employment benefits

Pension provisions

Pension provisions are recognized for defined benefit obligations under pension plans for active or former employees of the Group. Defined benefit obligations are measured by a recognized actuary using the projected unit credit method under consideration of future wage, salary and pension trends. In the calculation according to actuarial principles based on "Richttafeln 2018 G" mortality tables (previous year: "Richttafeln 2005 G"), the individual pension commitments and, as a rule, the following general parameters are applied as the basis:

	31-Dec-18	31-Dec-17
Calculated interest rate for those with vested pensions	1.90%	1.90%
Calculated interest rate pensioners	1.70%	1.70%
Increase in the current pension	1.50%	1.50%
Rate of staff turnover	0.00%	0.00%

To a certain extent life insurance contracts were concluded to cover the pension commitments. Insofar as the life insurance contracts are pledged to the beneficiary, the present value of insurance policies is offset against the pension provisions.

The service cost (current and subsequent service cost, gains or losses due to plan changes or reductions) and interest expenses or revenues on the net obligation (pension obligations less present value of the plan assets) are reported on the income statement. To determine the interest income on plan assets – regardless of whether this is later offset against the interest expenses on the pension obligations or reported under interest income – only a typical interest yield on the plan assets at the discount rate of the projected unit credit at the start of the year is allowable.

Remeasurements due to actuarial gains and losses, as well as income on the plan assets (excluding interest on the net obligation) are recognized directly in other comprehensive income, directly in equity, and are not subsequently reclassified to the income statement. The actuarial gains and losses include the differences between the planned and actual projected unit credit at year-end and the effects of changes in the valuation parameters.

Obligations for defined contribution plans are expensed directly after the corresponding job performance of the employees.

Provisions for gratuities

The Indian companies have obligations for future gratuity payments to employees (gratuity obligations) that become payable when employees depart, regardless of termination by the employer or employee. These gratuity payments constitute a defined benefit plan according to IAS 19 and are valued using actuarial methods. Calculating the projected unit credit using actuarial principles is based on country-specific mortality tables for India and the following general parameters:

	31-Dec-18	31-Dec-17
Calculated interest rate	7.30%	7.15%
Salary increase p.a.	10.00%	10.00%
Rate of staff turnover p.a.	20.00%	20.00%
Remaining term of service to retirement in years	30	30

Other provisions

Other provisions are recognized when a legal or factual obligation to a third party exists due to a past event, which is expected to result in a future transfer of assets, and this future transfer of assets can be estimated reliably. The provisions are recognized for all identifiable risks and contingent liabilities at the expected amounts. The provisions are not offset against recourse claims. Warranty provisions are recognized based on past and/or estimated future claims. The cost for the recognition of provisions is reported on the income statement after deducting expected reimbursements. The non-current shares of the provisions are discounted.

Financial liabilities

Interest-bearing loans are recognized at the amount received on the date the loan is taken out. Transaction costs are recognized under financial liabilities. Subsequently, the financial liabilities are valued at amortized cost, with transaction costs distributed over the term using the effective interest method. Borrowing costs are expensed directly in the period in which they are incurred.

Trade payables

Trade payables are initially recognized at the settlement amount. Subsequently they are measured at amortized cost.

Other financial liabilities

Other financial liabilities are initially recognized at the settlement amount. Subsequently they are measured at amortized cost. The other financial liabilities include contingent liabilities from business combinations that are recognized and subsequently measured at fair value. The non-current portion of other financial liabilities is recognized at the present value of the expected future payments. Market interest rates according to the term are used.

Other liabilities

Other liabilities are initially recognized at the cost of acquisition. Subsequently they are measured at amortized cost.

Financial instruments

Financial assets

The financial assets include financial investments, loans and receivables, derivatives with a positive present value and cash in hand. Based on their characteristics and the purpose for which they were acquired, the financial assets are assigned to the categories "financial assets measured at fair value", "financial assets not measured at fair value".

Since January 1, 2018:

Financial assets are subsequently measured in accordance with IFRS 9 in the categories "at amortized cost (AC)", "at fair value through changes in other comprehensive income (FVOCI)" and "at fair value through changes in fair value through profit or loss (FVTPL)". The classification of a financial instrument into one of these categories depends on the entity's business model, taking into account the risks of the financial assets and the terms of the instrument. The examination of the conditions comprises the assessment of whether contractually agreed cash flows are exclusively interest and principal payments on the principal amount.

A financial asset is measured at amortized cost using the effective interest method if it is held as part of a business model whose objective is to collect the contractual cash flows and the terms of the contract result exclusively in fixed interest and principal payments on the outstanding principal amount. Changes in value are recognized in profit or loss.

The FVOCI category includes financial assets held within the framework of a business model whose objective is both to collect the contractual cash flows and to sell those assets, provided that the terms of the contract result exclusively in fixed interest and principal payments on the outstanding principal. Subsequent measurement is at fair value. Changes in value are recognized directly in other comprehensive income (OCI).

Equity instruments and derivative financial instruments are allocated to the FVTPL category and net gains or losses and dividends are recognized in profit or loss.

Impairment losses on financial assets in the category "measured at amortized cost" and on contract assets are recognized in the amount of the expected credit loss if the credit risk has increased significantly since initial recognition. For receivables and contract assets, this involves checking at each balance sheet date whether there has been an impairment of creditworthiness and whether the default risk has thereby increased significantly. Both quantitative and qualitative information and analyses such as the length of time overdue, the nature and duration of financial difficulties or the geographical location are taken into account, and forward-looking assessments are made on the basis of past experience. Past more than 90 days due is considered objective evidence that the credit quality of an asset is impaired. If the creditworthiness of an asset is impaired or defaulted, the expected credit losses are recognized as an impairment loss over the entire term of the financial asset. If the credit risk has increased significantly since initial recognition, but no impairment of creditworthiness or default exists, the possible payment defaults over the entire term are taken into account as a value adjustment. In the case of trade receivables and contract assets, expected credit losses are measured with historical probabilities of default on the basis of an impairment matrix by maturity class. For all other financial assets, value adjustments are made in the amount of the portion of the expected credit losses that are possible within twelve months of the balance sheet date or are expected to be incurred within the remaining term. The value adjustment model of IFRS 9 requires discretionary decisions in forecasting the development of future economic conditions. However, the assumptions made are subject to uncertainties.

Until December 31, 2017:

In accordance with IAS 39, financial assets were subsequently measured at fair value and allocated to the categories through profit or loss, held to maturity, loans and receivables, and available-for-sale.

Loans and receivables and held-to-maturity financial assets are measured at amortized cost applying the effective interest method, and value changes are recognized in profit or loss. Financial assets in the "held to maturity" and "loans and receivables" categories were tested for impairment at each balance sheet date.

Available-for-sale financial assets were recognized at fair value, with unrealized gains and losses recognized directly in equity until realized, taking deferred taxes into account.

All other assets are measured at fair value (FVTPL). Interest income, dividends and other net gains or losses are recognized in the income statement.

Financial liabilities

The financial liabilities include liabilities to financial institutions, trade payables, liabilities under finance leases and other financial liabilities.

Based on their characteristics and the purpose for which they were acquired, the financial liabilities are assigned to the categories "financial liabilities measured at fair value", "financial liabilities not measured at fair value".

Financial assets valued at amortized cost are non-derivative financial assets with payments that are fixed or can be determined. They are recognized and subsequently measured using the effective interest method. When liabilities are derecognized, the resulting gains are recognized under other operating income. The financial liabilities measured at fair value through profit or loss include contingent purchase price liabilities from business combinations that are classified as measured at fair value through profit or loss when they are recognized. Subsequently these financial liabilities are measured according to the assignment to this category. Effects from the remeasurement of contingent purchase price liabilities are recognized through profit or loss.

IX. Income statement

The income statement was prepared applying the nature of expense method.

Allgeier recognizes revenue when control over goods or services is transferred to the customer. After the transfer, the customer has the ability to determine the use of the goods or services and essentially derives the remaining benefit. The prerequisite for this is that a contract with enforceable rights and obligations exists and that it is probable that the consideration will be received, taking into account the creditworthiness of the customer. Revenues correspond to the transaction price that Allgeier is expected to be entitled to. Revenues are reduced by rebates, customer discounts and bonuses granted to customers. Variable consideration (performance bonuses) is included in the transaction price when it is predominantly probable that there will be no significant reversal of sales revenues when the uncertainty associated with the variable consideration no longer exists.

If a contract comprises several identifiable goods or services, the transaction price is allocated to the performance obligations on the basis of the relative individual sale prices. For each performance obligation, revenue is recognized either at a specific point in time or over a specific period of time.

Revenue from products is recognized as soon as control of the products sold has been transferred to the buyer along with the associated opportunities and risks. This is usually the case upon delivery of the product. Service revenues are recognized depending on the contract provisions under consideration of the services provided. This is usually performed on the basis of days and hours worked. In case of fixed price contracts, service revenues are recognized based on the degree of order completion and under consideration of realized partial performance. In addition, revenues from user fees (licenses) are recognized on an accrual basis in accordance with the substance of the underlying contract.

As compensation for services provided, the Allgeier Group grants managers share-based payments in the form of equity instruments (stock options). Expenses for the job performance of employees who are granted the options to purchase shares of Allgeier SE in exchange are determined according to the fair value of the options on the day they are granted, including market-specific performance conditions. Other performance and market-neutral exercise terms and conditions that lead to the options not being exercised are not included in the fair value calculation. With the exception of subsequent adjustments to the exercise price, market-neutral exercise terms and conditions are taken into account in the assumption of the expected number of options that can be exercised. The calculated total value of an option tranche issue is recognized in profit and loss as staff costs in line with the agreed vesting period over a specified waiting period pro rata and when vested immediately. The offsetting entry is made directly in equity (capital reserve). At the end of each reporting period, the number of options that can be exercised based on market-neutral exercise terms and conditions has to be reviewed. Adjustments are made for subsequent deviations from the initial measurement and recognized in the income statement and in equity. New shares are issued when the options are exercised. Cash that is received, less transaction costs that can be directly assigned, is recognized in subscribed capital (nominal amount) and the capital reserve.

Operating expenses are recognized at the time of performance.

Borrowing costs are expensed in the period in which they are incurred.

Income taxes are determined according to the tax law provisions of the countries where the respective Group company is active.

X. Estimates and assumptions

When preparing the consolidated financial statements estimates and assumptions were made that affect the amount and disclosure of the reported assets and liabilities, as well as the disclosure of income and expenses. Even though these estimates and assumptions were made conscientiously, the actual values can deviate. The estimates and assumptions are always being reviewed. Necessary adjustments are recognized prospectively.

The estimates and assumptions mainly relate to the valuation of contingent purchase price components for business combinations, recording the impairment of current assets, the calculation of income tax liabilities and the measurement of provisions. If the estimates and assumptions are significant and an essential adaptation could be necessary in the 2019 financial year, this will be cited in the notes to the balance sheet. From today's perspective, material adjustments to the assets and liabilities recognized on the consolidated balance sheet are not expected in the following financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • GENERAL INFORMATION

B. NOTES TO THE CONSOLDATED BALANCE SHEET

1. Intangible assets

Intangible assets changed as follows:

INTANGIBLE ASSETS (in EUR thousand)

	Orders on hand	Customer lists	Products	Website	Software, licenses & rights	In-house develop-ments	Goodwill	Total
Carrying amount as at 31-Dec-16	**0**	**9,444**	**264**	**45**	**3,064**	**4,488**	**104,835**	**122,206**
Changes 2017:								
Additions to the scope of consolidation	321	3,837	454	0	225	0	9	4,864
Additions	0	0	0	0	1,685	1,870	0	3,837
Reclassification	0	0	0	10	-5	0	0	0
Currency differences	0	-400	-1	0	24	-5	-4,951	-5,410
Amortization: continuing operations	-211	-4,097	-212	-9	-1,749	-703	0	-7,438
Amortization: discontinued operations	0	0	0	0	-13	0	0	-7
Impairment	0	0	0	0	0	0	-9	-9
Carrying amount as at 31-Dec-17	**110**	**8,784**	**505**	**46**	**3,064**	**5,650**	**99,884**	**118,043**
Changes 2018:								
Additions to the scope of consolidation	866	5,930	1,162	0	247	102	63,803	72,110
Additions	0	0	0	0	1,292	2,093	0	3,385
Disposals at carrying amounts	0	0	0	-10	-101	0	0	-111
Currency differences	0	99	29	0	-16	3	2,368	2,483
Amortization: continuing operations	-526	-3,579	-274	-9	-1,981	-1,135	0	-7,504
Amortization: discontinued operations	0	0	0	0	-2	0	0	-2
Disposals from scope of consolidation	0	0	0	0	-14	0	0	-14
Impairment	0	-445	0	0	0	0	-9	-454
Carrying amount as at 31-Dec-18	**450**	**10,789**	**1,422**	**27**	**2,489**	**6,713**	**166,046**	**187,936**

With the exception of goodwill, intangible assets included in the scope of consolidation in foreign currencies were translated at the average exchange rates for the year. With the exception of "in-house developments", all intangible assets were acquired by purchase.

The intangible assets include the software, licenses and rights required for business operations, as well as orders on hand, customer lists, products, websites and goodwill identified for companies acquired.

In the 2018 financial year, orders on hand of EUR 866 thousand (previous year: EUR 321 thousand) were received as part of company acquisitions. The orders on hand were measured at their expected net amount determined as the order value for the orders less full costs. Orders on hand are written off when the underlying orders are realized and invoiced.

In the 2018 financial year, customer lists of EUR 5,930 thousand (previous year: EUR 3,837 thousand) were received as part of company acquisitions. To value the customer lists, historical sales revenues were examined and analyzed in accordance with the categories of regular customers and other customers, in order to determine what level of sales revenues can be expected to be generated in the next five years with regular customers. These sales revenues were recognized under customer lists at their expected net amounts on a full cost basis less discounts for possible drops in earnings, risks due to the lapse of time and customer dependencies, and less amounts already included as orders on hand. The customer lists are subject to straight-line amortization over a useful life of five years.

The acquired products are measured based on sales planning and the expected net amount for the products less risk discounts due to aging and technical obsolescence. A planning period of five years was used for measurement. The products are subject to straight-line amortization over four years. In the 2018 financial year, newly acquired subsidiaries received products amounting to EUR 1,162 thousand (previous year: EUR 454 thousand).

Goodwill results from the difference occurring between the purchase costs of interests in business combinations and the fair value of the assets, liabilities and contingent liabilities of shares the acquired companies on the acquisition date. With the acquisition of the Anecon Group, the Objectiva Group, the iQuest Group, consectra, secion and GRC Partner, goodwill of EUR 63,803 thousand was acquired in the 2018 financial year. The translation of companies not acquired in euros increased goodwill by a total of EUR 2,368 thousand (previous year: decrease): EUR 4,951 thousand). The currency differences were recognized in the consolidated statement of comprehensive income under other comprehensive income. The differences on the assets side arising from the acquisition of iQuest SPP GmbH, Allgeier Connect AG and AES SPP GmbH totaling EUR 9 thousand were written down.

Goodwill is subject to regular annual impairment tests and, insofar as indications of impairment exist, also on a case-by-case basis. The Allgeier Group uses the value-in-use methods on the basis of the projections for impairment tests. If market prices exist in individual cases, these are used for the measurement. For the measurement of the value-in-use, the value-in-use method applies the three-year planning of the cash generating unit ("CGU"). For the following years the method carries forward the cash flows of the third detailed planning year for all other years in the future. The cash flows are discounted in the perpetual period applying a capitalization interest rate after taxes of 3.42% (previous year: 3.20%), which corresponds to a capitalization interest rate before taxes of 3.54% (previous year: 3.33%). In the planning phase after the third planning year, the interest rates are reduced by a growth discount of 1 percentage point respectively. The interest rate takes debt and equity ratios into account that are derived from a group of comparative companies.

The following parameters were incorporated in calculating the capitalization rate:

CAPITALIZATION RATE	2018	2017
Interest rate for 10-year bonds	0.97%	0.95%
Equity ratio peergroup comparison	80.08%	76.87%
Debt ratio peergroup comparison	19.92%	23.13%
5-year beta factor Allgeier SE	0.5949	0.5635
Tax rate	30.00%	30.00%
Interest rate on debt	1.93%	1.88%
Risk premium for equity	5.00%	5.00%

In the 2018 financial year, all goodwill was considered recoverable. Goodwill changed for each of the cash generating units specifically as follows:

GOODWILL (in EUR thousand)	Group 31-Dec-18	Impairment	Currency differences	Additions	Group 31-Dec-17
Nagarro	46,212	0	1,625	5,598	38,989
mgm	4,067	0	0	0	4,067
Objectiva	33,660	0	658	33,002	0
iQuest	17,602	0	0	17,602	0
Solutions IP	4,125	0	85	0	4,040
Allgeier CORE Group	7,592	0	0	7,592	0
Experts	52,788	0	0	0	52,788
Other	0	-9	0	9	0
	166,046	**-9**	**2,368**	**63,803**	**99,884**

The newly acquired companies consectra, secion and GRC Partner, which were acquired in the 2018 financial year, are combined with Allgeier CORE Group GmbH (formerly Allgeier One AG) in the "Allgeier CORE Group" cash generating unit.

Individually the values-in-use of the cash generating units are as follows:

VALUES-IN-USE OF THE CASH-GENERATING UNITS (EUR thousand)	Nagarro	mgm	Objectiva	iQuest	Solutions IP	Allgeier CORE Group	Experts
Growth rates and values-in-use 2017							
Average annual revenue growth	11.3%	11.4%	-	-	10.7%	-	18.0%
Average annual growth of underlying cash flow	12.6%	11.8%	-	-	6.0%	-	96.6%
Value-in-use EUR million	**666**	**307**	**-**	**-**	**174**	**-**	**479**
Growth rates and values-in-use 2018							
Average annual revenue growth	10.4%	12.8%	31.4%	10.8%	5.3%	19.7%	4.3%
Average annual growth of underlying cash flow	11.6%	3.4%	58.8%	-10.1%	7.0%	24.8%	>100%
Value-in-use EUR million	**664**	**315**	**106**	**42**	**175**	**30**	**441**

2. Property, plant and equipment

The changes in property, plant and equipment were as follows:

PROPERTY, PLANT AND EQUIPMENT (in EUR thousand)

	Land, land rights and buildings	Other plant, operating and office equipment	Finance lease	Total
Carrying amount as at 12-Dec-16	**3,563**	**7,580**	**2,604**	**13,747**
Changes 2017:				
Additions to the scope of consolidation	0	220	0	220
Additions	79	4,334	1,282	5,695
Disposals at carrying amounts	-6	-210	-4	-220
Currency differences	-185	-64	-156	-405
Depreciation: continuing operations	-193	-3,806	-1,525	-5,524
Depreciation: discontinued operations	0	-13	0	-13
Impairment	0	-39	0	-39
Carrying amount as at 31-Dec-17	**3,258**	**8,002**	**2,201**	**13,461**
Changes 2018:				
Additions to the scope of consolidation	0	2,040	0	2,040
Additions	7	6,371	6,378	12,756
Disposals at carrying amounts	0	-269	-9	-278
Currency differences	-108	-3	-82	-193
Depreciation: continuing operations	-184	-4,492	-1,623	-6,299
Depreciation: discontinued operations	0	-3	0	-3
Disposals from scope of consolidation	0	-21	0	-21
Impairment	0	-33	0	-33
Carrying amount as at 31-Dec-18	**2,973**	**11,592**	**6,865**	**21,430**

Property, plant and equipment included in the scope of consolidation in foreign currency was translated at the average exchange rates for the year.

The Allgeier Group finances part of its operating and office equipment and intangible assets with finance lease contracts. On December 31, 2018, the carrying amount of these contracts amounted to EUR 6,865 thousand (previous year: EUR 2,201 thousand). In the 2018 financial year, new leasing contracts totaling EUR 6,378 thousand were received (previous year: EUR 1,282 thousand). The contracts have terms between 36 and 60 months. At the end of the term, leased assets can be purchased or returned to the lessor. The obligation to exercise the purchase option at the end of the contract term already exists under a finance lease agreement. This is a favorable purchase option for Allgeier. The minimum lease payments from the financial leases and the present values recognized as liabilities are as follows:

MINIMUM LEASE PAYMENTS & RECOGNIZED PRESENT VALUES (in EUR thousand)

	31-Dec-18	31-Dec-17
Minimum lease payments:		
Due within a year	2,268	1,277
Due between one and five years	5,071	1,005
Total	**7,339**	**2,282**
Present value of the minimum lease payments:		
with remaining period up to one year	2,073	1,201
with remaining term between one and five years	4,821	969
Total	**6,894**	**2,170**

The minimum lease payments were translated at the closing rate of December 31, 2018.

3. At-equity investments

The Allgeier Group accounts for Talentry GmbH, Munich ("Talentry") at equity. Allgeier SE held a total of 40.81% of the shares in Talentry until mid-2018. In the 2018 financial year, the company implemented a capital increase in a total amount of EUR 5,678 thousand. The Allgeier Group only participated in this capital increase to the amount of EUR 544 thousand, whereby the interest of Allgeier SE in the company was diluted to 33.34%. Talentry develops and sells a cloud-based enterprise software for the recruiting of employees using the contacts and social networks of the existing and participating employees (employees recruiting employees).

The Talentry result is to be allocated as follows:

TALENTRY GMBH (EUR thousand)	**2018**	**2017**
Sales revenues	1,381	994
Depreciation and amortization	-86	43
Interest income		0
Interest expenses		0
Income tax result		0
Net income	-3,242	-1,830
Total comprehensive income	-3,242	-1,830
Share of the Allgeier Group in the results for the period	**33.34%**	**40.81%**
Share of the Allgeier Group in the results for the period	**-1,081**	**-747**

The at-equity carrying amount of consists of the following:

TALENTRY GMBH (EUR thousand)	**31-Dec-18**	**31-Dec-17**
Non-current assets	167	176
Current assets without cash and cash equivalents	335	111
Cash and cash equivalents	3,075	170
Other current financial liabilities	-1,271	-582
Net assets	**2,306**	**-125**
Group's share in net assets in %	33.34%	40.81%
Group's share in net assets	769	-51
Goodwill	3,009	3,683
At-equity carrying amount	**3,778**	**3,632**

4. Other financial assets

Other financial assets break down as follows:

OTHER FINANCIAL ASSETS (in EUR thousand)	**31-Dec-18**			**31-Dec-17**		
	Total	**of which: non-current**	**of which: current**	**Total**	**of which: non-current**	**of which: current**
Security deposits	3,125	2,638	487	2,476	2,138	338
Loans from the sale of Terna	2,120	0	2,120	2,127	2,127	0
Interests in "Speedinvest"	1,474	1,474	0	985	985	0
Derivative financial instruments	1,040	0	1,040	458	0	458
Receivables from employees	1,016	0	1,016	1,044	0	1,044
Receivables from loans	466	0	466	455	0	455
Security	748	60	688	746	60	686
Loans from the disposal of former Group companies	625	300	325	900	600	300
Creditors with debit balances	292	0	292	958	0	958
Loans to shareholders of mgm cp Hamburg (floating rate)	210	210	0	400	400	0
Claims to the reimbursement of training costs from the participants of the GDE Group	20	0	20	865	0	865
Receivables from factoring	5	0	5	25	0	25
Loans to shareholders of mgm cp Hamburg (fixed rate)	0	0	0	283	0	283
Other	1,544	787	757	1,328	622	706
	12,685	**5,469**	**7,216**	**13,050**	**6,932**	**6,118**

The vendor loan from Terna, which was sold in 2015, amounted to EUR 2,120 thousand on December 31, 2018, including unpaid interest (previous year: EUR 2,127 thousand). The loan was repaid in full in January 2019.

Shares in "Speedinvest" are shares in the non-listed venture capital company, Speedinvest II EuVECA GmbH & Co. KG Vienna, Austria. Of the total capital commitment of EUR 2,000 thousand, a total of EUR 1,400 thousand (previous year: EUR 1,000 thousand) was paid in by the end of the 2018 financial year. According to the quarterly report of December 31, 2018, the fair value of the "total value to paid-in capital" calculated by the venture capital company was EUR 1,474 thousand at the end of 2018 (previous year: EUR 985 thousand).

The vendor loan granted in 2014 in connection with the sale of the Benelux Group still had a residual debt of EUR 625 thousand as at December 31, 2018 (previous year: EUR 900 thousand). The loan is to be repaid in the amount of EUR 300 thousand per year. The loan bears interest based on 12-month Euribor plus a margin of 3%. The interest is due and payable at the end of each year. On December 31, 2018 the interest rate was 2.86% (previous year 2.92%).

The remaining debt of the variable loan to non-controlling shareholders of mgm cp, Hamburg, amounted to EUR 210 thousand as of December 31, 2018 (previous year: EUR 400 thousand). The loan has a term until December 31, 2022. The annual interest is based on 1-year Euribor plus a margin of 2%.

The other receivables from loans are interest-bearing. In the main, these loans were agreed at fixed interest rates between 3% and 5% p.a.

5. Other assets

The other assets are composed as follows:

OTHER ASSETS (in EUR thousand)

	31-Dec-18			31-Dec-17		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Prepayments and accrued income	6,035	530	5,505	4,180	257	3,923
VAT receivables	5,050	0	5,050	3,401	0	3,401
	11,085	**530**	**10,555**	**7,581**	**257**	**7,324**

6. Deferred tax

Deferred tax assets and liabilities recognized on temporary differences between values for tax and financial reporting purposes, on consolidation measures affecting profit or loss, and on existing loss carry-forwards and impairments of loans between Group companies apply the following balance sheet items and items on the income statement as follows:

DEFERRED TAXES (in EUR thousand)

	31-Dec-18			31-Dec-17		
	Deferred tax assets	Deferred tax liabilities Taxes	Income statement	Deferred tax assets	Deferred tax liabilities Taxes	Income statement
Intangible assets	1,494	6,172	643	1,320	4,386	20
Property,plant and equipment	532	285	25	467	245	371
At-equity investments	0	0	57	0	57	-29
Contract costs	0	267	21	0	288	-288
Contractual assets and liabilities	73	353	56	3	269	-61
Miscellaneous financial assets	325	385	-416	325	28	149
Provisions for post-employment benefits	1,171	0	189	931	0	115
Other provisions	1,045	52	-176	978	185	-247
Other financial liabilities	273	0	196	77	0	-368
Temporary differences and consolidations recognized in profit or loss	**4,913**	**7,514**	**595**	**4,101**	**5,458**	**-338**
Loss carryforwards	6,192	0	2,244	3,948	0	268
Impairment of loans to Group companies	0	0	1,086	0	1,086	2,068
Offsetting	-1,618	-1,618	0	-3,054	-3,054	0
Continuing operations	**9,487**	**5,896**	**3,925**	**4,995**	**3,490**	**1,998**

As of December 31, 2018, the Allgeier Group had corporate income tax loss carryforwards of EUR 49,508 thousand (previous year: EUR 32,709 thousand) and trade tax loss carryforwards of EUR 31,713 thousand (previous year: EUR 23,762 thousand). The Group has deferred tax assets totaling EUR 13,769 thousand (previous year: EUR 9,065 thousand). Of the deferred tax assets, EUR 6,192 thousand (previous year: EUR 3,948 thousand) were recognized as deferred tax assets and EUR 7,577 thousand (previous year: EUR 5,117 thousand) were not recognized as an asset due to uncertainty concerning their utilization. The recognition of deferred tax assets from loss carryforwards results from expected future earnings allocations, from the reorganization of tax groups and from the subsequent tax utilization of start-up losses of newly acquired or established subsidiaries. The full repayment of an impaired intercompany loan led to the reversal of deferred tax liabilities totaling EUR 1,086 thousand in the 2018 financial year with an effect on profit or loss.

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Of the deferred tax assets, EUR 7,803 thousand (previous year: EUR 3,152 thousand) are current and of the deferred tax liabilities, EUR 2,630 thousand (previous year: EUR 1,390 thousand) are current. Current deferred taxes are reported within non-current assets and non-current liabilities.

7. Inventories

Financial expenses are composed as follows:

INVENTORIES (in EUR thousand)

	31-Dec-18			31-Dec-17		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Raw materials and supplies	111	0	111	54	0	54
Merchandise	379	0	379	448	0	448
Miscellaneous	22	0	22	11	0	11
	512	**0**	**512**	**513**	**0**	**513**

No impairment losses were recognized on inventories in the 2018 financial year (previous year: EUR 3 thousand). In the 2018 financial year, the cost of purchased materials amounted to EUR 3,054 thousand (previous year: EUR 1,802 thousand).

8. Contract costs

Amortization of EUR 155 thousand (previous year: EUR 25 thousand) was recognized on capitalized contract costs in connection with customer projects. No impairment losses were recognized on capitalized contract costs.

9. Contractual assets and liabilities

The contractual assets and liabilities at the balance sheet dates were as follows:

ASSETS AND LIABILITIES (in EUR thousand)

	31-Dec-18			31-Dec-17		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Customer projects measured according to the percentage-of-completion method	6,902	0	6,902	4,448	0	4,448
Contractual assets	6,902	0	6,902	4,448	0	4,448
Customer projects measured according to the percentage-of-completion method	2,410	0	2,410	2,404	0	2,404
Accruals and deferred income	5,046	129	4,917	5,018	191	4,827
Other timing differences between revenue recognition and customer billing	235	235	0	11	0	11
Contractual liabilities	7,691	364	7,327	7,433	191	7,242

The contractual assets and liabilities changed as follows in the 2018 financial year:

ASSETS AND LIABILITIES (in EUR thousand)	**Contractual assets**	**Contractual liabilities**
Balance on January 1, 2018	**4,448**	**7,433**
Currency effect	62	58
Addition due to corporate acquisitions	109	271
Revenue recognition	6,755	-7,424
Reclassification to trade receivables	-4,472	0
Advance payments received from customers	0	7,885
Disposal due to corporate disposals	0	-532
Balance on December 31, 2018	**6,902**	**7,691**

Revenues include EUR 7,213 thousand, which were reported under contract liabilities at the beginning of the financial year.

10. Trade receivables

Trade receivables are composed as follows:

TRADE RECEIVABLES (EUR thousand)		
	31-Dec-18	**31-Dec-17**
Loans and advances to customers	174,054	142,245
Factoring	-28,888	-26,743
Impairment of receivables from customers	-4,624	-3,383
	140,542	**112,119**

The Allgeier Group has an unchanged factoring volume of EUR 50 million at its disposal for the financing of customer receivables. The Allgeier Group recognizes the factoring "off-balance" after the entire default risk of these sold receivables transitions to the trade credit insurer, with whom the receivables, with the exception of receivables from public sector clients, are insured. Interest on the financed receivables is calculated at Euribor plus a margin of up to 1.3 percentage points. In December 2018, an interest rate of 0.94% p.a. was applied due to persistently negative short-term interest rates.

As at December 31, 2018, EUR 45,747 thousand (previous year: EUR 37,774 thousand) of this volume had been used. Of this amount, a portion of EUR 28,888 thousand (previous year: EUR 26,744 thousand) was offset against trade receivables and the remaining portion of EUR 14,104 thousand (previous year: EUR 11,030 thousand) paid by customers was reported under financial liabilities.

In the previous year, receivables from customers were adjusted due to the changeover to IFRS 15.

Nagarro Norway uses full-service factoring with the maximum volume of NOK 2 million (EUR 0.2 million). On December 31, 2018, the receivable from the factoring company amounted to EUR 5 thousand (previous year: EUR 25 thousand). Nagarro Norway pays 5.75% p.a. for factoring (previous year: 5.2% p.a.) on the volume submitted.

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11. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

CASH AND CASH EQUIVALENTS (in EUR thousand)		
	31-Dec-18	**31-Dec-17**
Bank balances	76,962	52,942
Cash balances	33	55
	76,995	**52,997**

Bank balances include term deposits and current account balances. They are highly liquid and available as means of payment on short notice. The demand funds are not subject to the risk of fluctuations in value, or only subject to such risk to an immaterial extent. Cash and cash equivalents are part of the funds of the Allgeier Group.

12. Subscribed capital

The subscribed capital of Allgeier SE on the reporting date of December 31, 2018 of EUR 10,088,649.00 (previous year: EUR 9,978,649.00) was divided into 10,088,649 no-par bearer shares. The calculated value per share based on the share capital is EUR 1.00. All of the company's no-par shares are of the same class. The shares are fully paid in.

In the 2018 financial year, the subscribed capital of Allgeier SE increased through the allocation of 110,000 new registered shares from Conditional Capital 2010 (subscription shares).

The Allgeier SE share was valued on December 28, 2018 at a closing price of EUR 25.10 in Xetra trading on the Frankfurt Stock Exchange. In the previous year, the share closed on December 29, 2017 at EUR 25.36.

Authorized capital

Until the registration of the resolution of the Annual General Meeting on June 29, 2018 to cancel Authorized Capital I and II on July 6, 2018 by resolution of the Annual General Meeting on June 17, 2014 (Authorized Capital I) and June 23, 2015 (Authorized Capital II), respectively, as amended by resolution of the Supervisory Board on June 21, 2017, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the company's share capital once or several times until

- June 16, 2019, by total of up to 1,814,300.00 by issuing up to 1,814,300 new no-par value registered shares (Authorized Capital I)
- June 22, 2020, by total of up to 1,814,301.00 by issuing up to 1,814,301 new no-par value registered shares (Authorized Capital II)

against cash or non-cash capital contributions. The Management Board with the approval of the Supervisory Board is authorized to exclude statutory shareholder subscription rights for the following cases:

- Authorized capital I
  (a) In the case of a rights issue for fractional amounts arising from the subscription ratio;
  (b) For a capital increase against non-cash capital contribution for the (also indirect) acquisition of companies, parts of companies, interests in companies or other assets, if the acquisition is in the interest of the company.

- Authorized capital II
  a) For a rights issue for odd lot amounts resulting from the subscription ratio;
  b) For a capital increase in exchange for non-cash capital contributions (also indirect) to purchase companies, parts of companies, investments in companies or other contributable assets in conjunction with such a purchase, when the purchase is in the interest of the company;
  (c) For a capital increase against cash contribution for a portion of the authorized capital of up to a total of EUR 1.00, provided that the issue price of the new shares is not significantly lower than the market price. The proportion of share capital allotted to the shares issued in exchange for non-cash capital contributions, calculated in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), must not exceed a total of 10 percent of share capital existing at the time this authorization takes effect – or if this value is lower – at the time this authorization is used. Shares that fall within this restriction are shares issued or sold during the term of this authorization until the time it is used in direct or appropriate application of this regulation, as well as shares that must be issued or granted due to a convertible bond issue that has been floated during the term of this authorization, excluding the subscription right in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG).

By resolution of the Annual General Meeting on June 29, 2018, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of Allgeier SE by June 28, 2023 against cash or non-cash capital contributions once or several times by a total of up to EUR 4,989,324 by issuing up to 4,989,324 new no-par value registered shares (Authorized Capital 2018). The Management Board with the approval of the Supervisory Board is authorized to exclude statutory shareholder subscription rights for the following cases:

- for a rights issue for fractional amounts resulting from the subscription ratio.
- for a capital increase in exchange for non-cash capital contributions (also indirect) to purchase companies, parts of companies, investments in companies or other assets when the purchase is in the interest of the company;
- a capital increase against cash capital contributions for a portion of the authorized capital of up to a total of EUR 997,864.00, provided that the issue price of the new shares is not significantly lower than the market price of the already listed shares at the time of the final determination of the issue price, which should occur as closely as possible to the placement of the shares. The proportion of share capital allotted to the shares issued in exchange for non-cash capital contributions, calculated in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), must not exceed a total of 10 percent of share capital existing at the time this authorization takes effect – or if this value is lower – at the time this authorization is used. Shares that fall within this restriction are shares issued or sold during the term of this authorization until the time it is used in direct or appropriate application of this regulation, as well as shares that must be issued or granted due to a convertible bond issue that has been floated during the term of this authorization, excluding the subscription right in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG).

In the 2018 financial year, the Management Board did not make use of the authorization to increase the share capital by utilizing the Authorized Capital I, Authorized Capital II Authorized Capital 2018.

Contingent capital

By resolution of the Annual General Meeting on June 17, 2010, amended by resolutions of the Annual General Meeting on June 17, 2014 and June 28, 2017, and the issue of 110,000 new no-par value registered shares from Contingent Capital 2010 (subscription shares) in the 2018 financial year, the share capital of the company was conditionally increased by up to EUR 350,000.00 through the issue of up to 350,000 new no-par value registered shares (Contingent Capital 2010). Conditional Capital 2010 serves to service the 350,000 option rights still outstanding.

By resolution of the Annual General Meeting on June 17, 2014, amended by resolutions of the Annual General Meetings on June 28, 2017 and June 29, 2018, the share capital of the company has been conditionally increased by up to EUR 140,000.00 through the issue of up to 140,000 new no-par value registered shares (Conditional Capital 2014). The Conditional Capital 2014 is intended for exercising 140,000 option rights under the Stock Option Plan 2014 that can be issued by the company until June 16, 2019. The company issued a total of 140,000 option rights in the 2017 financial year.

By resolution of the Annual General Meeting on June 28, 2017, the company's share capital was conditionally increased by up to EUR 3,500,000.00 by issuing up to 3,500,000 new no-par value registered shares (Conditional Capital 2014). The Conditional Capital 2017 serves to service convertible bonds, bonds with warrants and/or income bonds or participation rights with conversion or option rights, which may be issued by the company itself or a company in which it holds a direct or indirect majority by June 27, 2022. The Group has not issued any corresponding conversion or option rights to date.

The company's share capital was conditionally increased by up to EUR 340,000.00 by resolution of the Annual General Meeting on June 29, 2018 through the issue of up to 340,000 new no-par value registered shares (Conditional Capital 2018). The Conditional Capital 2018 is intended for exercising 340,000 option rights under the stock option plan 2018 that can be issued by the company until June 28, 2023. The company has not yet issued any corresponding option rights.

13. Capital reserves

The Group's capital reserves changed as follows:

CHANGE IN CAPITAL RESERVES (in EUR thousand)	2018	2017
Capital reserves as at January 1	32,214	17,033
Capital increase	0	15,512
Costs of the capital increase	0	-383
Exercise of stock options	942	0
Valuation adjustment of stock options according to IFRS	436	52
Capital reserve as at December 31	**33,592**	**32,214**

14. Retained earnings

Retained earnings comprise the statutory reserve of Allgeier SE. It remains unchanged from the previous year at EUR 102 thousand.

15. Treasury shares

The Annual General Meeting of Allgeier SE on June 29, 2018 authorized the Management Board to acquire treasury shares until June 28, 2023 with a volume of up to 997,864 shares (10% of the share capital at the time the resolution was passed) subject to the condition that these, together with other treasury shares already acquired and still held by the company, do not exceed 10% of the share capital. In the 2018 financial year no use was made of this authorization, so that the portfolio of 151,199 shares reserved as treasury shares, with a carrying amount of EUR 1,379 thousand did not change as compared to the previous year. If the portfolio is valued at the closing price on December 31, 2018 (closing price on December 28, 2018 in Xetra trading on the Frankfurt Stock Exchange) of EUR 25.10 per share, this results in a fair value of EUR 3,795 thousand and hidden reserves in treasury shares of EUR 2,416 thousand.

As of December 31, 2018, 1.50% (previous year: 1.51%) of the share capital consisted of treasury shares. Of the treasury shares, 56,417 are pledged as security for warranty claims in connection with the acquisition of the Nagarro Group and deposited in a securities account of Allgeier Nagarro Holding GmbH. Treasury shares are not entitled to dividends.

16. Profit carried forward

The Group's profit carried forward reports the following changes:

PROFIT CARRIED FORWARD (in EUR thousand)	2018	2017
Profit carried forward on January 1	68,671	68,689
Net profit or loss for the period of the previous year	2,801	4,442
Distribution to shareholders of Allgeier SE	-4,914	-4,460
Profit carried forward on December 31	**66,558**	**68,671**

The previous year's net profit for the period attributable to the shareholders of Allgeier SE of EUR 2,801 thousand (previous year: EUR 4,442 thousand) was transferred to profit carried forward.

On June 29, 2018, the Annual General Meeting of Allgeier SE approved a dividend of EUR 0.50 per share (previous year: EUR 0.50 per share). The total dividend amounted to EUR 4,914 thousand (previous year: EUR 4,460 thousand). A total of 9,827,450 shares were dividend-entitled (previous year: 8,920,301 shares).

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17. Changes in equity recognized directly in equity

The changes in equity recognized directly in equity are composed as follows:

CHANGES IN EQUITY RECOGNIZED DIRECTLY IN EQUITY (EUR thousand)	31-Dec-18	31-Dec-17
Recognized as OCI in the statement of comprehensive income		
Currency differences	7,253	5,365
Actuarial gains and losses	-582	-530
	6,671	**4,835**
Not recognized as OCI in the statement of comprehensive income:		
Sales of shares to non-controlling interests of the Nagarro Group as part of an employee stock purchase program	-6,319	-6,329
Sale of shares in AES SPP GmbH as part of an employee participation program	66	0
Proportional acquisition of subsidiaries using treasury shares	1,960	1,960
Purchase of shares of non-controlling interests below carrying amount	696	696
Purchase of shares of non-controlling interests above carrying amount	-6,316	-6,316
	-9,913	**-9,989**
	-3,242	**-5,154**

18. Equity share of shareholders with non-controlling interest

The equity attributable to non-controlling interests shows the minority interests in the equity of subsidiaries. It changed as follows:

EQUITY SHARE SHAREHOLDERS WITH NON-CONTROLLING INTEREST (in EUR thousand)	2018	2017
Balance at January 1	**15,611**	**13,488**
Sale of shares in non-controlling shareholders of AES SPP GmbH	12	0
Disposal of equity interests of SAP Group of Allgeier Group to non-controlling interests under AES SPP program	-67	0
Sale of shares to non-controlling interests of iQuest SPP GmbH	10	0
Addition of non-controlling interests from the acquisition of iQuest Holding GmbH	5,731	0
Addition of shares of former non-controlling shareholders of Nagarro Holding GmbH	-28	-8
Net profit or loss for the period attributed to non-controlling shareholders	2,421	1,683
Proportion of exchange rate changes not affecting net income	173	-2,085
Share of actuarial gains not affecting net income	-51	-12
Pay-outs to non-controlling shareholders	-1,869	-993
Addition of outstanding shares of non-controlling shareholders of GDE Holding GmbH	0	3,538
Balance on December 31	**21,943**	**15,611**

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In the 2018 financial year, a program was established for the participation of executives in Allgeier Consulting Services GmbH, Allgeier Midmarket Services GmbH, Allgeier ES France SAS, and Allgeier Enterprise Services A/S (collectively the "SAP Group"), whereby the executives held a total interest of 5% in the SAP Group. In this connection, shares in the equity of the companies concerned amounting to EUR -67 thousand were transferred to the equity share of non-controlling shareholders. In addition to the nominal amount of EUR 12,499 for shares in AES SPP GmbH, the purchase price for the investment was agreed to be a contribution to capital reserves totaling EUR 500 thousand. A total of EUR 262 thousand of the purchase price was paid in January 2019. The remaining amount was granted as an interest-bearing loan.

In August 2018, Allgeier Project Solutions acquired 60.82% of the shares of iQuest Holding GmbH. The non-controlling shareholders of iQuest Holding GmbH and iQuest SPP GmbH accounted for a total of EUR 5,731 thousand of this acquisition.

Employees left the Nagarro Group's employee participation program in the financial year under review, reducing the interest held by employees in Nagarro Holding GmbH to 15.57% (previous year: 15.65%). Allgeier Project Solutions GmbH agreed a price of EUR 17 thousand for the acquisition of the shares (previous year: EUR 1 thousand). As a consequence, the non-controlling interest in equity decreased by EUR 28 thousand (previous year: EUR 8 thousand). The program makes provision whereby a maximum of approximately 17.38% of the shares of Nagarro Holding GmbH can be issued to Nagarro Group employees.

mgm cp Hamburg and mgm sp Munich distributed EUR 662 thousand of the unappropriated net profit as of December 31, 2017 to non-controlling shareholders of the Allgeier Group in the 2018 financial year. Under the profit and loss transfer agreement concluded in 2018, dividends amounting to EUR 1,207 thousand are allocated to the non-controlling shareholders of mgm tp Munich. This amount will be paid out in the 2019 financial year.

19. Financial liabilities

The financial liabilities are composed as follows:

FINANCIAL LIABILITIES (in EUR thousand)

	31-Dec-18			31-Dec-17		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Syndicated loan	145,000	145,000	0	77,000	77,000	0
./. Deferred one-time costs	-627	-462	-165	-791	-627	-164
Borrower's note loan	19,000	5,500	13,500	19,000	19,000	0
./. Deferred one-time costs	-49	-22	-27	-91	-49	-42
Liabilities from factoring customer receivables	14,104	0	14,104	11,030	0	11,030
Overdraft facility of Nagarro Software Pvt. Ltd.	2,900	0	2,900	0	0	0
Bank loans of iQuest Technologies SRL	582	233	349	0	0	0
Overdraft facility of Nagarro Enterprise Services Pvt. Ltd.	549	0	549	0	0	0
Mortgage of Nagarro Enterprise Services Pvt. Ltd.	156	0	156	320	149	171
Car loan of Allgeier Engineering Czech s.r.o.	62	49	13	0	0	0
Bank loan of Nagarro Inc.	0	0	0	1,670	0	1,670
Overdraft facility of Allgeier Experts Medical GmbH	0	0	0	604	0	604
SME loan of Allgeier Experts Select GmbH	0	0	0	45	0	45
Other	0	0	0	13	0	13
	181,677	**150,298**	**31,379**	**108,800**	**95,473**	**13,327**

To finance the growth of the Allgeier Group, Allgeier SE has concluded a syndicated credit facility of EUR 180 million and borrower's note loans of EUR 19.0 million.

- At the end of 2018, the syndicated credit facility of EUR 145 million had been drawn down. The loan has a term of 5 years. The loan bears interest based on Euribor plus a margin depending on the financial ratios. The interest rate at the end of 2018 was 1.8% p.a. (previous year: 1.4% p.a.).
- The individual borrower's note loans are as follows:

TRANCHE (in EUR thousand)	**Term** (months)	**Issue**	**Repayment**	**Interest rate**
4,000	84	March 2012	March 2019	4.78%
9,500	60	December 2014	December 2019	1.81%
5,500	84	December 2014	December 2021	2.33%

The EUR 4.0 million tranche of the borrower's note loan was repaid in March 2019.

The syndicated loans and borrower's note loans were issued with one-off costs accrued over the term of the loans.

In the context of factoring customer receivables, the factor pays the submitted receivables lists on two specified days in the month. The payments received are offset against the individual trade receivables. In cases in which the individual receivables are paid by customer in the period between payment by the factor and the end of the month, the amounts received by the factor are recognized in financial liabilities. On December 31, 2018, these liabilities amounted to EUR 14,104 thousand (previous year: EUR 11,030 thousand). The liabilities have variable interest rates and were carried interest at 0.94% p.a. at the end of 2018 (previous year: 0.94% p.a.).

In 2018, Nagarro Software Pvt. Ltd. concluded a number of local term loans in euros to finance fluctuations in its working capital. As of the balance sheet date, the total amount of these term loans listed in euros was EUR 2,900 thousand. These loans will be repaid in the first quarter of 2019. The average interest rate on these forward loans was 1.72% p.a. in the financial year under review.

In the 2017 financial year, iQuest Technologies SRL, Cluj, Romania, took out a bank loan totaling EUR 1,045 thousand with an original term of 3 years. This variable-rate loan still has a residual value of EUR 582 thousand as of December 31, 2018. The loan will be repaid in monthly installments and will be fully repaid by August 2020. At the end of 2018 the interest rate was 1.60% p.a.

Nagarro Enterprise Services Pvt. Ltd., Jaipur, India, concluded a short-term overdraft facility with a local bank in the amount of EUR 550 thousand during the financial year. As of December 31, 2018, this credit line was drawn on at the equivalent of EUR 549 thousand. The interest rate was 1.85% p.a.

Nagarro Enterprise Services Pvt. Ltd, Jaipur, India, signed a mortgage loan to finance an office building in Jaipur in 2012. On December 31, 2018, the remaining debt of the loan issued in US dollars still amounted to USD 179 thousand or EUR 156 thousand (previous year: USD 384 thousand or EUR 320 thousand). This loan has a variable interest rate and is linked to the development of USD-LIBOR. The interest rate as at December 31, 2018, was 8.88% p.a. (previous year: 7.67% p.a.). The loan will be repaid in monthly installments of USD 17 thousand each. Property, plant and equipment of the borrower were pledged as collateral. On December 31, 2018, it had a carrying amount of EUR 2,165 thousand (previous year: EUR 2,420 thousand).

Allgeier Engineering Czech s.r.o. took out long-term loans in Czech crowns in the year under review to finance vehicles, which are repaid regularly. The remaining debt as of December 31, 2018 amounted to EUR 62 thousand. The interest rate is between 4.3% p.a. and 5.6% p.a.

There were no defaults on payments during the reporting period or after the end of the financial year. All financial ratios to which Allgeier SE or Allgeier Group companies have committed themselves within the framework of loans and credit agreements were complied with in the 2018 financial year.

20. Provisions for post-employment benefits

To cover post-employment benefit obligations, the Allgeier Group recognized provisions of EUR 3,924 thousand as of December 31, 2018 (previous year: EUR 3,189 thousand). These amounts are reconciled as follows:

PENSION PROVISIONS (in EUR thousand)			**2018**			**2017**
	Germany	**India**	**Total**	**Germany**	**India**	**Total**
Reconciliation of projected unit credit:						
Projected unit credit on January 1	958	2,516	3,474	909	2,213	3,122
Current service cost	28	678	706	26	606	632
Interest cost	18	161	179	17	134	151
Actuarial gains or losses	66	106	172	30	-155	-125
Benefits paid	-24	-200	-224	-24	-126	-150
Currency	0	-90	-90	0	-156	-156
Projected unit credit on December 31	**1,046**	**3,171**	**4,217**	**958**	**2,516**	**3,474**
Reconciliation of plan assets:						
Plan assets at fair value on January 1	285	0	285	277	0	277
Returns on plan assets	5	0	5	5	0	5
Employer contributions	9	0	9	9	0	9
Benefits paid	-6	0	-6	-6	0	-6
Actuarial gains or losses	0	0	0	0	0	0
Plan assets at fair value on December 31	**293**	**0**	**293**	**285**	**0**	**285**
Net obligation on December 31	**753**	**3,171**	**3,924**	**673**	**2,516**	**3,189**
of which non-current	734	2,767	3,501	654	2,227	2,881
of which current	19	404	423	19	289	308

The income and expenses from the change in net benefit obligations (benefit obligations less life insurance policies covering the pension liability) affected the consolidated statement of comprehensive income as follows:

INCOME AND EXPENSES FROM THE CHANGE IN THE NET PENSION OBLIGATION (in EUR thousand)			**2018**			**2017**
	Germany	**India**	**Total**	**Germany**	**India**	**Total**
Staff costs						
Current service cost	28	603	631	26	606	632
Past service cost	0	75	75	0	0	0
Staff costs	28	678	706	26	606	632
Finance income						
Income on plan assets (cannot be offset)	0	0	0	0	0	0
Other interest and similar income	0	0	0	0	0	0
Finance expenses						
Interest cost	18	161	179	17	134	151
Income on plan assets (can be offset)	-5	0	-5	-5	0	-5
Interest and similar expenses	**13**	**161**	**174**	**12**	**134**	**146**
Recognized in the income statement	**41**	**839**	**880**	**38**	**740**	**778**
Gain/loss from revaluation of pension obligations						
due to changes in demographic assumptions	16	0	16	0	0	0
due to changes in financial assumptions	0	-24	-24	-2	-339	-341
due to empirical adjustments	49	130	179	32	184	216
Income/expenses on plan assets without interest income	0	0	0	0	0	0
Included in other comprehensive income	**65**	**106**	**171**	**30**	**-155**	**-125**

Pension obligations (Germany)

As of December 31, 2018, the Allgeier Group had defined benefit plans for three persons in the form of direct pension commitments. Of the eligible persons, one is active in the Allgeier Group and two persons are pensioners. In two cases the commitments call for the payment of fixed monthly amounts or fixed one time amounts. In one case, a fully dynamic pension with an annual increase of 2% was agreed. The pension payments are made starting at the committed retirement age or in case of disability. For one pension beneficiary, a widow's pension is agreed. All commitments are vested. The number and composition of the pension beneficiaries have not changed since the previous year's reporting date.

In case of larger specific obligations, the risk of beneficiary longevity is covered in whole or at least in part via life insurance policies covering the pension liability. The plan assets consist exclusively of the present value of life insurance contracts covering the pension liabilities.

Payments into the defined benefit plan are expected to amount to EUR 9 thousand in 2018 (previous year: EUR 9 thousand).

The weighted average expected term of the defined benefit pension obligations as of December 31, 2018 is as follows:

NUMBER OF PENSION BENEFICIARIES	**Active employees**	**Pensioners**	**Total**
Balance on December 31, 2017	9.8	9.7	9.8
Balance on December 31, 2018	8.8	9.3	9.0

Gratuity obligations (India)

The Indian companies have obligations for future gratuity payments to employees (gratuity obligations) that become payable when employees depart, regardless of termination by the employer or employee. These severance payments represent a defined benefit plan in accordance with IAS 19.

As of December 31, 2018, the average expected length of service until an employee leaves the company was 5.0 years (previous year: 5.0 years).

Sensitivity analysis

Due to the existing benefit commitments, the Group is exposed to the following actuarial risks:

Longevity risk	The higher life expectancy is higher than the best possible estimate according to the mortality tables. This increases an actual pension obligation at a later date.
Investment risk	The calculated interest rate to determine the present value of the benefit obligations is derived from the yield on first-class corporate bonds. If the return on plan assets is lower than this interest rate, the pension plan will be underfunded.
Interest change risk	A decrease in interest on corporate bonds leads to an increase in benefit obligations, but this can be partly compensated by higher plan assets.
Salary risk	Subsequent, unexpected salary increases lead to an increase in benefit obligations linked to remuneration.

The actuarial parameters used for calculating the projected unit credit and for the change risks are the calculated interest rate, the expected annual salary increases for commitments linked to remuneration (salary dynamics), as well as for the pension the annual increase in the current pensions (pension dynamics). Under the assumption that the remaining parameters are constant, the projected unit credit of the benefit obligations on December 31, 2018 changes according to the following sensitivity analysis:

CHANGE IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS AS AT DECEMBER 31, 2018 (in EUR thousand)	Germany		India		Total	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Calculated interest rate (1.00% change)	-101	116	-154	171	-255	287
Wage trend (1.00% change)	0	0	157	-147	157	-147
Pension trend (0.25% change)	1	-1	-	-	1	-1

The above sensitivity analyses were performed using a process that extrapolates the effect of realistic changes in key assumptions at the end of the reporting period on the defined benefit obligation.

Defined contribution plans

Employer contributions of EUR 21 thousand (previous year: EUR 11 thousand) were paid for defined contribution plans in the financial year under review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • NOTES TO THE CONSOLIDATED BALANCE SHEET

21. Other financial liabilities

Other financial liabilities are composed as follows:

OTHER FINANCIAL LIABILITIES (in EUR thousand)	31-Dec-18			31-Dec-17		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Variable purchase price liabilities from business combinations, where the actual amount is not yet known	27,664	26,355	1,309	1,298	977	321
Liabilities from wages and salaries	8,898	0	8,898	7,438	0	7,438
Leave entitlements	8,347	697	7,650	6,036	634	5,402
Liabilities from finance lease	6,894	4,821	2,073	2,170	969	1,201
Pending incoming invoices	4,535	0	4,535	5,736	0	5,736
Fixed purchase price of GRC Partner GmbH acquired in December 2018	3,750	0	3,750	0	0	0
Social security liabilities	3,562	0	3,562	692	0	692
Original variable purchase price liabilities from business combinations, where the actual amount is not yet known	1,557	0	1,557	1,384	0	1,384
Profit transfer from profit shares of non-controlling shareholders of mgm tp Munich	1,207	0	1,207	0	0	0
Working time accounts	1,130	0	1,130	1,016	0	1,016
Derivative financial instruments	314	0	314	254	0	254
Purchase price liability from the call option to acquire the remaining shares of Allgeier Productivity Solutions GmbH	300	0	300	800	0	800
Customers with credit balances	224	0	224	85	0	85
Advance payments received on orders	27	0	27	101	0	101
Miscellaneous	2,911	773	2,138	2,148	524	1,624
	71,320	**32,646**	**38,674**	**29,158**	**3,104**	**26,054**

Obligations arising from vacation days not yet taken and granted to employees of Allgeier companies as of the balance sheet date are recognized as vacation obligations. Expenditure per leave day is calculated according to the individual average salary (excluding one-time payments) of the employees in the financial year under review, including social security contributions. Claims for leave days of the subsequent year were not offset either as assets or liabilities.

In the outstanding incoming invoices, invoices for goods and services received in the financial year under review that have not yet been received by the closing date for accounting are carried as liabilities.

Variable purchase price liabilities from business combinations where the actual amount is not known depend on conditions in the future being achieved. These liabilities are recognized on the basis of the expected future payments and the planning calculations of the companies as well as the agreements concluded between the parties. If it is the case in the future that the contingent purchase price components are higher or lower or no longer apply in full, the differences resulting from the adjustments to the purchase price liabilities are recognized as income or expenses in the consolidated statement of comprehensive income. The non-current purchase price liabilities were recognized at the present value of the expected future payments. Market interest rates published by the Bundesbank were used as interest rates. Depending on the maturities, interest rates between 1.28% (previous year: 1.61%) and 1.36% (previous year: 2.17%) were assumed for the valuation of liabilities as of December 31, 2017. The non-current purchase price liabilities of EUR 977 thousand (previous year: EUR 2,766 thousand) are based on a total nominal value of EUR 1,000 thousand (previous year: EUR 3,182 thousand). Other non-current financial liabilities have terms of between one and five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • NOTES TO THE CONSOLIDATED INCOME STATEMENT

The working time accounts show the obligations from time balances of the working time accounts of the employees of the Group companies. The time accounts are valued at the individual average salaries of the employees, including social costs, excluding vacation, sick leave, public holidays and one-off payments.

22. Other provisions

Other provisions are composed as follows:

OTHER PROVISIONS (in EUR thousand)

	31-Dec-18			31-Dec-17		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Royalties and bonuses	14,446	0	14,446	11,148	0	11,148
Preparation and audit of annual financial statements	1,360	0	1,360	1,091	0	1,091
Employers' liability insurance association	817	0	817	698	0	698
Restructuring, severance pay	615	0	615	274	0	274
Storage	381	317	64	371	294	77
Warranties	626	0	626	303	0	303
Disability levy	285	0	285	243	0	243
Other	1,408	241	1,167	1,274	0	1,274
	19,938	**558**	**19,380**	**15,402**	**294**	**15,108**

Other provisions changed as follows:

OTHER PROVISIONS (in EUR thousand)

	Balance on 31-Dec-17	Additions to consolidation scope	Consumption	Reversal	Disposal from the scope of consolidation	Additions	Unwinding of discount	Currency effects	Balance on 31-Dec-18
Royalties and bonuses	11,148	1,082	-11,081	-572	-32	13,905	0	-3	14,446
Preparation and audit of annual financial statements	1,091	74	-915	-21	-5	1,133	0	2	1,360
Employers' liability insurance association	698	5	-686	-9	0	809	0	0	817
Restructuring, severance pay	274	0	-115	-101	0	557	0	0	615
Storage	371	6	0	-14	-2	18	3	-1	381
Warranties	303	0	0	-68	-5	396	0	2	626
Disability levy	243	0	-226	-8	-4	280	0	0	285
Other	1,274	233	-1,077	-184	0	1,187	0	-25	1,408
	15,402	**1,400**	**-14,100**	**-977**	**-48**	**18,285**	**3**	**-25**	**19,938**

The provision for royalties and bonuses is recognized for agreed performance-based compensation to management and the employees of the Allgeier companies.

The provision for financial statement costs includes external and internal costs expected to be incurred with respect to the preparation and audit of the annual financial statements and the consolidated financial statements as well as preparation of the tax returns. Internal expenses include the direct costs for the Group's own personnel plus social security contributions. This provision also includes pro rata legal and consulting fees expected to be incurred with respect to future audits.

The storage provision covers the cost for statutory storage requirements. It is calculated based on renting storage space for a 10-year retention period with discounting on the basis of an average market interest rate for the last seven years.

The provision for severance payments includes severance payments and continued salary payments for employees who have left the company.

Warranties include provisions for individually recognized warranty claims.

The compounding of non-current provisions resulted in an expense of EUR 3 thousand (previous year: expense of EUR 6 thousand).

The provisions added to the scope of consolidation in foreign currency were translated at average annual exchange rates in the statement of changes in provisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • NOTES TO THE CONSOLIDATED INCOME STATEMENT

23. Other liabilities

The other liabilities are composed as follows:

OTHER LIABILITIES (in EUR thousand)

	31-Dec-18			31-Dec-17		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Liabilities from VAT	7,352	0	7,352	8,506	0	8,506
Other	64	0	64	24	0	24
	7,416	**0**	**7,416**	**8,530**	**0**	**8,530**

The accrued items included in the previous year were reclassified as contractual liabilities.

24. Financial instruments

Fair values

The carrying amounts and fair values of financial instruments are analyzed by balance sheet items, valuation categories, classes and hierarchy levels as follows:

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (in EUR thousand)

	Carrying amounts			Carrying amounts			Fair values			
31-Dec-18	**Hedging instruments**	**Recognized at fair value**		**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets recognized at fair value through profit or loss:										
Foreign exchange forwards	1,040	0		0	0	1,040	0	1,040	0	1,040
Other financial assets	0	1,474		0	0	1,474	0	1,474	0	1,474
	1,040	**1,474**		**0**	**0**	**2,514**	**0**	**2,514**	**0**	**2,514**
Financial assets recognized at amortized cost:										
Trade receivables	0	0		140,541	0	140,541				140,541
Other financial assets	0	0		10,171	0	10,171				10,171
Cash and cash equivalents	0	0		76,995	0	76,995				76,995
	0	**0**		**227,707**	**0**	**227,707**				**227,707**
Financial assets	**1,040**	**1,474**		**227,707**	**0**	**230,221**				**230,221**
Financial liabilities recognized at fair value through profit or loss:										
Contingent purchase price liabilities	0	28,642		0	0	28,642	0	0	28,642	28,642
Foreign exchange forwards	314	0		0	0	314	0	314	0	314
	314	**28,642**		**0**	**0**	**28,956**	**0**	**314**	**28,642**	**28,956**
Financial liabilities recognized at amortized cost:										
Financial liabilities	0	0		0	181,677	181,677				181,677
Trade payables	0	0		0	36,995	36,995				36,995
Leases	0	0		0	6,894	6,894				6,894
Other financial liabilities	0	0		0	43,163	43,163				43,163
	0	**0**		**0**	**268,729**	**268,729**				**268,729**
Financial liabilities	**314**	**28,642**		**0**	**268,729**	**297,685**				**297,685**

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS (in EUR thousand)

	Carrying amounts		Carrying amounts			Fair values			
31-Dec-17	**Hedging instruments**	**Recognized at fair value**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets recognized at fair value:									
Foreign exchange forwards	458	33,814	0	0	458	0	458	0	458
Other financial assets	0	1,474	0	0	985	0	985	0	985
	458	**1,474**	**0**	**0**	**1,443**	**0**	**1,443**	**0**	**1,443**
Financial assets not recognized at fair value:									
Trade receivables	0	0	112,119	0	112,119				112,119
Other financial assets	0	0	11,606	0	11,606				11,606
Cash and cash equivalents	0	0	52,997	0	52,997				52,997
	0	**0**	**176,722**	**0**	**176,722**				**176,722**
Financial assets	**458**	**1,474**	**176,722**	**0**	**178,165**				**178,165**
Financial liabilities recognized at fair value:									
Contingent purchase price liabilities	0	28,642	0	0	2,727	0	0	2,727	2,727
Foreign exchange forwards	254	0	0	0	254	0	254	0	254
	254	**28,642**	**0**	**0**	**2,981**	**0**	**254**	**2,727**	**2,981**
Financial liabilities not recognized at fair value:									
Financial liabilities	0	0	0	108,800	108,800				108,800
Trade payables	0	0	0	33,814	33,814				33,814
Leases	0	0	0	2,170	2,170				2,170
Other financial liabilities	0	0	0	31,441	31,441				31,441
	0	**0**	**0**	**176,225**	**176,225**				**176,225**
Financial liabilities	**254**	**28,642**	**0**	**176,225**	**179,206**				**179,206**

In the course of the conversion to IFRS 15, the previous year's figures were adjusted.

For determination of the fair value of assets and liabilities, to the extent possible the Allgeier Group uses prices that can be observed in the market. Depending on the input factors, the fair value is classified in different levels of the valuation hierarchy:

Level 1: Prices for identical assets and liabilities are used that are available in active markets.

Level 2: Other valuation factors are used for an asset or liability that can be observed directly or indirectly, or that can be derived from market prices.

Level 3: Valuation factors are used that are not based on observable market data

There were no reclassifications between the valuation categories and hierarchy levels.

Forward rate pricing: The fair value is determined using quoted forward rates on the balance sheet date and net present value calculations based on yield curves with high credit ratings in corresponding currencies.

Financial instruments categorized in Level 3 are derived as follows via:

FINANCIAL INSTRUMENTS CATEGORIZED IN LEVEL 3 (EUR thousand)	
	Changes in contingent purchase price liabilities measured at fair value
Balance on December 31, 2016	**11,565**
Fair value changes recognized through profit or loss	-1,000
Fair value changes recognized directly in equity	-174
Disposals due to payments	-7,724
Interest effect	60
Balance on December 31, 2017	**2,727**
Additions	26,298
Fair value changes expensed directly recognized through profit or loss	-500
Fair value changes recognized as income through profit or loss	25
Disposals due to payments	-630
Interest effect	312
Currency differences	410
Balance on December 31, 2018	**28,642**

Contingent purchase price liabilities are measured on the basis of the companies' planning. The criteria agreed in the purchase agreements for achieving the contingent purchase prices are compared with the plans, and the fair value of the contingent purchase price liabilities is determined on this basis. In the 2018 financial year, purchase price shares from the acquisition of Allgeier Productivity Solutions GmbH amounting to EUR 500 thousand were derecognized with an effect on income.

For the fair values of the contingent consideration, a change to the input factors while keeping the remaining input factors constant has the following effects:

EFFECTS OF A CHANGE IN INPUTS ON FAIR VALUES (in EUR thousand)		
		Profit or loss
	Increase	**Decrease**
Change in the profit margin as basis for the contingent purchase price of Betarun, 10% relative to plan	0	3
Change in the earn-out relevant EBITDA of the Anecon Group, 10% relative to plan	0	0
Change in the earn-out relevant EBITDA of Allgeier Engineering, 10% relative to plan	-25	101
Change in the earn-out relevant revenues of secion, 10% relative to plan	-64	64
Change in the earn-out relevant EBITDA of the Objectiva Group, 10% relative to plan	0	2,411
Change in the discount rate by 1%	611	-620
Change of 10% in the USD exchange rate relevant for the translation of the earn-out of Objectiva	-2,471	2,022

Derivative financial instruments

The Allgeier Group concludes foreign exchange forwards to hedge foreign currency risks of future cash flows. Whether the derivative is designated as a cash flow hedge is determined when the contract is concluded.

In the Nagarro Group, the euro (EUR) and US dollar (USD), the Swedish krone (SEK) and the British pound (GBP) are the currencies that are primarily used to invoice customers for services provided are exchanged for Indian rupees (INR) in which the delivery costs (staff costs and the purchase of third-party services) are incurred. In each case the maturity of the foreign exchange forwards is less than one year. No hedging relationships were designated for the transactions concluded. Since the conditions for the application of hedge accounting are not fully met despite the existence of a hedging intention, all changes in the value of these forward transactions were recognized in the income statement.

In summary, the foreign exchange forwards are as follows:

FOREIGN EXCHANGE FORWARDS (in EUR thousand)						
			31-Dec-18			**31-Dec-17**
	Nominal amount	**Assets**	**Equity and liabilities**	**Nominal amount**	**Assets**	**Equity and liabilities**
INR / EUR	EUR 12,012	534	0	EUR 10,545	55	131
INR / USD	USD 25,580	375	311	USD 18,785	360	64
INR / SEK	SEK 25,860	87	3	SEK 33,675	37	57
INR / GBP	GBP 627	44	0	GBP 600	6	2
		1,040	**314**		**458**	**254**

If the income or expenses for the forward exchange transactions are not recognized for tax purposes until settlement or sale, deferred taxes are recognized.

The following sensitivity analysis shows the effects of forward exchange transactions on the income statement and equity if one of the foreign currencies increases or decreases by 5% against the Group currency, the euro. The analysis assumes that all influencing factors such as the remaining currencies and the interest rate remain constant.

EFFECT (in EUR thousand)	**Income statement**		**Equity**	
	5% increase	**5% decrease**	**5% increase**	**5% decrease**
INR	2,026	-2,026	2,026	-2,026
USD	-1,249	1,249	-1,249	1,249
SEK	-141	141	-141	141
GBP	-35	35	-35	35

Financial assets include shares in an unlisted venture capital company, Speedinvest II EuVECA GmbH & Co. KG, Vienna, Austria. These shares are allocated to the category "at fair value with changes in value in profit or loss (FVTPL)" (previous year: "available for sale"). Of the total capital commitment of EUR 2,000 thousand, a total of EUR 1,400 thousand (previous year: EUR 1,000 thousand) was paid in by the end of the 2018 financial year. According to the quarterly report of December 31, 2018, the fair value of the "total value to paid-in capital" calculated by the venture capital company was EUR 1,474 thousand (previous year: EUR 985 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • NOTES TO THE CONSOLIDATED INCOME STATEMENT

Net gains and losses from financial instruments

The net gains and losses on financial instruments are composed as follows:

	2018					2017				
NET GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS (in EUR thousand)	**Other operating income**	**Other operating expenses**	**Finance income**	**Finance expenses**	**Total**	**Other operating income**	**Other operating expenses**	**Finance income**	**Finance expenses**	**Total**
Group										
Cash in hand	0	0	158	0	158	0	0	171	0	171
Loans and receivables	942	-3,198	325	0	-1,931	994	-2,671	927	0	-750
of which impairments	0	-1,985	0	0	-1,985	0	-1,797	0	0	-1,797
Other financial assets	0	0	126	0	126	0	0	25	-27	-2
Factoring	0	0	14	-311	-297	0	0	0	-246	-246
Derivative financial instruments	547	-104	0	0	443	1,956	-527	0	0	1,429
Securities	0	0	0	0	0	0	0	0	0	0
Leases	0	0	0	-121	-121	0	0	0	-114	-114
Financial liabilities at fair value	500	-149	0	-312	39	1,000	0	0	-60	940
Other liabilities	0	-805	0	-2,370	-3,175	0	-728	0	-2,249	-2,977
Total net gain / loss from financial instruments	**1,989**	**-4,256**	**623**	**-3,114**	**-4,758**	**3,950**	**-3,926**	**1,123**	**-2,696**	**-1,549**

C. NOTES TO THE CONSOLIDATED INCOME STATEMENT

The consolidated statement of comprehensive income includes the results of the newly acquired subsidiaries pro rata temporis from the initial consolidation date.

25. Sales revenues

For customer contracts with an original total term of at least one year, sales revenues from performance obligations still to be fulfilled are expected to amount to EUR 3,890 thousand in 2019, EUR 1,659 thousand each for 2020 and 2021, and EUR 830 thousand each for 2022.

The sales revenues concern period-related services in the years 2019 to 2022, the amount of which is determined annually and can be clearly derived from the contractual agreements, as well as customer-specific orders (contracts for work and services) to be completed on schedule in 2019 and the amount of which is derived from the open, firmly agreed order values in accordance with the updated order planning.

26. Other operating income

Other operating income is composed as follows:

OTHER OPERATING INCOME (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Income from currency translation	1,141	2,907	0	0	1,141	2,907
Reversal of provisions	977	478	0	0	977	478
Consumption and reversal of allowances for doubtful accounts	815	372	0	0	815	372
Income from foreign exchange forwards	547	1,956	0	0	547	1,956
Reversals of liabilities from business combinations	500	1,000	0	0	500	1,000
Collection of derecognized receivables	127	622	0	0	127	622
Other	3,179	2,137	0	0	3,179	2,137
	7,286	**9,472**	**0**	**0**	**7,286**	**9,472**

As of the 2018 financial year, the income from non-cash benefits previously reported under other operating income will be netted within staff costs. The previous year's figures were adjusted accordingly. Income from benefits in kind totaled EUR 3,372 thousand in the 2018 financial year (previous year: EUR 2,842 thousand).

27. Cost of materials

The cost of materials is composed as follows:

COST OF MATERIALS (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Raw materials and supplies	20,860	15,408	188	1,013	21,048	16,421
Purchased services	197,946	183,161	1	-1	197,947	183,160
	218,806	**198,569**	**189**	**1,012**	**218,995**	**199,581**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • NOTES TO THE CONSOLIDATED INCOME STATEMENT

The purchased services encompass external employees and subcontractors engaged on a project-specific basis or employed by other companies with respect to the recruitment and brokerage of IT specialists and engineers. Staff costs

28. Staff costs

The staff costs are composed as follows:

STAFF COSTS (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Salaries and wages	290,738	232,429	297	1,135	291,035	233,564
Royalties and bonuses	24,191	19,712	8	44	24,199	19,756
Social insurance contributions	42,793	32,865	52	193	42,845	33,058
Taxation of employee remuneration in kind	-3,357	-2,785	-15	-57	-3,372	-2,842
	354,365	**282,221**	**342**	**1,315**	**354,707**	**283,536**

The number of employees in the Allgeier Group by area of activity is as follows:

NUMBER OF EMPLOYEES	Continuing operations		Discontinued operations		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Average:						
Working for customer orders	7,070	5,648	0	11	7,070	5,659
Working in other areas	1,464	1,207	0	9	1,464	1,216
	8,534	**6,855**	**0**	**20**	**8,534**	**6,875**
Reporting date:						
Working for customer orders	7,832	5,825	0	12	7,832	5,837
Working in other areas	1,605	1,252	0	9	1,605	1,261
	9,437	**7,077**	**0**	**21**	**9,437**	**7,098**

The average values were calculated on the basis of the number of employees on March 31, June 30, September 30 and December 31. The number of salaried employees includes members of the Management Board, managing directors and trainees. When calculating the average values for discontinued operations, the number of employees from the consolidation scope in the month of disposal was included in the calculation in addition to the quarterly reporting dates.

Staff costs of EUR 612 thousand (previous year: EUR 351 thousand) were incurred for non-capitalizable activities in connection with product maintenance and further product development.

Share-based payments

The stock option programs of the Allgeier Group should additionally motivate executives with compensation components that are effective over the long term. As the basis for authorization to issue option rights for the purchase of one no-par share of Allgeier SE each, the share capital was contingently increased by EUR 1.00 per option right.

As at December 31, 2018, the issued stock options or the authorizations granted to the Management Board and the Supervisory Board to issue stock options are shown as follows:

STOCK OPTION PLANS	Contingent capital	Options issued	Issue date
Stock Option Plan 2010	EUR 460,000 thousand	460,000	November 19, 2012
Stock Option Plan 2014	EUR 140,000 thousand	140,000	November 29, 2017
Stock Option Plan 2018	EUR 340,000 thousand	0	possible until June 28, 2023

The exercise price of the previously issued option, according to the conditions of the two stock option plans corresponds to a premium of 10% on the average share price in the last five days before the options were granted. The options that were granted can first be exercised no sooner than four years after they were issued (holding period). After that, exercising the options is generally limited to a period of two weeks after each regular Annual General Meeting and after the publication of annual, semi-annual and quarterly figures. The options are also subject to an exercise limit (cap) that limits the maximum number of options exercised per beneficiary to an exercise gain (average share price of the last five trading days less exercise price) of EUR 1.0 million per calendar year. To prevent dilution effects, the exercise price is also adjusted in case of changes to the share capital and dividends that exceed the earnings per share (not considering the disposal of companies). The option rights expire ten years after they are issued or granted. The Stock Option Plan 2014 contains a minimum share price of EUR 30 as an additional performance target for exercising the options.

The measurement of the option tranche granted was implemented on the basis of an option price model in line with the regulations of IFRS 2. To determine the expense over the entire vesting period, a multi-stage binomial model (Cox-Ross-Rubinstein model) was used. The expected volatility corresponds to the annualized historical standard deviation of the continuously interest-bearing share yields. Volatility estimates are based on a statistical analysis of the share prices, taking into account dividend payments over an average expected exercise period of seven years for the options. Future expected dividend payments were also incorporated in the valuation model.

For the stock options issued on November 19, 2012 (Stock Option Plan 2010), the following valuation parameters were used in addition to a share price of EUR 9.78 on the date the options were granted:

PARAMETERS OF THE BINOMIAL MODEL	31-Dec-18	31-Dec-17	Issue date
Exercise price per share	EUR 9.51	EUR 9.71	EUR 10.89
Expected volatility of the share	41.16%	41.16%	41.16%
Risk-free interest rate	1.30%	1.30%	1.30%

The dividends declared in the Annual General Meetings in the financial years 2013 to 2018 in each case resulted in adjustments of the exercise price. The updated valuations of the option rights issued under the Stock Option Plan 2010 were made with the new exercise price in each case, but otherwise with the parameters previously used on the issue date. This resulted in staff costs of EUR 24 thousand in the 2018 financial year (previous year: EUR 17 thousand).

For the stock options issued on November 29, 2017 (Stock Option Plan 2014), the following valuation parameters were used in addition to a share price of EUR 22.58 on the grant date:

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PARAMETERS OF THE BINOMIAL MODEL	31-Dec-18	31-Dec-17	Issue date
Exercise price per share	EUR 24.22	EUR 24.42	EUR 24.42
Expected volatility of the share	29.12%	29.12%	29.12%
Risk-free interest rate	0.49%	0.49%	0.49%

The distribution in the 2018 financial year approved at the 2018 Annual General Meeting led to an adjustment of the exercise price. The updated valuation was made with the new exercise price, and otherwise with the parameters previously used on the issue date. The total expense from the stock option rights issued under the Stock Option Plan 2014 amounts to EUR 822 thousand (previous year: EUR 815 thousand). Non-linear distribution over the four-year vesting period results in staff costs of EUR 411 thousand in the 2018 financial year (previous year: EUR 35 thousand).

The changes in the outstanding stock option rights are as follows:

NUMBER OF STOCK OPTIONS	Stock Option Plan 2010		Stock Option Plan 2014	
	2018	2017	2018	2017
Balance as at January 1	460,000	460,000	140,000	0
Options granted	0	0	0	140,000
Options exercised	-110,000	0	0	0
Options expired	0	0	0	0
Balance on December 31	**350,000**	**460,000**	**140,000**	**140,000**

The weighted average share price on the exercise date was EUR 30.30 for the stock options exercised in 2018.

The stock option rights outstanding as of December 31, 2018 under the Stock Option Plan 2010 expire on November 19, 2022 and the stock option rights under the Stock Option Plan 2014 expire on November 29, 2027. No stock option rights have been issued yet under Stock Option Plan 2018.

29. Other operating expenses

Other operating expenses are composed as follows:

OTHER OPERATING EXPENSES (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Land and building costs	16,799	14,048	26	106	16,825	14,154
Travel expenses	14,294	12,924	8	33	14,302	12,957
Vehicle costs	11,629	11,820	29	130	11,658	11,950
Other staff costs	5,763	4,241	2	45	5,765	4,286
Legal and consulting costs	4,766	3,018	1	4	4,767	3,022
Advertising expenses	4,071	3,245	10	50	4,081	3,295
IT costs	4,013	1,699	1	9	4,014	1,708
Services	3,273	3,050	0	12	3,273	3,062
Communication expenses	2,837	2,569	7	36	2,844	2,605
Insurance, contributions	2,293	1,799	5	24	2,298	1,823
Maintenance	1,961	1,978	0	0	1,961	1,978
Expenses from acquisition activities	1,628	414	0	0	1,628	414
Exchange losses on payment transactions and reporting date translation	1,544	1,641	0	0	1,544	1,641
Direct selling expenses	1,326	735	0	7	1,326	742
Costs for the annual financial statements	1,202	1,037	1	3	1,203	1,040
Office supplies	1,000	963	5	12	1,005	975
Entertainment expenses	890	836	2	8	892	844
Borrowing costs	805	728	0	0	805	728
Supervisory Board compensation	434	387	0	0	434	387
Expenses for currency forward transactions	104	527	0	0	104	527
Miscellaneous	9,459	7,557	19	128	9,478	7,685
	90,091	**75,216**	**116**	**607**	**90,207**	**75,823**

Other operating expenses include fees for the auditor of the consolidated financial statements as of December 31, 2018 as follows:

FEES FOR THE AUDITOR (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Audits	595	461	0	0	595	461
Tax consulting services	151	104	0	0	151	104
Other services	134	47	0	0	134	47
Other assurance or valuation services	6	5	0	0	6	5
	886	**617**	**0**	**0**	**886**	**617**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • NOTES TO THE CONSOLIDATED INCOME STATEMENT

30. Depreciation and amortization

Depreciation, amortization and impairment losses are analyzed as follows:

DEPRECIATION, AMORTIZATION AND IMPAIRMENT (in EUR thousands)	Continuing operations		Discontinued operations		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Amortization and depreciation expense:						
Other equipment, operating and office equipment	4,493	3,806	3	13	4,496	3,819
Acquired customer relationships and customer lists	3,579	4,097	0	0	3,579	4,097
Acquired software, licenses and rights	1,981	2,206	2	7	1,983	2,213
Finance lease	1,623	1,525	0	0	1,623	1,525
In-house generated intangible assets	1,135	703	0	0	1,135	703
Acquired orders on hand	526	211	0	0	526	211
Acquired marketable products	274	212	0	0	274	212
Land and buildings	184	193	0	0	184	193
Acquired websites	9	9	0	0	9	9
	13,804	**12,962**	**5**	**20**	**13,809**	**12,982**
Impairments:						
Acquired customer relationships and customer lists	445	0	0	0	445	0
Other equipment, operating and office equipment	33	39	0	0	33	39
Goodwill	9	9	0	0	9	9
	487	**48**	**0**	**0**	**487**	**48**
	14,291	**13,010**	**5**	**20**	**14,296**	**13,030**

31. Finance income

Finance income is composed as follows:

FINANCE INCOME (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Interest income on security deposits	178	760	0	0	178	760
Interest income on bank balances	158	149	0	0	158	149
income from Speedinvest shares	122	25	0	0	122	25
Interest income from vendor loans	146	168	0	0	146	168
Other finance income	126	47	0	0	126	46
	730	**1,149**	**0**	**0**	**730**	**1,148**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • NOTES TO THE CONSOLIDATED INCOME STATEMENT

32. Finance expenses

Finance expenses are composed as follows:

FINANCE EXPENSES (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
Interest on bank loans and borrower's note loans	2,370	2,249	0	0	2,370	2,249
Factoring interest	311	246	0	0	311	246
Interest on finance lease agreements	121	114	0	0	121	114
Accumulation of non-current liabilities from company acquisitions	312	60	0	0	312	60
Expenses from Speedinvest shares	0	27	0	0	0	27
Interest portion of additions to pension provisions	13	11	0	0	13	11
Interest portion of additions to gratuity provisions	0	134	0	0	0	134
Other interest expenses	51	48	0	0	51	48
	3,178	**2,889**	**0**	**0**	**3,178**	**2,889**

The table summarizes the interest on bank loans and borrower's note loans.

33. Result of at-equity investments

The result from at-equity investments is analyzed as follows:

AT-EQUITY INVESTMENTS (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
Pro rata annual result of Talentry	-1,181	-747	0	0	-1,181	-747
Impairment of goodwill due to dilution of Group interest in Talentry from 40.81% to 33.34%	-674	0	0	0	-674	0
Effect from disproportionately low participation in Talentry's capital increase	1,457	0	0	0	1,457	0
	-398	**-747**	**0**	**0**	**-398**	**-747**

34. Income tax results

The income tax expense is composed as follows:

INCOME TAX EXPENSE (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
Current tax result	-10,177	-8,345	-9	-133	-10,186	-8,478
Deferred tax result	3,927	2,004	-2	-6	3,925	1,998
	-6,250	**-6,341**	**-11**	**-139**	**-6,261**	**-6,480**

Income taxes are calculated on the basis of the applicable or expected tax rates of the countries and municipalities in which the Group companies are domiciled. In the following tax reconciliation, the expected income tax result is reconciled to the actual tax result. The expected tax result is based on a Group tax rate of 30%.

TAX RECONCILIATION (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
Earnings before income taxes	13,096	10,503	34	460	13,130	10,963
Corporate tax rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Expected income tax results	**-3,929**	**-3,151**	**-10**	**-138**	**-3,939**	**-3,289**
Deviations due to tax rates	71	-1,198	0	1	71	-1,197
Changes in tax rates	29	-418	0	0	29	-418
Tax effects of non-deductible expenses	-769	-509	-1	-1	-770	-510
Tax-free subsidiaries	500	0	0	0	500	0
Remaining tax-free income	23	494	0	0	23	494
Losses for which deferred tax assets were not recognized	-2,702	-1,351	0	-1	-2,702	-1,352
Use of losses for which deferred tax assets were not recognized	1,291	347	0	0	1,291	347
Reversal of impairments on deferred tax assets	51	53	0	0	51	53
Value adjustments of recognized deferred tax assets	-29	-50	0	0	-29	-50
Impairment of goodwill	-3	-3	0	0	-3	-3
Adjustment of earn-out liabilities	-74	282	0	0	-74	282
Incidental acquisition costs not deductible for tax purposes	-352	-41	0	0	-352	-41
Restructuring internal to the Group	-93	-64	0	0	-93	-64
Distribution of dividends internal to the Group	-22	-112	0	0	-22	-112
Deemed dividend transition tax USA	0	-422	0	0	0	-422
Expenses for share-based payments (stock options)	-131	-16	0	0	-131	-16
At-equity valuation	-102	-213	0	0	-102	-213
Taxes applicable to other periods	-69	26	0	0	-69	26
Other deviations	60	5	0	0	60	5
Actual income tax results	**-6,250**	**-6,341**	**-11**	**-139**	**-6,261**	**-6,480**
	47.7%	**60.4%**	**32.4%**	**30.2%**	**47.7%**	**59.1%**

No income taxes were payable on the proceeds from the sale of EUR 1,747 thousand generated in the 2018 financial year.

35. Earnings per share

The Allgeier Group achieved undiluted earnings per share of EUR 0.63 (previous year: EUR 0.30) in the 2018 financial year. EUR 0.45 (previous year: EUR 0.26) is attributable to continuing operations and EUR 0.18 (previous year: EUR 0.03) to discontinued operations. Earnings per share are calculated by dividing the profit for the period attributable to the shareholders of the parent company by the average number of outstanding shares of 9,877,280 (previous year: 9,402,457).

Diluted earnings per share are calculated on the assumption that all outstanding option rights are exercised (maximum dilution potential). In addition to the exercise of the options, receipt of the exercise prices to be paid in the event of notional exercise is also assumed. The cash amount payable upon exercise of the option is compared with the value of the shares granted for this purpose at the average annual price of EUR 29.02 (previous year: EUR 20.36). A dilution exists if the value of the 460,000 shares granted under the Stock Option Program 2010 exceeds the value of the consideration (exercise price) of EUR 9.51 (previous year: EUR 9.71) and the value of the 140,000 shares granted under the Stock Option Program 2014 in the 2017 financial year exceeds the value of the consideration (exercise price) of EUR 24.42 per share. This is calculated on the basis of the issue of 298,883 bonus shares (previous year: 240,639 shares).

The number of shares is composed as follows:

NUMBER OF SHARES	31-Dec-18	31-Dec-17
Shares outstanding	9,937,450	9,827,450
Treasury shares	151,199	151,199
	10,088,649	**9,978,649**

The Management Board of Allgeier SE intends to propose to the Annual General Meeting, which is expected to take place on June 28, 2019, that a dividend of EUR 0.50 per share be distributed from the net retained profits of Allgeier SE for the 2018 financial year. The treasury shares are not entitled to dividends.

D. SEGMENT REPORTING

Reporting to the top decision makers of the Allgeier Group occurs according to the following segments: "Enterprise Services", "Experts", "Technology" and "New Business Areas" and "Other". The segments differ according to the type of products and services, as well as value creation, and consist of independent companies. The accounting and valuation methods of the Group apply to the segments. With the Allgeier CORE Group, the GPE Academy GmbH, the GDE Group and Oxygen, the "New Business Areas" segment comprises the IT security and IT forensics businesses (some of which have been newly established within the Group), the recruitment, training and placement of doctors and medical staff, and the HR management consultancy business in Turkey.

The Allgeier "Enterprise Services" segment designs, realizes and operates complete IT solutions for the implementation and support of enterprise-critical business processes of the customers on the basis of standard business software products and platforms from leading manufacturers, such as Microsoft, SAP, IBM and Oracle, as well as the segment's own software products. With its consulting, development, project planning, implementation and support services, the segment provides IT solutions in the essential core areas for business software, such as Enterprise Resource Planning open (ERP), document management (DMS)/Enterprise Content Management (ECM), security, SAP consulting and SAP managed services, mobile and cloud solutions.

With its companies, the Experts segment of the Allgeier Group is one of the leading providers of flexible personnel services in Germany, especially in the IT field. As a full-service personnel service provider – supplemented by pronounced project expertise – the segment offers customers a differentiated portfolio for the most rigorous requirements. The services offered include recruitment and support of temporary freelance IT experts, as well as assumption of projects executed by subcontractors (contracting & subcontractor), the responsible concept, sourcing, as well as implementation and support of projects and services (services and consulting, the leasing of permanently employed IT professionals, experts and executives (employee leasing) as well as professional & executive search of IT experts and managers for the staffing of technical and leadership positions in permanent employment (recruiting & personnel mediation).

The custom software development operations of the Allgeier Group are organized in the Allgeier "Technology" segment. The segment specializes in innovative and transformative technology services for the digital transformation and optimization of complex business processes. In addition to software development, software architecture and IT consulting, other focus areas focus areas include high-availability and secure online applications, and the execution of corresponding projects, from the planning of the software architecture to its development and extending to implementation and support at the customer site.

The expenses of the holding and service companies Allgeier SE, Allgeier Management AG and Allgeier Connect AG not charged to the segments as well as the consolidation effects between these companies and the segments form the "Others" segment. Transactions between the segments are offset at market prices. In the case of subcontracting transactions between the segments, the results essentially remain in the segments in which the service is provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • SEGMENT REPORTING

GROUP SEGMENT REPORTING FOR THE PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018

SEGMENTS (in EUR thousand)	**Enterprise Services segment**		**Experts segment**		**Technology segment**		**New Business Areas segment**		**Miscellaneous**		**Continuing operations**		**Discontinued operations**		**Total**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
External revenues	110,848	98,309	277,835	253,946	294,758	217,165	3,813	4,230	41	-1	687,295	573,649	683	3,326	687,978	576,976
Revenues with other segments	2,702	1,956	2,311	2,438	3,475	2,178	1,506	1,754	-9,998	-8,451	-5	-125	5	125	0	0
Cost of materials	29,306	27,391	158,436	145,939	38,160	30,170	1,336	1,504	-8,433	-6,434	218,805	198,570	189	1,012	218,995	199,581
Staff costs	60,488	53,928	104,535	93,481	182,336	129,049	2,586	2,618	4,419	3,146	354,364	282,222	342	1,315	354,707	283,537
Depreciation and amortization	4,007	3,025	2,514	3,104	7,091	6,501	270	328	-78	4	13,804	12,961	5	20	13,808	12,981
Impairment losses	446	9	0	0	3	0	33	39	6	0	488	49	0	0	488	49
Segment results from operating activities	**4,034**	**1,020**	**-1,322**	**1,670**	**25,122**	**21,167**	**-2,367**	**-2,359**	**-9,524**	**-8,506**	**15,942**	**12,992**	**34**	**460**	**15,976**	**13,452**
Finance income	359	724	237	169	451	935	11	26	-329	-705	730	1,148	0	0	730	1,148
Finance expenses	1,093	1,274	1,893	1,703	2,013	1,380	653	767	-2,475	-2,235	3,178	2,889	0	0	3,178	2,889
Result of at-equity investments	0	-747	0	0	0	0	-398	0	0	0	-398	-747	0	0	-398	-747
Segment results before income taxes	**3,300**	**-277**	**-2,979**	**136**	**23,559**	**20,722**	**-3,407**	**-3,101**	**-7,378**	**-6,977**	**13,095**	**10,504**	**34**	**460**	**13,130**	**10,963**
Income tax results	-1,277	-437	-331	421	-7,831	-8,259	79	99	3,110	1,836	-6,250	-6,341	-11	-139	-6,261	-6,480
Segment results before profit transfer	**2,023**	**-714**	**-3,310**	**557**	**15,729**	**12,463**	**-3,328**	**-3,002**	**-4,268**	**-5,141**	**6,846**	**4,163**	**23**	**320**	**6,869**	**4,483**
Other non-cash expenses (+) and income (-)	3,937	4,216	1,407	238	6,202	10,902	1,104	604	5,975	4,677	18,625	20,637	1	99	18,626	20,736
Segment assets	64,844	60,040	118,101	112,503	270,860	153,775	22,448	8,268	4,145	1,199	480,398	335,785	0	2,160	480,398	337,944
Segment liabilities	62,381	62,883	95,812	90,595	146,553	75,815	35,987	19,415	5,808	-34,306	346,541	214,403	0	697	346,541	215,099
Additions to property, plant and equipment and intangible assets	8,004	8,124	1,959	1,722	75,675	4,739	10,181	137	-192	-127	95,628	14,595	15	20	95,643	14,615
Cash flow from operating activities	10,875	-486	-3,134	-1,066	8,155	10,750	417	-3,965	-13,020	-8,503	3,293	-3,270	302	416	3,595	-2,854
Cash flow from investing activities	3,178	-3,498	-2,535	-6,445	-39,411	-7,984	-6,828	-88	839	748	-44,757	-17,267	-742	-20	-45,500	-17,287
Cash flow from financing activities	-8,090	-4,627	731	-3,478	42,241	-4,145	7,731	3,485	16,538	5,063	59,151	-3,703	0	-143	59,151	-3,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • SEGMENT REPORTING

The external revenues of the segments by country and product and the segments' order book positions are as follows:

EXTERNAL REVENUES OF THE SEGMENTS (in EUR thousand)	**Enterprise Services segment**		**Experts segment**		**Technology segment**		**New Business Areas segment**		**Miscellaneous**		**Continuing operations**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue by country:												
Germany	89,865	78,818	272,464	252,208	115,260	92,652	3,193	3,278	41	-1	480,824	426,955
USA	92	108	128	0	79,725	68,679	0	0	0	0	79,945	68,787
Austria	464	724	159	266	29,728	14,889	1	0	0	0	30,351	15,878
Switzerland	7,433	6,374	3,313	111	1,301	581	18	0	0	0	12,065	7,066
Sweden	54	53	122	25	11,234	10,515	0	0	0	0	11,410	10,594
Finland	111	101	0	0	9,311	9,734	0	0	0	0	9,422	9,834
UK	1,392	736	739	560	6,846	4,266	1	0	0	0	8,978	5,562
Norway	153	135	0	0	6,456	4,162	0	0	0	0	6,609	4,297
India	0	0	0	0	5,131	4,324	1	0	0	0	5,132	4,324
France	4,637	3,377	0	0	81	76	0	0	0	0	4,718	3,453
South Africa	0	69	0	0	4,642	0	0	0	0	0	4,642	69
Denmark	3,275	2,141	0	0	1,215	483	18	0	0	0	4,508	2,624
Spain	133	67	121	151	2,928	0	0	0	0	0	3,181	218
Netherlands	1,971	3,218	0	0	127	750	0	0	0	0	2,098	3,968
Australia	0	0	0	0	2,013	698	-2	0	0	0	2,011	698
Other	1,269	2,388	789	627	18,759	5,356	583	953	0	0	21,401	9,323
Total international	**20,983**	**19,490**	**5,371**	**1,738**	**179,498**	**124,513**	**620**	**953**	**0**	**0**	**206,471**	**146,695**
Total	**110,848**	**98,309**	**277,835**	**253,946**	**294,758**	**217,165**	**3,813**	**4,230**	**41**	**-1**	**687,295**	**573,649**
Revenue by product												
Services	87,896	78,963	277,835	253,946	290,543	213,403	3,365	4,230	41	-1	659,680	550,542
Products	10,228	9,922	0	0	472	876	56	0	0	0	10,756	10,798
Licenses	12,725	9,424	0	0	3,744	2,886	391	0	0	0	16,860	12,310
Total	**110,848**	**98,309**	**277,835**	**253,946**	**294,758**	**217,165**	**3,813**	**4,230**	**41**	**-1**	**687,295**	**573,649**

The assignment of external sales revenues is based on the registered office of the recipient company. The Allgeier Group generated revenues of EUR 28.5 million (previous year: EUR 20.6 million) with its largest single customer in the 2018 financial year. The share of revenues generated with the largest customer was thereby 3.8% (previous year: 3.5%). The order book position of the Allgeier Group as of December 31, 2018 amounts to EUR 285 million. The consideration is expected to be received within the next 12 months. Based on 2018 revenues, the order book position has a calculated range of 5.8 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • SEGMENT REPORTING

The segments' non-current assets are allocated to Germany and abroad as follows:

NON-CURRENT ASSETS BY COUNTRY (in EUR thousand)	Enterprise Services segment		Experts segment		Technology segment		New Business Areas segment		Miscellaneous		Continuing operations	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Germany	20,837	23,165	54,798	55,436	99,065	49,033	15,713	2,347	1,056	913	191,469	130,893
India	0	0	0	0	7,527	7,864	0	0	0	0	7,527	7,864
USA	0	0	0	0	8,182	2,533	0	0	0	0	8,182	2,533
Denmark	638	558	0	0	0	0	0	0	0	0	638	558
China	0	0	0	0	423	0	0	0	0	0	423	0
Norway	0	0	0	0	297	395	0	0	0	0	297	395
Romania	0	0	0	0	2,053	100	0	0	0	0	2,053	100
France	16	25	0	0	143	160	0	0	0	0	160	185
Switzerland	135	156	0	0	161	8	0	0	0	0	295	164
Austria	0	0	0	0	6,243	162	0	0	0	0	6,243	162
Czech Republic	0	0	114	10	115	117	0	0	0	0	229	127
Other	0	0	0	0	2,143	85	35	32	0	0	2,179	117
Total international	**789**	**738**	**114**	**10**	**27,288**	**11,424**	**35**	**32**	**0**	**0**	**28,227**	**12,205**
	21,626	**23,903**	**54,912**	**55,446**	**126,353**	**60,457**	**15,749**	**2,379**	**1,056**	**913**	**219,696**	**143,098**

The non-current assets of the segments shown do not include deferred tax assets.

Talentry GmbH, which is consolidated at equity, is included in the New Business Areas segment. The at-equity loss of Talentry attributable to the Allgeier Group amounted to EUR 398 thousand in 2018 (proportionate previous year's loss: EUR 747 thousand). In the previous year, this investment was held by the Enterprise Services segment. In order to improve comparability, the company's prorated prior-year result was reclassified to the new business segments.

E. CASH FLOW STATEMENT

In the consolidated cash flow statement, the Allgeier Group reports the cash flows from operating activities using the indirect method and all other cash flows using the direct method. Interest paid and received is included under cash flows from financing activities.

In 2018, the Allgeier Group acquired a total of nine subsidiaries or groups of companies. Cash of EUR 37,138 thousand was used for the acquisition of the companies in the 2018 financial year. The purchase prices and cash flows from the business combinations are as follows:

PURCHASE PRICES AND CASH FLOWS FROM THE MERGERS (in EUR thousand)

	ANECON Group	Objectiva Group	iQuest SPP GmbH	iQuest Group	consectra	secion	Allgeier Connect AG	AES SPP GmbH	GRC Partner	Total
Acquisition cost	8,117	33,592	27	26,500	305	5,599	54	25	3,750	77,969
Portion not payable in 2018	-2,926	-21,573	0	0	0	-1,799	0	0	-3,750	-30,048
Purchase price paid in cash in 2018	**5,191**	**12,019**	**27**	**26,500**	**305**	**3,800**	**54**	**25**	**0**	**47,921**
Acquired cash and cash equivalents	-1,307	-2,649	-24	-6,185	-44	-201	-48	-24	-301	-10,783
Outflow of cash and cash equivalents	**3,884**	**9,370**	**3**	**20,315**	**261**	**3,599**	**6**	**1**	**-301**	**37,138**

With the business combinations, the Allgeier Group received the following assets and liabilities:

ASSETS AND LIABILITIES FROM MERGERS (in EUR thousand)

	ANECON Group	Objectiva Group	iQuest SPP GmbH	iQuest Group	consectra	secion	Allgeier Connect AG	AES SPP GmbH	GRC Partner	Total
Intangible assets	1,006	1,290	0	3,839	61	657	0	0	1,474	8,327
Property,plant and equipment	212	114	0	1,651	11	45	0	0	12	2,044
Inventories	0	0	0	0	9	1	0	0	0	11
Contractual assets	8	0	0	101	0	0	0	0	0	109
Trade receivables	2,498	3,411	0	7,520	26	757	0	0	188	14,400
Other financial assets	387	144	0	934	4	17	0	0	4	1,490
Other assets	187	71	0	681	0	23	0	0	0	963
Income tax receivables	28	0	0	198	28	0	0	0	0	253
Cash and cash equivalents	1,353	2,649	24	6,185	44	1,109	48	24	301	11,738
Deferred tax assets	131	0	0	322	15	0	0	0	0	468
Acquired assets	**5,809**	**7,679**	**24**	**21,431**	**199**	**2,610**	**48**	**24**	**1,980**	**39,804**
Bank borrowings	47	0	0	672	0	908	0	0	0	1,627
Provisions	765	858	0	1,625	2	146	0	0	13	3,409
Contractual liabilities	59	0	0	212	0	0	0	0	121	392
Trade payables	556	57	0	447	17	343	0	0	7	1,428
Other financial liabilities	1,051	1,851	0	1,962	9	97	18	0	51	5,038
Other liabilities	429	8	0	487	23	30	0	0	24	1,002
Income tax liabilities	147	4,148	0	208	0	130	0	0	134	4,767
Deferred tax liabilities	236	166	0	1,187	19	196	0	0	457	2,261
Acquired liabilities	**3,290**	**7,089**	**0**	**6,802**	**70**	**1,849**	**18**	**0**	**807**	**19,924**
Net assets	**2,519**	**590**	**24**	**14,629**	**129**	**760**	**30**	**24**	**1,173**	**19,880**

The Allgeier Group received the following payments from the disposal of subsidiaries:

DISPOSAL OF SUBSIDIARIES (in EUR thousand)	2018	2017
Allgeier Medical IT GmbH, Freiburg	2,870	0
Terna Holding GmbH, Innsbruck	20	-79
b+m Informatik AG, Melsdorf	0	-105
Allgeier Benelux Group	306	340
	3,196	**156**

With the disposal of Allgeier Medical IT GmbH, cash and cash equivalents decreased by EUR 727 thousand.

Financial liabilities report the following changes in the 2018 financial year:

DEVELOPMENT OF FINANCIAL LIABILITIES (in EUR thousand)									
					non-cash				
	Balance on 31-Dec-17	impacting cash 2018	Additions from corporate acquisitions 2018	Disposals from corporate disposals 2018	Additions 2018	Currency differences 2018	Fair value measurement 2018	Reclassifications	As of 31-Dec-18
Non-current financial liabilities	95,473	68,062	672	0	0	-3	192	-14,098	150,298
Current financial liabilities	1,680	-1,979	0	0	0	13	14	14,098	13,826
Current financial liabilities, cash and cash equivalents	11,647	6,633	0	-727	0	0	0	0	17,553
	108,800	**72,716**	**672**	**-727**	**0**	**10**	**206**	**0**	**181,677**
Liabilities from finance lease	2,170	-1,687	0	0	6,378	-88	121	0	6,894
	110,970	**71,029**	**672**	**-727**	**6,378**	**-78**	**327**	**0**	**188,571**

Cash and cash equivalents are composed as follows:

CASH AND CASH EQUIVALENTS (in EUR thousand)	31-Dec-18	31-Dec-17
Cash and cash equivalents	76,995	52,997
Payment overhang from factoring	-14,104	-11,030
Using overdraft facilities	-3,449	-617
	59,442	**41,350**

Cash and cash equivalents include blocked credit balances in favor of third parties amounting to EUR 265 thousand (previous year: EUR 282 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • OTHER DISCLOSURES

F. OTHER DISCLOSURES

I. Operating leases as lessee

The Allgeier Group uses a portion of its real estate, vehicles and other operating and office equipment in the framework of operating leases. The minimum obligations and remaining terms of the non-cancellable rental and lease relationships are as follows:

MINIMUM OBLIGATIONS AND REMAINING TERMS OF THE NON-CANCELLABLE RENTAL AND LEASE RELATIONSHIPS (in EUR thousand)	31-Dec-18	31-Dec-17
Due within a year	13,366	11,891
Due between one and five years	44,334	32,415
Due after more than five years	19,356	11,962
	77,056	**56,268**
Present value	**70,528**	**54,072**

As in the previous year, a discount rate of 3.0% was applied to determine present values.

Expenses from operating leases totaled EUR 21,070 thousand in the 2018 financial year (previous year: EUR 12,336 thousand). After the fixed lease term of the leasing and rental relationship, extensions are often used.

II. Operating leases as lessor

The Allgeier Group leases technology under operating leases to cities and municipalities for the mobile recording of misdemeanors. In the 2018 financial year, the Allgeier Group generated sales revenues of EUR 185 thousand (previous year: EUR 195 thousand). The following sales revenues are expected in the coming years:

OPERATING LEASE AGREEMENTS AS LESSOR (in EUR thousand)	31-Dec-18	31-Dec-17
Due within a year	169	195
Due between one and five years	163	191
	332	**386**

III. Other contingent liabilities

Allgeier SE is liable up to a maximum of EUR 4.1 million (previous year: EUR 5.2 million) for loans granted by the bank to participants in the training program of Allgeier Experts Medical GmbH. If the bank makes a claim under the guarantees or if it is sufficiently probable that a claim will be made, provisions are recognized in the amount of the expected claim.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • OTHER DISCLOSURES

IV. Capital management

Allgeier SE ensures that in the Allgeier Group theres is sufficient liquidity at all times and that the capital structure a balanced range. Allgeier SE and the Group companies are achieving these goals by focusing on a solid operating business, a forward-looking dividend policy and equity measures to increase equity. Decisions regarding the acquisition and disposal of subsidiaries are made under consideration of the influences on the capital structure and the effects of the transactions on future years. The Group also utilizes opportunities to finance acquisitions with debt. In some cases the financing conditions are variable, and among other things, also dependent on the equity structure and other key indicators. Another objective of the Allgeier Group's capital management is the planned reduction of existing debt.

Indicators at the level of the subsidiaries and Group are used for controlling in capital management. On December 31, 2018, the equity ratio was 27.9% (previous year 36.4%) and the debt ratio (financial liabilities including finance lease liabilities less cash and cash equivalents divided by adjusted earnings before interest, tax, depreciation and amortization) was 2.8 (previous year: 2.1). On December 31, 2018, the Allgeier Group had net debt (financial debt excluding finance lease liabilities less cash and cash equivalents) of EUR 104,682 thousand (previous year: EUR 55,803 thousand). Capital management is the responsibility of Allgeier SE. The capital management objectives, processes and methods remain unchanged from the previous year.

V. Financial instrument risks

The financial instruments of the Allgeier Group are subject to various risks, such as liquidity risks, default risks and market risks from changes in market prices and exchange rates. For the identification, evaluation and limitation of these risks, Allgeier uses tiered risk management and control systems in the subsidiaries and the Group. Allgeier also takes precautions and implements safeguards for the avoidance and minimization of risks arising from financial instruments.

Liquidity risks

Liquidity risk is the risk that the Allgeier Group may possibly be in the situation that it is not capable of contractually meeting its financial liabilities. To ensure that adequate liquidity is available at any time, the Group uses instruments to control the cash flows and uses debt and equity instruments to finance the operating business and its investment activity. On December 31, 2018, the financial obligations of the Allgeier Group amounted to EUR 297,685 thousand (previous year after adjustment IFRS 15: EUR 179,206 thousand), of which EUR 114,376 thousand (previous year after adjustment IFRS 15: EUR 80,438 thousand) are due within one year. Of the current financial obligations, 77% (previous year: 99%) were covered by current financial assets amounting to EUR 230,221 thousand (previous year after adjustment to IFRS 15: EUR 178,165 thousand).

Of the EUR 180 million syndicated credit facility concluded in October 2017, an amount of EUR 145 million (previous year: EUR 77 million) had been drawn as of the reporting date. In addition, the Allgeier Group has access to further credit lines of up to EUR 12.5 million (previous year: EUR 6.8 million), which in turn were drawn down by EUR 3.6 million (previous year: EUR 2.5 million) as of December 31, 2018. This provides the Allgeier Group with further scope for liquidity in the amount of EUR 8.9 million (previous year: EUR 4.3 million). Utilization of the credit facilities requires compliance with specific conditions in the syndicate credit agreement and the borrower's note loan agreement. A violation of these covenants can result in the situation that the loans must be repaid prematurely. In particular, the Allgeier Group has undertaken to guarantee minimum equity of EUR 100 million and not to exceed a debt coverage ratio of 3.0. The debt coverage ratio is calculated from the financial liabilities, including liabilities from finance lease and minus cash and cash equivalents divided by an EBITDA adjusted for extraordinary expenses and income. If the key indicators are violated, the creditors are entitled to terminate the loans with immediate effect. In this case, it is possible that sufficient free cash and cash equivalents would not be available on short notice to fully redeem loan. Moreover, the syndicated loan and the borrower's note loan require a minimum result and minimum revenues from a liability group, in which specific Group companies are combined. If the liability group fails to meet the required criteria, Allgeier SE has undertaken to increase the number of jointly liable companies in such a manner that the criteria are again complied with. Violation of this obligation likewise entitles the loan issuers to extraordinary cancellation. In the 2018 financial year, all key figures required in the loan agreements were complied with.

For factoring customer receivables, the Allgeier Group has a facility of EUR 50 million, the same as the previous year. A total of EUR 43.0 million of the factoring facility was utilized as of December 31, 2018 (previous year: EUR 37.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • OTHER DISCLOSURES

The financial liabilities include interest-bearing financial liabilities totaling EUR 181,677 thousand (previous year: EUR 108,800 thousand). Of this amount, EUR 31,379 thousand (previous year: EUR 13,327 thousand) is to be repaid in financial year 2019 and EUR 150,298 thousand (previous year: EUR 95,473 thousand) in subsequent years. The future cash flows associated with financial liabilities are as follows:

FUTURE CASH FLOWS ASSOCIATED WITH THE FINANCIAL LIABILITIES (in EUR thousand)

	31-Dec-18	Cash flows 2019		Cash flows 2020		Cash flows 2021		Cash flows >2021	
	Carrying amount	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest
Syndicated loan	145,000	0	3,612	0	3,612	0	3,612	145,000	2,940
Borrower's note loan	19,000	13,500	620	0	128	5,500	224	0	0
Liabilities from factoring customer receivables	14,104	14,104	0	0	0	0	0	0	0
Overdraft facility of Nagarro Software Pvt. Ltd.	2,900	2,900	20	0	0	0	0	0	0
IQuestTechnologies SRL	582	349	11	233	2	0	0	0	0
Overdraft facility of Nagarro Enterprise Services Pvt. Ltd.	549	549	4	0	0	0	0	0	0
Bank loans of Nagarro Enterprise Services Pvt. Ltd.	156	156	8	0	0	0	0	0	0
Other	62	12	3	12	2	12	2	25	1
FINANCIAL LIABILITIES	**182,353**	**31,570**	**4,278**	**245**	**3,744**	**5,512**	**3,838**	**145,025**	**2,941**

Default risks

For financial assets a general risk exists that customers or contracting parties will not honor their obligations and that loans and receivables default. Default risks in the Allgeier Group arise from operating business and from certain financing activities. Loans and receivables are managed and incoming payments tracked on a decentralized basis in the subsidiaries.

The theoretical maximum default risk corresponds to the carrying amount of loans and receivables totaling EUR 227.7 million (previous year: EUR 176.7 million). Value adjustments of EUR 5,062 thousand (previous year: EUR 3,383 thousand) were recognized on the gross amount of total loans and receivables as at December 31, 2018. The impairment ratio on the gross amount of loans and receivables was 2.2% (previous year: 1.9%).

The specific default risks are as follows:

Contractual assets and trade receivables

The Allgeier Group has a broad-based customer structure which minimizes larger individual risks. The largest single customer generated less than 5% of revenues of the Allgeier Group in the 2018 financial year and the previous year. Trade receivables are generally due within 30 to 90 days. Credit checks occur on a regular basis for customers with whom the Allgeier Group has an ongoing business relationship. The creditworthiness of new customers is checked before order commitments are made, and information is obtained in specific cases. If customers default on payments, the steps required to collect the loans and receivables are taken in a timely manner. Individual subsidiaries have taken out credit insurance in the event of unexpected bad debt losses. Wherever possible trade receivables are subject to retention of title which only expires when the respective receivable is paid. Currently the Allgeier Group has no indications that the risk of default for financial assets exceeds the already adjusted carrying amount.

Impairments from January 1, 2018:
Under the simplified approach under IFRS 9, trade receivables are calculated as expected credit losses on the basis of calculated loss rates (expected credit loss) derived from historical and forecast data and taking into account the respective customer and the economic environment of the region.

Impairments until December 31, 2017:
Allowances for doubtful accounts are recognized at 50% for receivables past due more than 180 days and 100% for receivables past due more than one year. As a rule, value adjustments are made to the amounts reduced by value added tax. More recent customer receivables are also impaired in whole or in part as soon as indications of default are identified.

Receivables covered by default insurance are written down by a maximum of the own contribution. In the 2018 financial year, the impaired customer receivables whose contractual conditions were renegotiated, and on which otherwise an impairment would have to have been made, were EUR 95 thousand (previous year: EUR 620 thousand). The impaired receivables are derecognized and the relevant value adjustment taken if no prospect of a payment exists any longer. Trade receivables do not bear interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • OTHER DISCLOSURES

The past due structure of contractual assets and trade receivables is as follows:

DEFAULT STRUCTURE OF CONTRACTUAL ASSETS (in EUR thousand)

	As of 31-Dec-18	not past due	Past due in days					
			<30	30-60	61-90	91-180	181-360	>360
Contractual assets	6,902	6,902	0	0	0	0	0	0
Customer receivables not impaired	136,793	96,640	22,998	7,671	3,725	4,232	1,276	251
Gross amount of the value-adjusted trade receivables	8,374	1,744	54	17	62	434	1,302	4,761
Impairment	-4,625	-87	-42	-15	-51	-320	-989	-3,121
CARRYING AMOUNT	**147,444**	**105,199**	**23,010**	**7,673**	**3,736**	**4,346**	**1,589**	**1,891**
Expected credit default probability		-0.09%	-0.18%	-0.20%	-1.35%	-6.86%	-38.36%	-62.27%

DEFAULT STRUCTURE OF CONTRACTUAL ASSETS (in EUR thousand)

	As of 31-Dec-17	not past due	Past due in days					
			<30	30-60	61-90	91-180	181-360	>360
Contractual assets	4,448	4,448	0	0	0	0	0	0
Customer receivables not impaired	111,534	77,806	16,267	7,046	4,357	3,471	1,413	1,174
Gross amount of the value-adjusted trade receivables	3,968	71	0	0	158	392	1,040	2,307
Impairment	-3,383	-59	0	0	-157	-366	-890	-1,911
CARRYING AMOUNT	**116,567**	**82,266**	**16,267**	**7,046**	**4,358**	**3,497**	**1,563**	**1,570**

Impairments of contractual assets as well as trade receivables changed as follows:

IMPAIRMENT OF CONTRACTUAL ASSETS (in EUR thousand)	31-Dec-18	31-Dec-17
Balance as at January 1	3,383	1,990
Additions to the scope of consolidation	281	0
Additions having an effect on the expenses	1,778	1,797
Consumption and reversal	-815	-372
Currency differences	-2	-32
Balance on December 31	**4,625**	**3,383**

The theoretical maximum default risk for trade receivables corresponds to the gross value after factoring of EUR 140,541 thousand (previous year: EUR 112,118 thousand). This risk is reduced by collateral, credit insurance and other credit rating improvements. Credit insurance covers 31% (previous year: 43%) of gross loans and advances to customers.

Other financial assets

The gross carrying amounts before impairment losses and net carrying amounts of other financial assets as of December 31, 2018 are shown in the following table:

GROSS CARRYING AMOUNTS BEFORE VALUE ADJUSTMENTS AND NET CARRYING AMOUNTS OF OTHER FINANCIAL ASSETS (in EUR thousand)

	FVTPL	At amortized cost			
		Expected 12-month credit loss	Expected credit loss over the term – no impaired credit quality	Expected credit loss over the term – Impaired credit quality	Total
Gross value before value adjustment		9,526	1,024	59	10,609
Value adjustments		0	-379	-59	-438
RESIDUAL CARRYING AMOUNT	**2,514**	**9,526**	**645**	**0**	**10,171**

The reconciliation of impairments of other financial assets at amortized cost in the 2018 financial year is as follows:

GROSS CARRYING AMOUNTS BEFORE VALUE ADJUSTMENTS AND NET CARRYING AMOUNTS OF OTHER FINANCIAL ASSETS (in EUR thousand)

	At amortized cost			
	Expected 12-month credit loss	Expected credit loss over the term – no impaired credit quality	Expected credit loss over the term – Impaired credit quality	Total
Balance as at January 1	0	-379	0	-379
Net revaluation of value adjustments	0	0	0	0
Reclassification to credit loss expected over time – no impaired credit quality	0	0	0	0
Reclassification credit loss expected over time – impaired credit quality	0	0	0	0
Additions from business combinations	0	0	-59	-59
BALANCE ON DECEMBER 31	**0**	**-379**	**-59**	**-438**

Derivative assets

Derivatives are entered into with banks and financial institutions where investments are considered creditworthy. Business relationships exist with various banks in order to diversify the risk. As at December 31, 2018, there were asset balances of forward exchange transactions of EUR 1,040 thousand (previous year: EUR 458 thousand).

Cash and cash equivalents

As at December 31, 2018, the Group had cash and cash equivalents of EUR 76,995 thousand (previous year: EUR 52,997 thousand). Cash and cash equivalents are deposited with banks and financial institutions that have a first-class rating. Business relationships exist with various banks in order to diversify the risk. The Group assumes that its cash and cash equivalents have a very low default risk based on expected losses within twelve months.

Interest risks

Some financial liabilities and financial assets are floating rate and are subject to the risk that interest rates can change and thereby the results of the Allgeier Group could be influenced.

As at December 31, 2018, the Allgeier Group's variable-rate financial liabilities totaled EUR 163,292 thousand (previous year: EUR 90,637 thousand). Offsetting this, financial assets with variable interest rates amounted to EUR 835 thousand (previous year: EUR 1,300 thousand). A change in interest rates of 100 basis points p.a. would have resulted in an increase or decrease in the financial result of EUR 1,006 thousand p.a. for the 2019 financial result. (previous year: EUR 780 thousand p.a.). In this case and applying a tax rate of 31%, equity would increase or decrease by EUR 694 thousand (previous year: EUR 538 thousand). It should be noted, however, that due to the current low level of interest rates, a minimum interest rate ("floor") has been agreed, in particular in the credit facility, so that any interest rate cut of 100 basis points would not have the full effect.

In view of the European Central Bank's continuing policy of low interest rates, the slight slowdown in the economy and the still very moderate inflation rates, we do not expect any significant interest rate hikes in 2019. Our central finance department closely monitors developments on the interest rate and capital markets and will submit proposals for interest rate hedging to the Management Board of Allgeier SE in good time if required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • OTHER DISCLOSURES

Currency risks

For the subsidiaries that do not have the euro as functional currency, the Allgeier Group is exposed to the risks arising from the exchange rates between the currencies. Due to the translation of the financial statements of the subsidiaries that do not prepare their accounts in euro, the assets, the liabilities and the income of these companies are subject to risks arising from currency fluctuations.

The Allgeier Group hedges some of the cash flows from intragroup disposal and acquisition transactions in order to hedge foreign currency risks. As of December 31, 2018, the US dollar was hedged against the Indian rupee in the amount of USD 25.6 million (previous year: USD 18.8 million) and the euro against the Indian rupee in the amount of EUR 12.0 million (previous year: EUR 10.5 million). The Swedish krone against the Indian rupee of SEK 25.9 million (previous year: SEK 33.7 million) and the British pound against the Indian rupee of GBP 0.6 million (previous year: GBP 0.6 million).

The sensitivity analysis shows the impact of currency risks in the event of a strengthening or weakening of the euro by 10% against the currencies of subsidiaries not reporting in euros. If the euro had been 10% stronger against the currencies of these countries in 2018, net income for the year would have been EUR 1,259 thousand (previous year: EUR 709 thousand) and equity EUR 8,947 thousand (previous year: EUR 9,509 thousand) lower than in these consolidated financial statements. The result effect of the sensitivity analysis by currencies is as follows:

CURRENCY RISKS (in EUR thousand)

	Sales revenues 2018	Net income for the year 2018	Equity 31-Dec-18	Sales revenues 2017	Net income for the year 2017	Equity 31-Dec-17
CHF	626	61	801	787	47	1,033
SEK	804	-19	65	884	4	97
INR	9,232	781	3,353	8,790	518	2,941
USD	7,515	344	1,832	6,918	139	5,156
RON	1,337	-16	968	314	31	77
CNY	886	155	1,699	0	0	0
Other	2,689	-39	237	1,859	-30	205
		1,267	**8,955**		**709**	**9,509**

VI. Tax risks

Allgeier SE and the subsidiaries of the Allgeier Group are obligated to pay taxes. To determine the tax liability, assumptions must be made, as in many cases the final taxation cannot be determined conclusively. Deviations that appear later between the assumed foreseeable tax liabilities and the final taxation have effects on the tax expense in the period, in which taxation is conclusively determined. Should the final income taxes differ by 10% from the amounts calculated in the income statement, the Allgeier Group would have to increase the tax liability for current income taxes by EUR 1,019 thousand (previous year: EUR 848 thousand) and including deferred taxes by EUR 626 thousand (previous year: EUR 648 thousand). The equity of the Allgeier Group would be reduced by the same amount in this case.

VII. Governing bodies of Allgeier SE

Supervisory Board

The members of the Allgeier SE Supervisory Board in 2018 were as follows:

SUPERVISORY BOARD OF ALLGEIER SE

Name	Practiced profession	Residence	Membership on statutorily constituted Supervisory Boards	Membership in comparable domestic or foreign control bodies in commercial enterprises
Herr Dipl.-Ing. Detlef Dinsel MBA (Chairman)	Managing Partner of IK Investment Partners GmbH and IK Investment Partners Ltd.	Hamburg		• ZytoService GmbH, Hamburg (Chairman) • IK Investment Partners Ltd., London, UK • Aposan GmbH, Cologne (Chairman) • Schock GmbH, Regen (Deputy Chairman) • IK Investment Partners S.A.R.L., Luxembourg, Luxembourg • Winkelmann Group, Ahlen (Chairman) • Studienkreis GmbH, Bochum (Chairman) • Bahr modular technology, Luhden
Mr. Thies Eggers (Deputy Chairman)	Independent auditor	Pullach im Isartal	• Bayerische Gewerbebau AG, Munich (Chairman) • Plenum AG, Frankfurt am Main • SBF AG, Leipzig	
Mr. Dipl.-Kfm. Christian Eggenberger	President and CEO of CHE Consulting GmbH	Binningen, Switzerland	• Focus Beteiligungen AG, Basel, Switzerland (President of the Board of Directors) • Arvis Solution AG, Ried b. Kerzers, Switzerland (Member of the Board of Directors) • doc.coach AG, Basel, Switzerland (member of the Board of Directors) • Focus Discount AG, Basel, President of the Board of Directors • Truvis AG, Basel, Switzerland (member of the Board of Directors)	

The total remuneration of the members of the Supervisory Board in the 2018 financial year amounted to EUR 426 thousand (previous year: EUR 379 thousand). The remuneration includes a provision for variable remuneration of EUR 318 thousand (previous year: EUR 276 thousand), which will be paid out in the 2019 financial year. Further details about compensation, are provided in the compensation report in the Group management report under Section 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • OTHER DISCLOSURES

Management Board

The members of the Allgeier SE Management Board in 2018 were as follows:

Mr. Carl Georg Dürschmidt (Chair)
Mr. Manas Fuloria (PhD)
Dr. Marcus Goedsche
Mr. Hubert Rohrer

The remuneration of the members of the Management Board totaled EUR 2,452 thousand in the 2017 financial year (previous year: EUR 2,076 thousand). The remuneration includes a variable remuneration dependent on the Group's earnings, which was recognized as a provision and will be paid out after approval of the consolidated financial statements of Allgeier SE in 2018. Three members of the Management Board participate in the stock option program of Allgeier SE. Based on the resolution of the Annual General Meeting on June 23, 2015, the disclosure of individual Management Board remuneration will not be made until December 31, 2019. Further details about compensation, are provided in the compensation report in the Group management report under Section 6.

VIII. Related party transactions

Related parties are defined as persons or companies that can be influenced by the reporting company or can themselves influence the reporting company.

In the financial year up to September 30, 2018, Management Board compensation totaling EUR 983 thousand (previous year: EUR 1,167 thousand) was calculated via Initium AG, Munich. The remuneration consisted of fixed remuneration of EUR 435 thousand (previous year: EUR 580 thousand) and variable remuneration of EUR 548 thousand (previous year: EUR 587 thousand). The variable compensation has been deferred and it is anticipated that it will be paid out in the second quarter of 2019. The variable compensation component is a component that depends on the consolidated earnings, for which a maximum limit (cap) has been agreed. Moreover, Allgeier SE granted the use of a company car to the member of the Management Board provided by Initium GmbH.

As part of a change in the shareholder structure and a related capital increase totaling EUR 24,365 thousand, an amount of EUR 530 thousand originally granted as a loan plus accrued interest of EUR 14 thousand was converted into equity at the subsidiary Talentry GmbH, Munich, which was consolidated at equity. With 2,838 shares, Allgeier Beteiligungen GmbH participated disproportionately less in the capital increase and diluted its share in the company from 40.81 percent to 33.34 percent. In the operating area, the Allgeier Group purchased services amounting to EUR 18 thousand (previous year: EUR 43 thousand) from Talentry GmbH in the reporting period.

Business relationships between all companies included in the consolidated financial statements were fully eliminated in the consolidated financial statements.

IX. Publication

Approval of the consolidated financial statements by the Supervisory Board and the release for publication are planned for April 24, 2019.

The consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger) and on the website of Allgeier SE. The following companies included in the consolidated financial statements of Allgeier SE make partial or full use of the exemption pursuant to Section 264 (3) of the German Commercial Code (HGB):

Allgeier Enterprise Services AG, Munich
Allgeier IT Solutions GmbH, Bremen
BSH IT Solutions GmbH, Bremen
Allgeier Consulting Services GmbH, Munich
Allgeier Midmarket Services GmbH, Bremen
Allgeier Experts SE, Wiesbaden
Allgeier Experts Pro GmbH, Munich
U.N.P.-Software GmbH, Düsseldorf
U.N.P.-HRSolutions GmbH, Düsseldorf
Allgeier Fünfte Beteiligungs GmbH, Munich
Allgeier Engineering GmbH, Grasbrunn
Allgeier Experts Services GmbH, Unterföhring

X. Corporate Governance Code

The statement on the Corporate Governance Code prescribed by Section 161 of the German Stock Corporation Act (AktG) was submitted and made accessible to the shareholders on the website of Allgeier SE.

XI. Report on events after the balance sheet date

Allgeier Nagarro Holding GmbH, Munich, acquired all shares of Farabi Technology Middle East LLC., based in Dubai, United Arab Emirates, and of its spin-off, Solutions 4 Mobility LLC, based in Dubai, United Arab Emirates (jointly "Farabi"), on April 1, 2019. Farabi is an expert in the development of mobile applications to support digital transformation, particularly for customers in the banking, automotive and public sectors. Founded in 1986, the company currently employs around 90 highly specialized software developers in Dubai. The transaction provides Nagarro with valuable access to market and industry leaders in the Middle East and strengthens Nagarro's advisory and execution capabilities in local markets. The two companies generated consolidated sales revenues of around EUR 4.7 million and an EBITDA margin of around 20 percent in the past 2018 financial year. At the end of 2018, both companies had assets of approximately USD 1.5 million and liabilities of approximately USD 0.5 million. An initial purchase price of USD 3.3 million was agreed for the acquisition of the companies. In addition, the acquirer undertakes to pay an earn-out up to a maximum figure of USD 3.2 million. The earn-out depends on reaching specified contribution margins in the 2019, 2020, 2021 and 2022 financial years. Farabi is expected to be consolidated for the first time on April 1, 2019. No further information on the initial consolidation is currently available.

As planned, the EUR 4.0 million tranche of the borrower's note loan was repaid in March 2019.

Munich, April 15, 2019
Allgeier SE

Carl Georg Dürschmidt	Manas Fuloria (PhD)	Dr. Marcus Goedsche	Hubert Rohrer
Management Board	Management Board	Management Board	Management Board

REPORTING OBLIGATIONS UNDER GERMAN ACCOUNTING STANDARDS (HGB)

Pursuant to Section 315e of the German Commercial Code (HGB), Allgeier SE which is obligated to apply the international financial reporting standards, is required to expand its consolidated financial statements with the following disclosures in the notes to the financial statements:

Section 313 (2) Nos. 1 and 2 HGB:

Name and registered office of the companies included in the consolidated financial statements. The share of capital of the subsidiaries that belongs to the parent company and the subsidiaries included in the consolidated financial statements. See the listing of Group companies in the notes.

Section 314 (1) No. 4 HGB:

The average number of employees of the companies included in the consolidated financial statements during the financial year and the staff costs incurred during the financial year. Please refer to the remarks in Section 28. Personnel expenses in Section C. Notes to the consolidated income statement.

Section 314 (1) No. 6 in conjunction with (2) Clause 2 HGB:

For the members of the Management Board, a Supervisory Board, an advisory board or a similar body of the parent company, respectively for each group of persons, the total remuneration granted for performing their tasks in the parent company and the subsidiaries in the financial year under review. In addition to the remuneration for the financial year under review, other remuneration must be disclosed that was granted in the financial year under review but has not yet been disclosed in any consolidated financial statements. See the information on VII. Governing bodies of the parent company in Section F. Other disclosures.

Section 314 (1), No. 8 HGB:

For every listed company included in the consolidated financial statements, that the statements prescribed pursuant to Section 161 of the German Stock Corporation Act (AktG) have been issued and made available to the shareholders. See the information under X. Corporate Governance Code in Section F. Other disclosures.

Section 314 (1) No. 9 HGB:

The total fee charged by the auditor of the consolidated financial statements for the 2018 financial year, analyzed by

- a. the audit services,
- b. other certification or review services,
- c. tax consulting services,
- d. other services

must be disclosed. The required information is given under point 29 Other operating expenses in Section C. Notes to the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS • CONSOLIDATED NON-CURRENT ASSETS

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS OF ALLGEIER SE, MÜNCHEN

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2017

		Cost of acquisition and production						Write-offs and value adjustments							Carrying amounts	
	Notes	01-Jan-17	Currency differences	Additions to the consolidation scope	Additions	Disposals	31-Dec-17	01-Jan-17	Currency differences	Depreciation and amortization Continuing operations	Depreciation and amortization Discontinued operations	Value adjustments	Disposals	31-Dec-17	31-Dec-17	31-Dec-16
Intangible assets	**1**															
Licenses, industrial property rights and similar rights, as well as licenses for such rights and assets		33,608	-666	4,854	3,837	-1,750	39,884	-16,238	208	-7,438	-7	0	1,750	-21,726	18,159	17,371
Acquired intangible assets		29,011	-660	4,854	1,967	-1,783	33,390	-16,128	206	-6,734	-7	0	1,782	-20,880	12,509	12,883
Intangible assets – in-house developments		4,598	-6	0	1,870	33	6,495	-110	1	-704	0	0	-33	-845	5,649	4,488
Goodwill		113,041	-4,951	9	0	-9	108,089	-8,206	0	0	0	-9	9	-8,206	99,884	104,835
Intangible assets		**146,649**	**-5,617**	**4,863**	**3,837**	**-1,759**	**147,974**	**-24,443**	**208**	**-7,438**	**-7**	**-9**	**1,759**	**-29,931**	**118,043**	**122,206**
Property,plant and equipment	**2**															
Property, property rights and buildings including constructions on third-party property		5,326	-214	0	79	-6	5,184	-1,763	29	-193	0	0	0	-1,926	3,258	3,563
Finance lease		4,836	-314	0	1,282	-1,061	4,743	-2,233	158	-1,525	0	0	1,057	-2,542	2,201	2,604
Other equipment, operating and office equipment		19,034	-342	220	4,334	-1,081	22,165	-11,454	278	-3,806	-13	-39	871	-14,163	8,002	7,580
Property,plant and equipment		**29,196**	**-871**	**220**	**5,694**	**-2,148**	**32,092**	**-15,450**	**465**	**-5,523**	**-13**	**-39**	**1,928**	**-18,631**	**13,461**	**13,747**
Total		**175,846**	**-6,488**	**5,084**	**9,531**	**-3,907**	**180,066**	**-39,893**	**673**	**-12,961**	**-20**	**-49**	**3,687**	**-48,563**	**131,503**	**135,953**

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS FOR THE PERIOD JANUARY 1, 2018 TO DECEMBER 31, 2018

		Cost of acquisition and production							Write-offs and value adjustments								Carrying amounts	
	Notes	01-Jan-18	Currency differences	Additions to the consolida-tion scope	Additions	Disposals	Disposals from the consolida-tion scope	31-Dec-18	01-Jan-18	Currency differences	Amortiza-tion and depreciation Continuing operations	Amortiza-tion and depreciation Discontin-ued operations	Value ad-justments	Disposals	Disposals from the consolida-tion scope	31-Dec-18	31-Dec-18	31-Dec-17
Intangible assets	**1**																	
Licenses, industrial property rights and similar rights, as well as licenses for such rights and assets		39,884	92	8,308	3,384	-2,552	-58	49,058	-21,726	23	-7,504	-2	-445	2,441	44	-27,169	21,890	18,159
Acquired intangible assets		33,390	84	8,206	1,291	-2,552	-58	40,360	-20,880	28	-6,369	-2	-445	2,441	44	-25,183	15,177	12,509
Intangible assets – in-house developments		6,495	8	102	2,093	0	0	8,698	-845	-5	-1,135	0	0	0	0	-1,986	6,713	5,649
Goodwill		108,089	2,369	63,803	0	-9	0	174,252	-8,206	0	0	0	-9	9	0	-8,206	166,046	99,884
Intangible assets		**147,974**	**2,461**	**72,111**	**3,384**	**-2,561**	**-58**	**223,310**	**-29,931**	**23**	**-7,504**	**-2**	**-454**	**2,450**	**44**	**-35,374**	**187,936**	**118,043**
Property,plant and equipment	**2**																	
Property, property rights and buildings including constructions on third-party property		5,184	-126	0	8	0	0	5,065	-1,926	18	-184	0	0	0	0	-2,092	2,973	3,258
Finance lease		4,743	-187	0	6,378	-1,705	0	9,229	-2,542	105	-1,623	0	0	1,697	0	-2,364	6,865	2,201
Other equipment, operating and office equipment		22,165	-146	2,040	6,371	-1,699	-79	28,651	-14,163	143	-4,492	-3	-33	1,430	58	-17,059	11,592	8,002
Property,plant and equipment		**32,092**	**-460**	**2,040**	**12,757**	**-3,405**	**-79**	**42,945**	**-18,631**	**266**	**-6,300**	**-3**	**-33**	**3,127**	**58**	**-21,515**	**21,430**	**13,461**
Total		**180,066**	**2,001**	**74,151**	**16,141**	**-5,966**	**-138**	**266,255**	**-48,563**	**289**	**-13,804**	**-5**	**-488**	**5,578**	**103**	**-56,890**	**209,366**	**131,503**

LIST OF GROUP COMPANIES

LIST OF GROUP COMPANIES

LIST OF GROUP COMPANIES

		IFRS share of capital 31-Dec-18	Equity 31-Dec-18			Net result for the year 01-Jan-18 – 31-Dec-18				Profit and loss transfer agreement with	Segment	Disclosure
			Foreign currency		EUR	Foreign currency		EUR				
	Company											
1.	Allgeier SE, Munich		122,546,799		122,546,799	-5,686,369		-5,686,369			Miscellaneous	Separate and consolidated annual financial statements in the German Federal Gazette (Bundesanzeiger)
	Direct participations of Allgeier SE:											
2.	Allgeier Management AG, Munich	100.00%	4,440,611		4,440,611	1,804		1,804			Miscellaneous	Federal Gazette
3.	Allgeier Connect AG, Munich (formerly: Blitz 18-725 AG)	100.00%	51,472		51,472	1,472		1,472			Miscellaneous	Federal Gazette
4.	Allgeier Middle East Ltd., Dubai, United Arab Emirates	100.00%	10,000	AED	2,381	0	AED	0			Miscellaneous	
5.	Allgeier Enterprise Services AG, Bremen (registered office of the company until 14-Mar-18: Munich)	100.00%	11,145,441		11,145,441	0		0	(1)	1.	Enterprise Services	
6.	Allgeier Experts SE, Wiesbaden	100.00%	35,898,079		35,898,079	195,252		195,252	(1)	1.	Experts	
7.	Allgeier Project Solutions GmbH, Munich	100.00%	89,842,567		89,842,567	5,973,436		5,973,436			Technology	Federal Gazette
8.	Allgeier One AG, Munich (from 25-Jan-19 Allgeier CORE Group GmbH)	100.00%	-695,418		-695,418	-327,535		-327,535			New Business Areas	Federal Gazette
9.	GDE Holding GmbH, Munich	100.00%	-255,141		-255,141	-32,541		-32,541			New Business Areas	Federal Gazette
10.	Allgeier Beteiligungen GmbH, Munich (formerly Blitz 17-11 GmbH)	100.00%	-31,116		-31,116	-53,992		-53,992			New Business Areas	Federal Gazette
	Indirect investments via dependent subsidiaries:											
11.	Allgeier IT Solutions GmbH, Bremen	100.00%	3,844,503		3,844,503	1,611,712		1,611,712			Enterprise Services	
12.	BSH IT Solutions GmbH, Bremen	100.00%	64,348		64,348	0		0	(1)	11.	Enterprise Services	
13.	Allgeier Productivity Solutions GmbH, Düsseldorf, Germany	100.00%	57,242		57,242	-357,615		-357,615			Enterprise Services	Federal Gazette
14.	Allgeier (Switzerland) AG, Thalwil, Switzerland	100.00%	9,677,148	CHF	8,598,546	333,239	CHF	289,391			Enterprise Services	
15.	Allgeier Consulting Services GmbH, Munich	95.00%	50,000		50,000	0		0	(1)	5.	Enterprise Services	
16.	Allgeier Midmarket Services GmbH, Bremen	95.00%	-1,409,719		-1,409,719	934,677		934,677			Enterprise Services	
17.	Allgeier ES France SAS, Entzheim, France	95.00%	574,891		574,891	315,395		315,395			Enterprise Services	
18.	Allgeier Enterprise Services Denmark A/S, Bröndby, Denmark	95.00%	-1,252,098	DKK	-167,718	-485,390	DKK	-65,130			Enterprise Services	
19.	AES SPP GmbH, Munich (formerly Blitz 18-616 GmbH, Munich)	50.00%	1,013,648		1,013,648	-11,352		-11,352			Enterprise Services	Federal Gazette
19.	AES SPP GmbH, Munich (formerly Blitz 18-616 GmbH, Munich)	50.00%	1,013,648		1,013,648	-11,352		-11,352			Enterprise Services	Federal Gazette
20.	Goetzfried AG, Wiesbaden	100.00%	9,932,236		9,932,236	1,148,266		1,148,266			Experts	Federal Gazette
21.	Goetzfried Professionals GmbH, Wiesbaden	100.00%	3,246,934		3,246,934	0		0	(1)	20.	Experts	Federal Gazette
22.	Allgeier Experts Pro GmbH, Munich	100.00%	8,517,075		8,517,075	0		0	(1)	6.	Experts	
23.	Allgeier Experts Services GmbH, Unterföhring	100.00%	5,272,589		5,272,589	1,225,794		1,225,794			Experts	
24.	Allgeier Engineering GmbH, Grasbrunn	100.00%	3,303,901		3,303,901	0		0	(1)	6.	Experts	
25.	Allgeier Engineering Czech s.r.o., PlzeÐ, Czech Republic	100.00%	1,114,925	CZK	43,371	1,033,205	CZK	40,267			Experts	
26.	Allgeier Experts Select GmbH, Düsseldorf	80.00%	-1,536,955		-1,536,955	-1,542,542		-1,542,542			Experts	Federal Gazette
27.	U.N.P.-Software GmbH, Düsseldorf	100.00%	3,056,391		3,056,391	0		0	(1)	6.	Experts	
28.	U.N.P.-HRSolutions GmbH, Düsseldorf	100.00%	25,000		25,000	0		0	(1)	27.	Experts	
29.	Allgeier Fünfte Beteiligungs GmbH, Munich	100.00%	25,000		25,000	0		0	(1)	6.	Experts	
30.	Objectiva Software Solutions, Inc., San Diego, USA	100.00%	-19,003,040	USD	-16,614,099	-2,448,437	USD	-2,034,891			Technology	
31.	Objectiva Software Solutions (Beijing) Co. Ltd., Beijing, China	100.00%	-3,150,040	CNY	-400,522	-4,426,962	CNY	-543,076			Technology	
32.	Objectiva Software Solutions (Xi'an) Co. Ltd., Xi'an, China	100.00%	6,298,301	CNY	800,817	4,687,852	CNY	595,566			Technology	
33.	mgm technology partners GmbH, Munich	80.00%	17,979,208		17,979,208	0		0	(1)	7.	Technology	Federal Gazette
34.	mgm technology partners eurl, Grenoble, France	80.00%	1,960,475		1,960,475	444,530		444,530			Technology	
35.	mgm technology partners s.r.o., Prague, Czech Republic	80.00%	14,040,241	CZK	546,171	8,325,365	CZK	324,465			Technology	
36.	mgm technology partners Vietnam Co. Ltd., Da Nang, Vietnam	80.00%	6,720,325,714	VND	253,395	8,408,269,820	VND	310,208			Technology	
37.	mgm technology partners schweiz AG, Boswil, Switzerland	80.00%	389,929		389,929	228,187		228,187			Technology	
38.	mgm technology partners USA Corp., Arlington, USA	80.00%	-203,217	USD	-177,670	-190,568	USD	-161,576			Technology	
39.	mgm security partners GmbH, Munich	56.00%	519,453		519,453	493,888		493,888			Technology	Federal Gazette
40.	MGM Consulting Partners GmbH, Hamburg	55.997%	946,660		946,660	921,660		921,660			Technology	Federal Gazette
41.	Allgeier Nagarro Holding GmbH, Munich	84.43%	12,693,473		12,693,473	-2,218,122		-2,218,122			Technology	Federal Gazette
42.	Allgeier Global Services Asia Pte. Ltd., Singapore	84.43%	2,016,163	SGD	1,253,170	-62,320	SGD	-39,198			Technology	
43.	Nagarro Enterprise Services Pvt. Ltd., Jaipur, India	84.43%	500,510,979	INR	6,298,025	316,469,503	INR	3,930,398	(2)		Technology	
44.	Nagarro Ltd. (Malta), Valetta, Malta	84.43%	-40,359		-40,359	-42,359		-42,359			Technology	
45.	Nagarro (Pty.) Ltd., Pretoria, South Africa	84.43%	76,527	ZAR	4,642	-88,473	ZAR	-5,568			Technology	
46.	Nagarro Inc., Toronto, Canada	84.43%	11,844	CAD	7,595	-4,156	CAD	-2,708			Technology	
47.	Nagarro Software LLC, Abu Dhabi, United Arab Emirates	41.37%	-2,585	AED	-615	-152,585	AED	-36,302			Technology	
48.	NAGARRO SDN. BHD., Kuala Lumpur, Malaysia	84.43%	1,388,608	MYR	292,470	565,529	MYR	118,917			Technology	
49.	Nagarro K.K., Tokyo, Japan	84.43%	31,199,865	JPY	247,265	28,811,445	JPY	221,649			Technology	
50.	Nagarro Inc., San Jose, USA	84.43%	19,651,321	USD	17,397,903	5,621,394	USD	4,766,196			Technology	

(1) After transfer of profits or assumption of losses | (2) Pro forma annual results for the financial year 01-Jan-18 – 31-Dec-18

LIST OF GROUP COMPANIES

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		IFRS share of capital 31-Dec-18	Equity 31-Dec-18			Net result for the year 01-Jan-18 – 31-Dec-18				Profit and loss transfer agreement with	Segment	Disclosure
			Foreign currency		EUR	Foreign currency		EUR				
	Company											
	Indirect investments via dependent subsidiaries:											
51.	Mokriya Inc., Cupertino, USA	84.43%	868,089	USD	758,959	-368,997	USD	-312,860			Technology	
52.	Nagarro Software Pvt. Ltd., Gurgaon, India	84.43%	2,500,981,328	INR	31,470,325	372,418,689	INR	4,625,260	(2)		Technology	
53.	Nagarro Software S.A., Monterrey, Mexico	84.43%	-16,403,354	MXN	-730,024	-4,974,648	MXN	-220,342			Technology	
54.	Nagarro Software GmbH, Frankfurt	84.43%	2,452,126		2,452,126	373,190		373,190			Technology	Federal Gazette
55.	Nagarro Software AB, Stockholm, Sweden	84.43%	6,920,824	SEK	675,202	-2,630,130	SEK	-255,526			Technology	
56.	Nagarro Software A/S, Copenhagen, Denmark	84.43%	-6,841,422	DKK	-916,405	-823,584	DKK	-110,510			Technology	
57.	Nagarro Software Ltd., London, UK	84.43%	810,203	GBP	899,696	541,202	GBP	610,589			Technology	
58.	Nagarro AS, Oslo, Norway	84.43%	3,641,521	NOK	366,134	-8,142,022	NOK	-846,273			Technology	
59.	Nagarro Software SAS, Paris, France	84.43%	-736,061		-736,061	-341,521		-341,521			Technology	
60.	Nagarro Oy, Espoo, Finland	84.43%	322,971		322,971	433,184		433,184			Technology	
61.	Nagarro Pty. Ltd., Sydney, Australia	84.43%	-99,444	AUD	-61,213	10,607	AUD	6,702			Technology	
62.	Nagarro GmbH, Vienna, Austria	84.43%	871,908		871,908	-1,838,733		-1,838,733			Technology	
63.	Nagarro Testing Service GmbH, Dresden (formerly: ANECON Software Design und Beratung GmbH)	84.43%	14,008		14,008	-95,468		-95,468			Technology	Federal Gazette
64.	Nagarro GmbH, Munich	84.43%	11,107,904		11,107,904	0		0	(1)	41.	Technology	Federal Gazette
65.	Nagarro Software srl, Timisoara, Romania	84.43%	5,178,098	RON	1,113,119	1,787,223	RON	384,792			Technology	
66.	iQuest Holding GmbH, Karlsruhe	60.82%	3,333,349		3,333,349	856,818		856,818			Technology	Federal Gazette
67.	iQuest GmbH & Co. KG, Bad Homburg	60.82%	51,129		51,129	0		0			Technology	Federal Gazette
68.	iQuest Verwaltungs GmbH, Bad Homburg	60.82%	35,255		35,255	1,120		1,120			Technology	Federal Gazette
69.	iQuest Technologies SRL, Cluj-Napoca, Romania	60.82%	34,955,722	RON	7,514,321	4,212,405	RON	907,946			Technology	
70.	iQuest Tech Labs SRL, Cluj-Napoca, Romania (in liquidation)	60.82%	2,271	RON	488	-1,724	RON	-371			Technology	
71.	iQuest Technologies SRL, Brasov, Romania	60.82%	4,234,563	RON	910,291	1,426,696	RON	307,217			Technology	
72.	iQuest Solutions SRL, Sibiu, Romania	60.82%	2,437,704	RON	524,026	102,159	RON	22,005			Technology	
73.	iQuest Schweiz AG, Zürich, Switzerland	60.82%	92,995	CHF	82,630	-711,859	CHF	-625,820			Technology	
74.	iQuest SPZOO (Poland), Warsaw, Poland	60.82%	296,368	PLN	69,006	209,009	PLN	49,022			Technology	
75.	Allgeier Nagarro Beteiligungs GmbH, Munich	50.01%	3,604,181		3,604,181	-162,223		-162,223			Technology	Federal Gazette
76.	SPP Co-Investor Verwaltungs GmbH, Munich	100.00%	24,426		24,426	-255		-255			Technology	Federal Gazette
77.	SPP Co-Investor GmbH & Co. KG, Munich	24.57%	274,686		274,686	-11,807		-11,807			Technology	Federal Gazette
78.	Nagarro SPP GmbH, Munich	63.04%	277,982		277,982	-191,544		-191,544			Technology	Federal Gazette
79.	Allgeier Project MBO GmbH, Munich	100.00%	23,348		23,348	0		0	(1)	7.	Technology	Federal Gazette
80.	iQuest SPP GmbH, Munich (formerly: Blitz 18-492 GmbH)	61.08%	-26,717		-26,717	-51,717		-51,717			Technology	Federal Gazette
81.	Allgeier Dritte Beteiligungs GmbH, Munich	100.00%	-65,170		-65,170	-100,079		-100,079			New Business Areas	Federal Gazette
82.	Oxygen Consultancy, Istanbul, Turkey	90.00%	4,303,188	TRY	714,958	555,819	TRY	97,704			New Business Areas	
83.	GPE Academy GmbH, Duisburg (registered office of the company until 13-Jun-18: Bonn)	100.00%	-803,918		-803,918	-641,344		-641,344			New Business Areas	Federal Gazette
84.	Allgeier Experts Medical GmbH, Duisburg (registered office of the company until 26-Mar-18: Bonn)	100.00%	-10,990,361		-10,990,361	-1,700,228		-1,700,228			New Business Areas	Federal Gazette
85.	MedPool GmbH, Stuttgart	100.00%	-2,684		-2,684	645		645			New Business Areas	Federal Gazette
86.	Allgeier CORE GmbH, Offenburg (formerly: consectra GmbH)	100.00%	149,674		149,674	27,180		27,180			New Business Areas	Federal Gazette
87.	secion GmbH, Hamburg	100.00%	327,573		327,573	302,573		302,573			New Business Areas	Federal Gazette
88.	GRC Partner GmbH, Kiel	100.00%	156,355		156,355	355,321		355,321			New Business Areas	Federal Gazette
	Companies consolidated at equity:											
89.	Talentry GmbH, Munich	33.34%	2,305,998		2,305,998	-3,242,269		-3,242,269			New Business Areas	Federal Gazette

(1) After transfer of profits or assumption of losses | (2) Pro forma annual results for the financial year 01-Jan-18 – 31-Dec-18

Glossary

Allgeier CORE Group	Allgeier One AG, Munich (from 25-Jan-19 Allgeier CORE Group GmbH) Allgeier CORE GmbH, Offenburg (formerly: consectra GmbH) secion GmbH, Hamburg GRC Partner GmbH, Kiel
Allgeier Engineering	Allgeier Engineering GmbH, Grasbrunn
Allgeier Experts Select	Allgeier Experts Select GmbH, Düsseldorf
ANECON Vienna	ANECON Software Design und Beratung GmbH, Vienna, Austria
ANECON Group	ANECON Software Design und Beratung GmbH, Vienna, Austria ANECON Software Design und Beratung GmbH, Dresden
Betarun	Betarun, Buckow
consectra	Allgeier CORE GmbH, Offenburg (formerly: consectra GmbH)
GDE Group	GDE Holding GmbH, Munich Allgeier Experts Medical GmbH, Duisburg MedPool GmbH, Stuttgart
Farabi	Farabi Technology Middle East LLC, Dubai, United Arab Emirates Solutions 4 Mobility LLC, Dubai, United Arab Emirates
GRC Partner	GRC Partner GmbH, Kiel
iQuest	iQuest Holding GmbH, Karlsruhe
iQuest Group	iQuest Holding GmbH, Karlsruhe iQuest Technologies GmbH & Co. KG, Bad Homburg iQuest Verwaltungs GmbH, Bad Homburg iQuest Technologies SRL, Cluj-Napoca, Romania iQuest Tech Labs SRL, Cluj-Napoca, Romania (in liquidation) iQuest Technologies SRL, Brasov, Romania iQuest Solutions SRL, Sibiu, Romania iQuest Schweiz AG, Zürich, Switzerland iQuest SPZOO (Poland), Warsaw, Poland
mgm cp Hamburg	mgm consulting partners GmbH, Hamburg
mgm sp Munich	mgm security partners GmbH, Munich
mgm tp Munich	mgm technology partners GmbH, Munich
mgm Group	mgm technology partners GmbH, Munich mgm technology partners eurl, Grenoble, France mgm technology partners s.r.o., Prague, Czech Republic mgm technology partners Vietnam Co. Ltd., Da Nang, Vietnam mgm technology partners schweiz AG, Boswil, Switzerland mgm technology partners USA Corp., Arlington, USA mgm security partners GmbH, Munich MGM Consulting Partners GmbH, Hamburg
Nagarro	Allgeier Nagarro Holding GmbH, Munich
Nagarro Group	Allgeier Nagarro Holding GmbH, Munich Allgeier Global Services Asia Pte. Ltd., Singapore Nagarro Enterprise Services Pvt. Ltd., Jaipur, India Nagarro Ltd. (Malta), Valetta, Malta Nagarro (Pty.) Ltd., Pretoria, South Africa Nagarro Inc., Toronto, Canada Nagarro Software LLC, Abu Dhabi, United Arab Emirates NAGARRO SDN. BHD., Kuala Lumpur, Malaysia Nagarro K.K., Tokyo, Japan Nagarro Inc., San Jose, USA Mokriya Inc., Cupertino, USA Nagarro Software Pvt. Ltd., Gurgaon, India Nagarro Software S.A., Monterrey, Mexico Nagarro Software GmbH, Frankfurt Nagarro Software AB, Stockholm, Sweden Nagarro Software A/S, Copenhagen, Denmark Nagarro Software Ltd., London, UK Nagarro AS, Oslo, Norway Nagarro Software SAS, Paris, France Nagarro Oy, Espoo, Finland Nagarro Pty. Ltd., Sydney, Australia Nagarro GmbH, Vienna, Austria Nagarro Testing Service GmbH, Dresden (formerly: ANECON Software Design und Beratung GmbH) Nagarro GmbH, Munich Nagarro Software srl, Timisoara, Romania
Objectiva	Objectiva Software Solutions, Inc. based in San Diego, California, USA
Objectiva Group	Objectiva Software Solutions, Inc. based in San Diego, California, USA Objectiva Software Solutions (Beijing) Co. Ltd., Beijing, China Objectiva Software Solutions (Xi'an) Co. Ltd., Xi'an, China,
Oxygen	Oksijen İnsan Kaynakları Seçme ve Değerlendirme Hizmetleri Anonim Şirketi, Istanbul, Turkey
SAP Group	Allgeier Consulting Services GmbH, Munich Allgeier Midmarket Services GmbH, Bremen Allgeier ES France SAS, Entzheim, France Allgeier Enterprise Services Denmark A/S, Bröndby, Denmark
secion	secion GmbH, Hamburg
Speedinvest	Speedinvest II EuVECA GmbH & Co. KG, Vienna, Austria
Talentry	Talentry GmbH, Munich

Statement by the Management Board of Allgeier SE

The Management Board of Allgeier SE give its assurance that, to the best of its knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and that the course of business, including the business result and the position of the Group, are portrayed in such a way in the Group Management Report that a true and accurate picture is conveyed and that the significant opportunities and risks of the Group's future development are fairly described.

Munich, April 15, 2019

Carl Georg Dürschmidt Management Board	Manas Fuloria (PhD) Management Board	Dr. Marcus Goedsche Management Board	Hubert Rohrer Management Board

Auditor's report

INDEPENDENT AUDITOR'S REPORT

To Allgeier SE, Munich:

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of Allgeier SE, Munich and its subsidiaries (the Group), comprising the consolidated statement of financial position as at December 31, 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1, 2018 to December 31, 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Allgeier SE, Munich, for the 2018 financial year. In accordance with German legal requirements, we have not audited the content of the components of the Group management report referred to in the "Other information" section of the auditor's report.

In our opinion, based on the findings of our audit, the annual financial statements

- the attached consolidated financial statements comply in all material respects with IFRS, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the Group's net assets and financial position as at December 31, 2018, and of its results of operations for the financial year from January 1, 2018 to December 31, 2018, and
- the attached Group management report as a whole presents an accurate view of the Group's position. The Group management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. Our audit opinion on the Group management report does not extend to the contents of the components of the Group management report mentioned in the section "Other information" of the auditor's report.

Pursuant to Section 322 (3) Clause 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 HGB, the EU Audit Regulation (No. 537/2014; hereinafter "EU-AR"), and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). We conducted the audit of the consolidated financial statements, also taking into account the additional requirements of the International Standards on Auditing (ISA) Our responsibility according to these regulations, principles and standards is described in further detail in the "Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Group Management Report" section of our auditor's report. We are independent of the consolidated companies in compliance with the provisions of European law, German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. In addition, we declare pursuant to Article 10 (2) lit. f) EU-AR that we have provided no prohibited non-audit services referred to in Article 5 (1) EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are such matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the financial year from January 1, 2018 to December 31, 2018. These matters were considered in connection with our audit of the consolidated financial statements as a whole and the formulation of our audit opinion; we do not provide a separate audit opinion on these matters.

We describe the matters that we consider key audit matters below:

Revenue recognition

Reasons for determination as key audit matter

Allgeier SE, Munich, primarily generates revenues from providing IT services, from IT project contracts, from the sale of software products and from granting licenses to software products. Product revenues are realized when the opportunities and risks associated with ownership of the products sold are transferred to the buyer. This is usually the case upon delivery of the product. Service revenues are recognized depending on the contract provisions under consideration of the services provided. This is usually performed on the basis of days and hours worked. In case of fixed price contracts, service revenues are recognized based on the degree of order completion and under consideration of realized partial performance. Furthermore, licensing revenues are recognized in the applicable period according to contract provisions.

The recognition of revenue from software contracts in accordance with IFRS 15 is complex. In respect to revenue recognition, the risk exists of the existence of inaccuracies or transgressions in connection with achieving performance targets and forecasts which could serve as an incentive that on the one hand revenues are realized before the respective opportunities and risks are transferred to the buyer and other the other hand that fictive revenues are realized. In addition, the first-time application of IFRS 15 in the 2018 financial year was relevant to our audit due to the necessary Group-wide assessment of contractual bases with regard to the new criteria relevant to accounting. At Allgeier SE, Munich, some extensive agreements are concluded with customers. The recognition of these agreements and the related transactions in the balance sheet and income statement requires an estimate of the total cost of the contract and an assessment of whether and when the significant risks and rewards have been transferred to the buyer.

Due to the high revenues volume and the materiality of revenues for the consolidated financial statements and in connection with the fact that revenues for Allgeier SE, Munich are a performance indicator for corporate management and forecasts, we determined revenues realization as a key audit matter.

Our audit approach

As part of our audit we dealt with the methods, processes and control mechanisms used in the company in the offer and processing phase of the sales process. In doing so, we assessed the design and effectiveness of the accounting-related internal controls by verifying transactions from their occurrence to their presentation in the consolidated financial statements and by testing controls. In relation to the measurement of revenues including revenues reductions and the correct accrual basis, as part of the audit we relied on the control-based audit procedures and dealt with the underlying company processes and controls. Our audit procedures also covered the review of underlying business documents, e.g. outgoing invoices, delivery notes, warehouse warrants, performance documentation, material contracts, customer confirmations in the form of acceptance documentation and the review of developments after the reporting date (e.g. incoming payments, credit notes issued, complaints). In addition, we implemented data analyses of transactions within the year for any abnormalities. On a test basis, we examined non-standard transactions and revenues reductions against the underlying contracts and business documents.

AUDITOR'S REPORT

With regard to the first-time application of IFRS 15, we dealt with the processes set up by Allgeier SE, Munich, to implement the new standard. In particular, we have examined the proper identification of the estimate of the total cost of the contract and the transfer of significant risks and rewards to the buyer.

In addition, we have assessed the information provided by Allgeier SE, Munich, on revenue recognition and the effects of the first-time application of IFRS 15 in the notes to the consolidated financial statements.

Our conclusions

From our audit procedures, there were no reservations in relation to revenues realization. Allgeier SE, Munich, has implemented appropriate regulations for the realization of revenues and took account of them in preparing the consolidated financial statements. We were satisfied with the adequacy of the processes and controls set up to implement the requirements of IFRS 15.

Reference to associated disclosures

The company's disclosures on revenue recognition principles are included in Section A.IX. "Balance sheet", in particular under the disclosures on contractual assets and liabilities, in Section A.X. "Income statement", in Section B.10. "Trade receivables" and in the notes on sales revenues in Section C.25. of the notes to the consolidated financial statements.

Accounting for the acquisition of the shares in Objectiva Software Solutions, Inc., San Diego/USA

Reasons for determination as key audit matter

On June 8, 2018, Allgeier SE, Munich, indirectly acquired Objectiva Software Solutions, Inc., San Diego/USA (Objectiva). Objectiva wholly owns Objectiva Software Solutions (Beijing) Co. Ltd., Beijing/China, and Objectiva Software Solutions (Xi'an) Co. Ltd., Xi'an/China. Taking into account variable purchase price components, the total purchase price amounted to a maximum of EUR 33.6 million. Including the acquired net assets (including the hidden reserves and charges identified in the initial consolidation) amounting to EUR 0.6 million, goodwill stood at EUR 33.0 million.

Unless otherwise specified in IFRS 3, the identifiable assets acquired and liabilities assumed are carried at their fair value on the acquisition date. The identification and measurement of acquired assets and liabilities are complex and are based on discretionary assumptions made by the Management Board. The key assumptions relate to revenue planning and margin development of the acquired business, asset-specific revenue and margin adjustments, estimated useful lives, license and customer retention rates used, and capital costs.

Due to the overall material effects of the acquisition on the net assets, financial position and results of operations of the Allgeier Group and due to the complexity of the valuation of the acquisition, the acquisition was of particular significance in the context of our audit. A risk exists in relation to the consolidated financial statements that the assets acquired and liabilities assumed may be incorrectly identified or incorrectly measured. A risk also exists that the information in the notes to the consolidated financial statements may not be appropriate.

Our audit approach

As part of our audit of the accounting treatment of the acquisition, we have assessed the process of identifying the assets acquired and liabilities assumed against the background of our knowledge of the business model of Allgeier SE, Munich, for compliance with the requirements of IFRS 3. Allgeier SE, Munich, has implemented controls to ensure that the acquired assets and liabilities are fully identified and measured correctly and that the disclosures in the notes to the consolidated financial statements are appropriate. We have reviewed the design and effectiveness of these controls.

With the help of our own valuation specialists, we assessed, among other things, the appropriateness of the key assumptions as well as the identification and valuation procedures. To this end, we first gained an understanding of the acquisition transaction by interviewing employees in the controlling department and by evaluating the relevant contracts.

We have reconciled the total purchase price with the underlying purchase contract and the proof of payment. We have assessed the competence, abilities and objectivity of the employees at Allgeier SE, Munich, responsible for the preparation of the initial consolidation. We have examined the valuation methods used for compliance with the valuation principles.

We discussed the expected sales revenue and margin trends with those responsible for planning. In addition, we have coordinated with the budgets approved by the Management Board and Supervisory Board and assessed the consistency of the assumptions with external market assessments. We have examined the appropriateness of significant assumptions by comparing them with our own expectations based on our knowledge of the business of the acquired company, our experience in the software industry and comparable transactions.

The audit also focused on identifying value drivers for the intangible assets identified and to be measured. We have analyzed whether the assumptions for value drivers in customer relationships (maturity, meltdown rates, risk premiums) are appropriate and in line with variables observable in the market. For the goodwill resulting from the purchase price allocation, we analyzed the key synergy drivers and assessed them on the basis of the information and evidence provided to us.

In order to assess the arithmetical correctness, we have performed selected calculations from a risk-oriented perspective. Finally, we assessed whether the disclosures in the notes to the financial statements relating to the acquisition of Objectiva Software Solutions Inc. are appropriate.

Our conclusions

The purchase price allocation shown in the consolidated financial statements was performed appropriately on the basis of appropriate valuation models, assumptions and data. The process used to identify and measure the assets acquired and liabilities assumed is appropriate and consistent with the applicable accounting policies. The key assumptions and parameters are appropriate and the presentation in the notes to the consolidated financial statements is appropriate.

Reference to associated disclosures

The company's information on the first-time consolidation of Objectiva Software Solutions, Inc. is contained in Section A.VI. "Scope of consolidation" of the notes to the consolidated financial statements.

Accounting for the acquisition of the shares in iQuest Holding GmbH, Karlsruhe

Reasons for determination as key audit matter

On August 13, 2018, Allgeier SE, Munich, indirectly acquired 60.82% of the shares in iQuest Holding GmbH, Karlsruhe. iQuest Holding GmbH, Karlsruhe, is the parent company of a total of eight subsidiaries based in Germany, Romania, Poland and Switzerland. iQuest Holding GmbH, Karlsruhe, holds 100% of the shares in all subsidiaries. The total purchase price amounted to EUR 26.5 million. Taking into account the acquired net assets (including the hidden reserves and charges identified in the initial consolidation) of EUR 14.6 million and a non-controlling interest of EUR 5.7 million, goodwill amounted to EUR 17.6 million.

Unless otherwise specified in IFRS 3, the identifiable assets acquired and liabilities assumed are carried at their fair value on the acquisition date. The identification and measurement of acquired assets and liabilities are complex and are based on discretionary assumptions made by the Management Board. The key assumptions relate to revenue planning and margin development of the acquired business, asset-specific revenue and margin adjustments, estimated useful lives, license and customer retention rates used, and capital costs.

Due to the overall material effects of the acquisition on the net assets, financial position and results of operations of the Allgeier Group and due to the complexity of the valuation of the acquisition, the acquisition was of particular significance in the context of our audit. A risk exists in relation to the consolidated financial statements that the assets acquired and liabilities assumed may be incorrectly identified or incorrectly measured. A risk also exists that the information in the notes to the consolidated financial statements may not be appropriate.

AUDITOR'S REPORT

Our audit approach

As part of our audit of the accounting treatment of the acquisition, we have assessed the process of identifying the assets acquired and liabilities assumed against the background of our knowledge of the business model of Allgeier SE, Munich, for compliance with the requirements of IFRS 3. Allgeier SE, Munich, has implemented controls to ensure that the acquired assets and liabilities are fully identified and measured correctly and that the disclosures in the notes to the consolidated financial statements are appropriate. We have reviewed the design and effectiveness of these controls.

With the help of our own valuation specialists, we assessed, among other things, the appropriateness of the key assumptions as well as the identification and valuation procedures. To this end, we first gained an understanding of the acquisition transaction by interviewing employees in the controlling department and by evaluating the relevant contracts.

We have reconciled the total purchase price with the underlying purchase contract and the proof of payment. We have assessed the competence, abilities and objectivity of the employees at Allgeier SE, Munich, responsible for the preparation of the initial consolidation. We have examined the valuation methods applied for compliance with the valuation principles.

We discussed the expected sales revenue and margin trends with those responsible for planning. In addition, we have coordinated with the budgets approved by the Management Board and Supervisory Board and assessed the consistency of the assumptions with external market assessments. We have examined the appropriateness of significant assumptions by comparing them with our own expectations based on our knowledge of the business of the acquired company, our experience in the software industry and comparable transactions.

The audit also focused on identifying value drivers for the intangible assets identified and to be measured. We have analyzed whether the assumptions for value drivers in customer relationships (maturity, meltdown rates, risk premiums) are appropriate and in line with variables observable in the market. For the goodwill resulting from the purchase price allocation, we analyzed the key synergy drivers and assessed them on the basis of the information and evidence provided to us.

In order to assess the arithmetical correctness, we have performed selected calculations from a risk-oriented perspective. Finally, we assessed whether the disclosures in the notes to the financial statements relating to the acquisition of iQuest Holding GmbH are appropriate.

Our conclusions

The purchase price allocation shown in the consolidated financial statements was performed appropriately on the basis of appropriate valuation models, assumptions and data. The process used to identify and measure the assets acquired and liabilities assumed is appropriate and consistent with the applicable accounting policies. The key assumptions and parameters are appropriate and the presentation in the notes to the consolidated financial statements is appropriate.

Reference to associated disclosures

The company's information on the first-time consolidation of iQuest Holding GmbH is contained in Section A.VI. "Scope of consolidation" of the notes to the consolidated financial statements.

Other information

The legal representatives are responsible for the other information. The other information includes:

- the corporate governance statement pursuant to Sections 289a, 315d HGB (information in the Group management report to the corporate governance statement in the Corporate Governance Report),
- the Corporate Governance Report in line with Report No.10 of the German Corporate Governance Code,
- the responsibility statement pursuant to Section 297 (2) Clause 4 HGB on the consolidated financial statements and the responsibility statement pursuant to Section 315 (1) Clause 5 HGB in relation to the Group management report.

The other information also includes the remaining parts of the annual report – without further cross-references or external information – with the exception of the audited consolidated financial statements, the audited Group management report and our audit opinion.

AUDITOR'S REPORT

Our audit opinions on the consolidated financial statements and the Group management report do not extend to the other information. Accordingly, we do not express an opinion or any other form of conclusion on these matters.

As part of our audit, we have a responsibility to read the other information and to evaluate whether it

- material discrepancies with the consolidated financial statements, the Group management report or the knowledge we gained during our audit, or the corporate governance report in accordance with No. 10 of the German Corporate Governance Code,
- otherwise seems significantly incorrect.

If, based on the work we have performed, we determine that a material misstatement of this other information exists, we are required to report those facts.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with IFRS, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the Group or discontinue its business operations, or no realistic alternative exists.

Moreover, the legal representatives are responsible for preparing the Group management report, which as a whole provides an accurate view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a Group management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the Group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit conducted in compliance with Section 317 HGB, the EU-AR and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and with additional observance of ISA will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and Group management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the Group management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the Group management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether material uncertainty exists regarding events or circumstances that could cause significant doubt about the Group's ability to continue as a going concern. If we come to the conclusion that a material uncertainty exists, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the Group management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the Group is no longer a going concern.
- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB.
- we obtain sufficient appropriate audit evidence for the company's accounting information or business activities within the Group in order to provide audit opinions regarding the consolidated financial statements and the Group management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we evaluate the consistency of the Group management report with the consolidated financial statements, its legality and the view it gives of the position of the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. A considerable, unavoidable risk exists that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

We issue a statement to the monitors to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From among the matters that we have discussed with the monitors, we determine which matters were most significant in the audit of the consolidated financial statements for the current reporting period and are consequently the key audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude their public disclosure.

OTHER STATUTORY AND LEGAL REQUIREMENTS

Other disclosures pursuant to Article 10 EU-AR

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on June 29, 2018. We were engaged by the Supervisory Board on November 27, 2018. We have been the auditor of the consolidated financial statements of Allgeier SE, Munich, without interruption since the 2001 financial year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Audit Committee according to Article 11 EU-AR (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Christian Baltes.

Düsseldorf, April 17, 2019
LOHR + COMPANY GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Jörg-Andreas Lohr	Christian Baltes
German Public Auditor	German Public Auditor

Group non-financial statement pursuant to Section 315b HGB

1. MANAGEMENT

1.1 Management approach, values and guiding principles

Allgeier SE is one of the leading IT companies for business performance. With a growth strategy aimed at innovations and future trends, as well as an integrative business model, Allgeier seizes the opportunities of digitalization on behalf of our customers. In doing so, we create added value for customers, employees and owners.

The structure of our Group and our management approach is based on the principle of sustainable and responsible business conduct on all levels of the Group — from the Group holding company to the operating units in the divisions and their individual companies. Allgeier owes its position in the market today to the business strength of our Group companies which is founded on innovative energy, flexibility and humanity. Today we see ourselves as a globally active Corporate Citizen, as an active and responsible part of our society.

Entrepreneurial responsibility and sustainable conduct on behalf of our companies, shareholders, the environment and society begins with our employees. They form the basis of our business success today and in the future. We put common values into practice and act in the overall interest of the Allgeier Group, taking sustainable principles into consideration. A sense of responsibility, respect and mutual esteem characterize the way we work together. We have defined the following core values for ourselves:

Innovative energy:
For us, this means our permanent striving for improvement and the deployment of intelligent and sustainable solutions and technologies for our customers' business models.

Enterprise:
For us, this means that we take full responsibility for our actions on all levels of the company while also being a reliable partner to our employees and willing to go the extra mile required.

Humanity:
Humanity for us means that we maintain loyal and fair dealings with each other in the teeth of tough competition, and our relationships are based on tolerance and our cosmopolitan outlook. We reject any form of discrimination and we do not allow it to materialize.

Integrity:
One important element of our working culture is that we stand by each other. That applies to mistakes in everyday working life and equally to providing mutual support in emergencies. Trust is the basis for the way we work in teams.

Respect for the law and compliance go without saying. Hard-and-fast rules and regulations for individual situations and circumstances in the working environment are clearly formulated and communicated by Group guidelines and directives as well as specific agreements. These apply to all our actions and are binding.

1.2 Management principles and the Compliance Management System

With our management principles and Compliance Management System, we guarantee sustainable and responsible business conduct in our daily work throughout the Allgeier Group as well as the observance of general principles and national legal standards in all our markets. These specifications which are systematically aligned with our common values of innovative energy, enterprise, humanity and integrity, thereby form an essential platform for our performance today and in the future and for further growth.

Human rights
We respect internationally recognized human rights and support their observance. We ensure that we are not complicit in any abuses of human rights.

Work standards
We strictly reject and rule out any form of forced labor or child labor. We recognize the right to appropriate remuneration for all our employees. Wages and other benefits meet the relevant national standards and local statutory norms and/or the level enjoyed by national economic areas/sectors of industry and regions as the very minimum. We defend the right of association and effective recognition of the right to collective bargaining.

Equal treatment and non-discrimination
A culture of equal opportunity, trust and mutual respect is of major importance to us. We promote equal opportunities and prevent discrimination in the appointment of new staff as well as in promotions, the granting of training and further education measures and in our daily dealings with

each other. We treat all employees equally. Gender, age, skin color, culture, ethnic background, political persuasion, sexual identity/orientation, disabilities, religious affiliation or ideology play no part.

Anti-corruption and fair competition

The uncompromising observance of our high compliance standards is of elemental importance for our business operations and general conduct on a national and international level, if we are to seek sustained success. For this reason, compliance in the Allgeier Group forms the focus of the attention of the Management and Supervisory boards. The Compliance Commitment made by the Management Board of Allgeier SE is the yardstick for our competitive conduct. Allgeier SE stands for technical expertise, innovative energy, a customer-centric approach and motivated staff acting responsibly. This forms the basis of our high reputation and the Group's sustained business success in national and international competition. We are convinced that corruption is a threat to these guarantors of success. Accordingly, such behavior is not tolerated ("zero tolerance approach"). Bribes or anti-trust agreements do not constitute appropriate means of obtaining an order. We would prefer to do without a piece of business or the achievement of internal targets than to break the law.

Avoidance of conflicts of interest

At Allgeier SE, business decisions are taken exclusively in the best interests of the company. The intention is to nip in the bud any conflicts of interest with private concerns or other financial activities, also with regard to relatives or other related parties or organizations. If any such conflicts nevertheless arise, they must be solved taking due account of the law and applicable Group guidelines. One essential prerequisite is transparent disclosure of the conflict which our systems are designed to guarantee.

Prevention of money laundering

Allgeier SE meets its statutory obligations in relation to the prevention of money laundering, and does not participate in any money laundering activities. Every employee in our Group is requested to have any unusual financial transactions which might give rise to the suspicion of money laundering, investigated, if necessary by the responsible financial, legal or compliance department. This applies especially to unusual financial transactions involving cash sums.

Political lobbying

We conduct political lobbying centrally, openly and transparently. In the process, we follow the legal specifications on lobbying and avoid any unfair influence on politicians and legislators under any circumstances.

Demeanor and communication in public

We respect the worldwide right to freedom of speech as well as the protection of personality rights and privacy. We also endeavor through our specifications and guidelines to raise awareness among all our staff that they may also be perceived as representatives of the Allgeier Group and as part of it even in their own private sphere. We consequently request every employee to maintain the image and reputation of the company through their conduct and public demeanor, particularly vis-à-vis the media.

When expressing private opinions, we make sure not to associate the employee's particular function or job in the Allgeier Group with their private utterances.

1.3 Standards and systems

It is crucial for Allgeier to take responsibility as a company in our business activities and to stand up for the observance of laws and international conventions. With the size of the company increasing, a steadily growing number of target markets and offices now with over ¥ and more than 3,000 customers around the world, we must deal with many different stakeholders and their individual, specific expectations. Closely related to this is a plethora of different legal regulations that have to be complied with.

Observance of laws and regulations

The observance of laws and regulations is for us a fundamental principle of responsible financial conduct.

We adhere to valid legal prohibitions and obligations at all times even if in doing so, we incur short-term financial disadvantages or difficulties for the company or individuals. If national laws contain more restrictive regulations than the rules in place at Allgeier SE, national law takes precedence.

Corporate governance

The principles of our corporate governance can be found in the Group management report above, in the Corporate Governance section.

Strategic management of opportunities and risks

Details on our strategic management of opportunities and risks, our early detection and monitoring of risks as well as our operational management of opportunities and risks can be found in the Group management report above in Clause 5.2.1.

GROUP NON-FINANCIAL STATEMENT

2. EMPLOYEES

2.1 Strategic personnel management

Our employees constitute our competitive advantage. In 2010, we still had fewer than 1,000 employees (continuing operations). Allgeier now employs over 10,500 staff in 28 countries. Last year alone, we created over 1,000 new jobs. Our roughly 140 facilities are spread over five continents. This growing cosmopolitan structure is also reflected in our employees: Over 6,300 of our total of 9,437 employees now work outside Germany. Our employees include numerous different nationalities, and their average age is almost 34. Altogether, our Group employs around 6,500 highly qualified IT developers — including more than 4,700 of them in our facilities abroad. And almost 30 percent of our employees are female — compared with other companies in our sector, this is a high figure which we have been able to steadily increase in the last few years. Many people in our Group work hard every day to identify and attract the best talent and outstanding skilled workers, and to bind them to our company for the long term.

As a fast-growing company in a demanding and highly agile competitive environment, we are convinced that employee training, job satisfaction and a sense of allegiance are crucial for our long-term financial success. In this way, we are able to offer customers the flexibility and innovative power they need and expect. At the same time, we are able to offer them groundbreaking products and disruptive technology services, always at the cutting edge of development. We would like to shape the digital transformation for our customers as a powerful, reliable partner. Our employees are working on processes and interfaces that are critical to the business and decisive for the future success of our customers. A solid foundation of values is indispensable in such a responsible position. Our common values of innovative energy and enterprise as well as humanity and integrity form the basis for our employees' performance. And our commitment to our staff across the Group establishes the platform for consistently backing essential qualities such as initiative, responsibility and flexibility. With programs and numerous different measures, we ensure that Allgeier is and remains an attractive, inspiring employer for its employees who not only offers a series of varied responsibilities and interesting customer projects but also outstanding individual opportunities and prospects. At the same time, we play an active role in countering the shortage of skilled workers and reinforce our brand as an employer in a hotly contested market for specialists.

As part of our personnel management, the divisions and companies in the Allgeier Group are taking a series of measures aimed at promoting employee growth, motivation and loyalty. Elements of personnel management include strategic personnel development, managing training and further education, recruiting, information and transparency as well as social aspects.

2.2 Personnel growth, training and further education

As part of our personnel growth program, we design employee-friendly guidelines and programs which give employees freedom and flexibility in their individual development process. We set great store by a culture in which people are able to acquire new skills, based on a self-directed culture of learning aligned on the one hand with our corporate goals but focused on the other on the individual opportunities, requirements and desires of employees. Our fundamental endeavor is to allow the existing employees in a team to grow. Parts of the strategic personnel development in the Group companies include a clear onboarding process with feedback interviews and a trial period interview as well as a continuous performance and development dialog with the respective manager in quarterly and annual meetings. On the basis of these interviews, targeted personal training measures are agreed and defined. Further measures forming part of personnel development within our Group companies include:

- management of further training, such as through skills portals
- training catalog with internal and external further training opportunities and individual training options
- management training
- trainee and induction programs as well as an onboarding and training concept for different divisions
- patron and mentor models
- promotion of part-time degree courses and dual study program
- identification of top talent, nurturing talented individuals and tying them to the company
- reward and recognition program
- Flexibility of roles: Individual opportunity to select different career paths and development options

2.2.1 Vocational training and dual study courses

Allgeier offers training in a wide variety of lines of work and professions at many facilities, and supports a series of dual study courses at various universities. Students are informed of opportunities for study and career prospects through corresponding programs and they are also approached directly. Comprehensive training management is in place to ensure that students obtain the right qualifications, receive the right support and find the ideal start to their careers. Interns, bachelor's degree students, master's degree students, working students and new entrants also undergo a comprehensive assimilation program with designated mentors. Further measures within the Group include the promotion of part-time study courses for employees.

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2.2.2 Hiring and career start

With the aid of well-conceived, proven programs, we enable students and career entrants to prepare well for their professional career and achieve a smooth start to their careers. In a highly competitive employer market, we are thereby not only providing qualified junior staff, we are also actively counteracting the increasing shortage of skilled workers that affects our industry worldwide. In addition to our own training in various professions and the use of dual courses, we offer further training, for example as an IT specialist, with subsequent transfer to the profession and combine these qualifications with internship phases. Training and degree courses are always offered with a view to subsequently hiring the people concerned. As well as working closely with universities and besides our commitment to universities in other areas, many of our companies also offer posts for working students, students studying for bachelor's or master's degrees combined with intensive support from mentors. The iQuest University, for example, has been making it possible for students to enter IT careers at our iQuest business unit for many years: This enables students to work on real development projects over a longer introductory process and provides them with excellent professional practitioners as mentors. In addition to technical know-how and practical project experience, we also teach soft skills relevant to professional practice.

The so-called hiring drives in our Nagarro Division constitute a further measure for ensuring an ideal career start. In the case of Pool Campus Drives, we identify a partner university together with which we organize the drive. Further universities are then selected which are to be invited to joint the program. Following this model, many students are able on the one hand to learn relevant lines of work and on the other, to get to know us as a company and familiarize themselves with work in our facilities. Campuses at universities are also visited in order to approach first-year students directly and inspire them to join the program. Additional off-campus drives at weekends serve to attract talented youngsters to take our recruitment tests.

2.2.3 Trainee program

Various trainee programs are in place within different companies intended to guarantee structured, thorough induction, efficient learning-on-the-job as well as in further relevant situations, a smooth introduction to new responsibilities and positions. In the Allgeier Experts division, for example, we have a six-month onboarding program with structured induction plans, fixed milestones and feedback meetings, followed by a takeover interview to ensure a professional start in the organization.

Further measures for supporting traineeships within individual Divisions include:

- patron model for new employees to facilitate their introduction to the company
- mentor model: We attach great importance to a long-term working relationship and to giving every single employee the chance to grow; through our targeted, confidential mentoring program, we offer new employees the chance to grow on a personal and professional level within the company
- offer of support for bachelor's or master's theses as well as, if possible, working students to be hired and given the chance to grow following completion of their degree.
- targeted appointment of lateral entrants who are trained on the job
- Campus Learning Program: The Campus Learning Program is a model in the Nagarro Division through which we want to widen the pool of highly talented specialists in conjunction with universities. In this program, we focus on training "industry-ready IT professionals" by improving the training and further education opportunities for students and tailoring them to the needs of the industry.
- Communication training for new entrants We offer specific support to new entrants with accompanying soft skill training such as communication courses, thereby contributing to their personal growth.

2.2.4 Further training

Permanent further training and the support of lifelong learning are of fundamental importance to us as part of our corporate culture. People derive pleasure from extending their expertise and increasing their knowledge, and this can make an important contribution towards a happy life. Consequently, we would like to help our employees to learn something new every day and to become just that little bit better. Wherever possible, we also take the individual needs and requirements of our employees into account but also their personal desires, goals and opportunities. We are convinced that as a consequence of our further training management and a series of concerted individual measures, we can on the one hand enhance and preserve the motivation, commitment and dedication of our employees on a permanent basis, and on the other, expand the knowledge, know-how and performance which are essential if we are to offer our customers excellent services and products. In addition, we make a commitment as a Group in many areas beyond our company in order to improve people's access to education and enhance the quality of education, particularly to counteract the shortage of skilled workers and give young people the ideal preparation for a career in IT. The measures taken by Group companies as part of our further training management include the following:internal further training offer in the form of live events and e-learning modules for self-study

- establishment of an academy and e-learning platform for employees
- topic-specific SharePoint communities for professional exchange with colleagues
- offer of training from external trainers as well as enabling employees to take part in external seminars and attend trade fairs/ symposiums/organized debates for their further professional training
- Exchange program between German and Indian sites with working students and trainees

2.2.5 Performance and awards

Establishing a culture of appreciation and recognizing performance, commitment and ideas is of major importance to us. Rewards and awards for special dedication and excellent performances in daily work and also for well-deserving team members play an important part in this process. Reward programs also exist for the recommendations of new colleagues. We have established strategic performance management processes in various business units in order to foster and further develop our corporate culture and to provide targeted positive incentives. One example is the Reward & Recognition program in the Nagarro Division. Important elements of the program are a monthly cheerboard, Excellence Awards and "Idea-yahs". Employee incentive plans also exist including interviewer incentives, target-linked incentives, sales referrals and an employee referral program (employee recruitment and recommendation programs via the Talentry personnel recommendation tool). Generally, we offer variable remuneration models in many areas of our Group (some including SMART goal categories) linked to profits, margins or service revenues. Additional incentives are also created in individual companies via special bonuses (e.g. for service anniversaries, on hitting certain development and further education goals or certifications, exceptional achievements or deployments abroad), options, overtime models and allowances such as night-shift allowances or off-site allowances, and special commitment is rewarded. In addition, for example, the best ideas for improving the company (e.g. optimization of processes, workflows, cost reductions, new employee benefits, new business opportunities, etc.) are rewarded with a bonus.

2.2.6 Employee loyalty

Creating effective employee loyalty and low employee turnover are important elements of a business operation successful over the long term. As well as the programs and measures for personnel growth and the further qualification of our employees described above, we take further steps in our Group companies aimed in particular at enhancing the loyalty and motivation of specialists as well as at securing valuable expertise, e.g.:

- Career planning and attractive development opportunities possibilities: Via salary models, gratuities and individual career opportunities, we reward commitment and excellence, motivate employees and tie them to our Group for the long term
- Regular personnel and feedback interviews
- Training, ongoing further training and development: We offer our employees a multitude of individual development programs and personal consultancy opportunities thereby allowing them to design and pursue their own learning and development path
- Work Life Balance: We want to use employee-friendly programs, flexible working time models as well as a multiplicity of further measures for reconciling family life and a career (see below) to understand the needs of employees and to help them achieve an optimum work-life balance
- Conducting regular employee surveys and reporting to measure employee engagement and satisfaction and, based on this, adapt personnel development, marketing and communication strategies. At the same time, this enables optimization possibilities to be identified in different organizational areas, thereby enhancing employee satisfaction and loyalty
- Employee advantage program through external service providers
- regular team meetings, parties and joint activities and events, introductory days and welcome days for all new entrants to get to know each other and for networking, regional round tables for experts, awards, honors, bonus holidays and gifts for company anniversaries, birthdays, weddings, etc.

2.2.7 Development of managers

The continuous development of our managers plays a significant role for us, not only as part of our personnel growth and further education management. We are also convinced that good performance on the part of our Group and groundbreaking services and products for our customers require good management. We provide special promotion programs, development programs, career models and incentives, bonuses and participation models for managers.

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With further education, training and coaching sessions, we ensure in our Group companies that managers receive continuous training, and we also prepare employees for leadership roles and to take on responsibility.

2.3 Recruitment and the promotion of science

Research & development and the support and promotion of universities, science and young talent are of great importance for our Group. We know that we are dependent today and tomorrow on the best minds all round the world to enable us to offer our customers the best solutions and maintain the strong growth of our company. Allgeier consequently maintains numerous collaborations with universities and research facilities, supports partner universities and projects financially and is also represented at many universities with regular recruitment and hiring events. In cooperation with universities, we conduct workshops and training courses and organize a wide range of events to provide students not only with theoretical knowledge, but also with practical experience. Students receive targeted support at several universities and on different courses as part of the Germany Scholarship. We also meet our responsibility to promote science and research in our Group companies through the following measures to name but some:

- lecture series, technology training courses, workshops, webbings and student projects at several universities in various countries
- boot camp for students: The pre-placement boot camp is a training initiative in which a group of candidates are selected on the basis of common aptitude and coding tests, and receive further specific training before they are sent a PPO (Pre-Placement Offer)
- excursions for students to Group company facilities
- promotion of the Germany Scholarship at several universities (both centrally via Allgeier SE as well as on a decentralized basis via the Divisions)
- regular participation in scientific surveys and studies, esp. for bachelor's and master's theses as well as for dissertation projects
- regular hackathons for students

2.4 Information and transparency

To guarantee a regular exchange of interests as well as a consistent flow of information and communication both from the top down and from the bottom up, Allgeier SE has set up an employee council as a central stakeholder in cooperation with a body elected by all employees; the council is made up of ten elected employee representatives from all Divisions as well as the Group Management Board. Communication channels are in place within the divisions and companies (incl. via the intranet) in order to allow the staff to share in the information as well as the decision-making processes within the employee representation bodies. Further measures to promote the representation of interests and exchange of information within the Group companies include facility and/or divisional meetings, webbings, town hall meetings and info days intranet, blogs, wikis and regular newsletters. The Nagarro and Allgeier Experts divisions also conduct regular satisfaction surveys and reports for this purpose. Nagarro has also established an Internal Complaints Committee (ICC) to protect employees' rights (including against discrimination and sexual harassment) and feedback mailboxes for anonymous feedback when required. At Group level, whistleblowing is possible with the compliance contact person.

2.5 Social affairs

2.5.1 Reconciling family and work

The reconciliation of family and work in aid of a positive work-life balance is of great significance to our Group. This is catered for by flexible job and working time models among other measures. We are convinced that this makes an important contribution towards the commitment, motivation and willingness of our employees to learn, thereby also leading to higher productivity, greater efficiency and better products and services to the benefit of economic sustainability. Measures within our Group companies that contribute to a good reconciliation of career and family life, include:

- flexible Home Office / work-from-home arrangements, also project-specific, if applicable, as well as the setting up of satellite office locations to reduce travel time and costs
- flexible (parental) part-time arrangements to meet individual employee requests
- installation of maternity leave (also exceeding statutory arrangements in certain countries)
- constant information and involvement of employees in parental leave and targeted reintegration measures after family leave phases
- family-friendly holiday arrangements
- special measures of support for parents/families (e.g. through childcare offers)
- working time arrangements with recommended core working time and restricted flextime models or trust-based working time
- local family celebrations
- offer of family-friendly, efficient company cars for large family groups in our Indian facilities
- partial deactivation of mail forwarding to the company mobile phone during longer vacation periods

2.5.2 Company health management, health and safety protection

The maintenance and promotion of the health of our employees plays an important role for us. That is the reason why we create a humane and healthy working environment for our employees. These measures are not only socially justifiable but also sustainable from an economic perspective. Through company health management, we not only provide for a greater sense of well-being, satisfaction and motivation in our units, we also obtain high performance from our employees over the long term, increase employee loyalty and ensure low sickness rates and low staff turnover. Health and safety protection are also vital for us. Whenever and wherever possible, we aim to avoid any impairment of health or accidents at work. Consequently, we take the appropriate steps and have the corresponding systems in place (First Aid Officers, fire marshals, company doctors, health and safety specialists, etc.) to ensure optimum health and safety protection. Within the Group, we work on continuously improving occupational safety and health protection. Employees are co-responsible for the protection of people and the environment in their working environment. All corresponding laws and regulations must be adhered to. Managers are obliged to instruct and support their employees in fulfilling this responsibility. We also want to ensure the safety and integrity of our employees at our worldwide facilities with a variety of measures. Measures to promote health and safety at the workplace within our Divisions comprise the following, by way of example:

- training Safety Officers
- safety briefings for new employees as well as annual briefings for all employees
- occupational health screenings for the early detection or prevention of work-related sicknesses or occupational illnesses
- regular inspection of portable electrical equipment
- regular DGUV-3 inspections
- use of ergonomically tested office furniture such as desks with electrical height adjustment and office chairs to DIN standards as well as individual workplace inspections and ergonomic advice from company doctors
- support and sponsorship of sporting events such as company runs, and support for employees' sporting activities (incl. organizational and/or financial support for football, tennis, badminton, chess, cricket, table tennis, carrom, cycling or running events and tournaments)
- fitness offers and personal training as well as some proprietary fitness rooms with instructors, Zumba and yoga classes as well as offers of mental training and stress management
- offer of showers and bicycle stands
- offer of health discussion rounds, workshops and seminars
- support for health protection at the workplace through a subsidy for workplace spectacles

2.5.3 Remuneration

With the aid of intelligent and forward-looking evaluation models and variable remuneration and incentivization schemes, we would like to maintain the dedication and commitment of our staff, motivate them going forward and reward excellence. The basis for doing so is provided by regular feedback discussions and goal-oriented interviews, SMART goal agreements aligned with the level of expertise and responsibility as well as a multi-channel performance analysis system within Group companies. Added to this are measures such as a feedback-oriented interview system that focuses on professional development and personal progress as well as a goal-based bonus system. Employees also receive additional bonuses (depending on their area of responsibility and position).

2.5.4 Diversity and variety

Diversity is enrichment for our Group. In the Allgeier companies, people of very different origins, cultures and religions work on five continents. Our Allgeier Experts Division is a signatory to the "Diversity Charter" and is thereby committed to preserving and implementing the values that promote diversity and equal rights at the workplace, and it cultivates diversity wherever the company is able to do so. We believe in the right to equality and the dignity of all people. All of our employees receive the same work opportunities and prospects, and no-one is discriminated on the basis of their membership of a group, the color of their skin, marital status and family situation, their parental status or origin, source of income, religion, gender, age, national origin, disabilities, sexual orientation, state of health or veteran status. Our corporate culture is marked by intercultural collaboration in mixed teams at our facilities spanning many countries. The promotion of gender diversity is especially important to us. We are convinced that this, too, can make a vital contribution to combating the shortage of skilled workers. We also promote diversity at the workplace by supporting projects such as the not-for-profit programming school ReDI School of Digital Integration through which we also help the qualification and professional development of young specialists. Our Group has a high proportion of female employees — compared with the average for the sector.

2.5.5 Intercultural understanding

Intercultural understanding and collaboration is growing in importance in our Group due to its constantly growing

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internationalization. Besides collaborations in mixed teams across countries and dialog within the Group with companies and units in the various countries (see above), the individual Divisions take numerous further steps to enhance intercultural understanding within our Group, e.g.

- dispatching employees for induction in project teams at other facilities
- staging information events across different facilities, and multilingualism in internal communication
- internal, global social media platforms for communication, the exchange of knowledge and transfer of know-how
- weekly webbings in relation to corporate culture, management policy and future growth
- offer of intercultural training for employees
- free language training to support our customers in their relevant national language and to improve communication within the Group
- Participation in social projects for intercultural exchange

2.5.6 Support for employees and families

As a Group, we make a major commitment to our employees as we are convinced of the importance of establishing good relationships with one another, both on a professional and human level, as well as a good working atmosphere in order to enjoy success together. The reconciliation of family life and careers, in particular, is supported by a multiplicity of measures (see above). We regard it as especially important at our international facilities in Asia to take responsibility for our employees and their families, and in this respect, we go far beyond the legal minimum. This is particularly crucial wherever statutory health insurance and other social security systems are less well developed than in Germany, for example. We provide our employees with insurance against medical risks, other special risks as well as making Group life insurance policies available to them. We also offer financial support to help them overcome any direct financial crisis caused by an unforeseen event in the life of the employee or their family. In addition to the measures listed in the points above forming part of our commitment to our staff, we also have a range of special programs and offers at the ready within the Group, particularly in order, as an employer, to provide effective support in exceptional situations in life such as:

- special leave for births, weddings or deaths
- special leave and/or financial support in emergencies or financial crises
- subsidies towards the cost of childcare
- implementing nursing leave for relatives
- partial payment of costs in the event of exceptional financial burdens as a consequence of illness
- possibility of unpaid leave

3. ENVIRONMENT

Protection of the natural environment, the responsible handling of resources and awareness of responsibilities towards future generations as part of inter-generational justice form the essential foundations of our business operations and actions. Sustainable environmental awareness for us means continually reducing the consumption of energy and resources and making an active, comprehensive contribution towards the protection of the environment. We deploy operational environmental management systems to create the framework to register activities with relevance to the environment, pursue environmental targets and continually improve our environmental performance.

3.1 Environmental strategy and environmental management

The protection of our environment and the responsible, sustainable handling of resources are taken into account both in fulfilling our responsibilities for our own company and as part of our services. That is why we demand and promote environmental protection. In the process, it goes without saying that we observe the applicable legal regulations in the various countries. The companies in our Group also implement specific environmental strategies and management systems in their respective markets, some certified in accordance with DIN EN ISO 14001 or based upon it.

3.2 Utilization and consumption of natural resources, heat and energy as well as renewable energies

Within the Group, we are aware of our footprint and as part of our commitment to ecological sustainability, we regularly identify opportunities to reduce the consumption of natural resources and energy, and shape our further growth in a resource-efficient manner. Besides the use of regenerative energies, environmental management also plays an important role in the selection of products (hardware and office equipment): Here alone, we have identified a savings potential of up to 60 percent in certain Divisions which we intend to leverage by making constant improvements.

The building of our iQuest business unit in Cluj (Romania), in which one of our major European development centers is located, is a special example of this. The office building has been classified as Romania's most environmentally compatible building and has been rated outstanding in a worldwide comparison according to the BREEAM Building Research Establishment Environmental Assessment Methodology.

One example of the many ways in which we are continuing our commitment to environmental sustainability is a project to conserve resources in our Nagarro Division: As part of its CSR initiative, Nagarro has adopted an entire village in India. The aim of this project is to install around 2,100 solar-powered lights in the village.

3.3 Water

We pay special attention within the Group to reducing water consumption and waste water. This commitment is exceptionally important, particularly at facilities in India where water is in short supply. To do so, we make our employees aware of the need to use water resources sparingly on the one hand, and on the other, we make an active contribution towards saving resources through steps such as using self-closing taps, collecting rainwater to replenish the water table and recycling waste water for horticultural purposes and other uses.

3.4 Emissions of CO_2 and pollutants, mobility policy

As we are a service company, our emissions of CO_2 and pollutants in the course of our work are naturally lower than for many manufacturing companies. Nevertheless, we strive within the Group to continuously reduce our CO_2 footprint and the emission of pollutants. An intelligent mobility policy enables us as a company on the one hand, and our employees on the other to make a contribution towards saving natural resources and reducing emissions. As part of our commitment to ecological sustainability, we strive in particular to reduce trips and travel for work purposes by means of appropriate processes and technical equipment, as well as to cut the consumption of resources in traveling to and from our offices. We also encourage the formation of car pools/car-sharing, and create incentives for using alternative forms of transport.

3.5 Materials and recycling

Recycling and a careful approach to materials and waste are important topics for us. We practice the separation of waste at our facilities, and disposal systems are available for various materials and pollutants. With printer toners, we pay attention to environmental aspects when selecting equipment. Empty cartridges are usually picked up by the manufacturer and recycled. Special sparkling water taps are being tried in some new offices as a pilot project in order to provide employees with drinking water. In this way, we can reduce the use of bottled drinks, thereby lowering the emissions caused by transporting bottles.

Our Nagarro Division is committed to the "give up to give back" initiative, which aims to create incentives for intelligent and sustainable corporate consumption. The use of disposable plastics has been completely abandoned and employees are trained to stop using plastics completely.

3.6 Raising awareness among employees

As part of our commitment to sustainability, we raise employees' awareness of our strategic measures within our Group companies on the one hand, and encourage responsible treatment of the environment and natural resources on the other. Internal channels of communication are used for this purpose. Regular discussions are also held at a local level in many facilities on further sensible measures. It is important for us to ensure that employees are able to contribute their own ideas and suggestions. We are convinced that in this way, ecological sustainability can best be implemented and embraced both internally and externally. Examples of suggestions and steps implemented within the Group include switching off standby mode on all electronic devices overnight, turning off lights and adjusting the air conditioning and temperature of rooms not in use.

3.7 Green IT

Companies in our Group have been following the debate on Green IT since its inception with the aim of making a proactive contribution towards the provision of sustainable IT solutions. It is our conviction that Information and Communication Technology (ICT) has a considerable role to play in the task of reducing energy consumption and raising energy efficiency in industry. For the benefit of ecological and economic sustainability, we pursue the goal of reducing emissions and saving resources on the one hand, and raising cost-effectiveness and competitiveness on the other. Companies and organizations require ICT-based procedures to monitor and control the distribution and consumption of energy, and to make the entire energy system more efficient. At the same time, ICT must monitor its own energy consumption and realize efficiencies. Wherever the "Green IT approach" can be pursued, advanced or realized in the customer environment, in data centers, when setting up IT infrastructure, when our employees are deployed on projects and in our own IT, we support its implementation and attach importance to sustainability, realizing savings potential and enhancing cost-effectiveness. Measures for achieving these goals include designing the IT infrastructure along energy-efficient lines, specifying cooling systems and energy supplies in accordance with Green IT approaches and consolidating data centers. In addition, we rely on the highest possible degree of system virtualization in our existing data centers in order to

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reduce the hardware needed in the center. This saves resources and electricity used in directly supplying the systems but also in the area of air conditioning.

Our Nagarro Division has long been a partner of the non-governmental organization AfB (www.afb-group.at) in Austria. As part of this arrangement, Nagarro will donate all IT hardware it has taken out of service. AfB deletes the remaining data in a certified manner and prepares it for reuse. In addition, AfB employs people with disabilities to recondition the hardware.

3.8 Legal obligations

We observe the legal obligations pertaining to environmental protection throughout the Group, and frequently exceed national regulations. Since December 5, 2015, for example, an energy audit must be conducted in accordance with DIN EN 16247-1 (with corresponding, regular follow-up audits). We have implemented this in the Group.

4. SOCIETY

As a Group operating in 28 countries throughout the world, we see ourselves as an active part of society, with a duty to act responsibly. With the steadily increasing internationalization of our Group and our business, the number of our stakeholders is also growing. As a consequence, a growing number of different expectations are invested in us as a company. We firmly believe that by actively assuming responsibility, we can make an important contribution towards protecting the environment, improving people's lives in the world and increasing education opportunities. Making an active contribution and working for the public good and society constitute essential ingredients of our corporate culture and our value-based self-image as a company. To meet both our own aspirations and the expectations and demands of our stakeholders, consequently a large number of initiatives are in place at the level of the Divisions, individual companies and units or separate facilities to complement the central measures implemented. In a world of constant flux, we want our commitment to sustainability to generate a meaningful benefit, whether large or small, and continually refine and improve our measures and their effectiveness.

4.1 Corporate Citizenship

As a corporate citizen, the Allgeier Group engages on behalf of society and its citizens in many diverse forms. In our Group companies, we are committed to civic engagement in many areas. Our divisions raise employee awareness in order to foster responsible action, encourage initiatives and actions, and actively support them in many areas. Besides the commitment of our Group and our Divisions and units, many employees at individual facilities also take on responsibility at a local level, and make an active contribution to their local communities — e.g. through their social or ecological commitment. We have already undertaken numerous initiatives thanks to the voluntary work of our employees and teams. Our vision is to design our internal policies and budgeting in such a way that numerous issues can be tackled by initiatives in areas such as education, health, the environment, etc. For example, our Allgeier Experts Division supports a wide variety of social projects, organizations and initiatives on a regional, national and international level.

4.2 Stakeholder dialog

For the sake of establishing a regular, truthful dialog with stakeholders and open, transparent communication, we bank on broad, systematic public relations work (incl. social media) on all topics of relevance to the various stakeholders. In divisional terms, an ongoing exchange with relevant groups of stakeholders is frequently installed at the level of top management. Added to this is targeted direct communication with stakeholder groups in the form of mailshots, newsletters, information letters, etc. We also participate in trade events and fairs to engage in personal dialog and exchange views, we organize or play an active role in regular get-togethers for employees on external assignment and stage our own events on specific topics.

4.3 Commitment to education, youth, the environment, culture and sport

We embrace Corporate Citizenship in many different ways. As a company acting responsibly and on a sustainable basis, we take wide-ranging measures to promote society and support education, youth, the environment, culture and sport at a Group level as well as at the level of our Divisions, subsidiaries and local units. In addition, we are involved as sponsors and donors for educational, social and charitable projects – not only at Group level but especially also at the level of our divisions, companies and locally at our sites. We also support fundraising campaigns by our employees.

Our initiatives can be frequently traced back to suggestions and ideas from our employees. Many of our employees volunteer in a wide variety of ways and become role models for others. As a company, we honor this commitment and promote and support it in various ways.

One example is our employee Alpar Katona, who works for the iQuest business unit in Romania and is committed to providing experience therapy for children with serious illnesses. For several years he has been facing the challenges of so-called yuppi rides – extreme adventure events held under special conditions. In 2018, together with his partner, he crossed the largest glacier in Europe, the Vatnajokull Glacier in Iceland. They crossed it on ski, using only physical strength, without guides or sledges. In fact, they also aimed to climb Iceland's highest peak, the Hvannadalshnjukur, which is located on the glacier. Since they were caught by an avalanche and lost all their equipment, they were prevented from completing the adventure. In 2017, Alpar cycled over 1800 km through five countries to reach Chamonix and climb Mont Blanc for seven days. In 2016, he walked for five days over Romania's most difficult mountains. With his extreme sports events, Alpar aims to advertise the Yuppi Camp and collect donations for it. This is a project that provides experience therapy for children with chronic and serious illnesses such as cancer, diabetes or adolescent arthritis in order to support their treatment and healing. iQuest is a sponsor and supporter of this organization, and the company's employees raise money for the initiative on numerous other occasions.

Another example of the extraordinary commitment of our employees is our staff member Brigid Wefelnberg, who works at a German site of our Nagarro Division. Brigid is a professional-level ultra-marathon runner who is involved in social issues such as children's rights. Through her runs all round the world and her commitment, she helps us to collect money for these issues to support social projects. In this way, we can help to give something back to society and help people in need. Through this and similar projects, we support local communities at our facilities directly or indirectly — especially at our offices in India. This enables us to improve the quality of life and economic prosperity of local people over a longer period of time.

Some further examples from our divisions show the breadth and depth of the activities and measures taken by us and our dedicated employees:

Nagarro Division:

- Establishment of the CSR flagship program Haryana Vision Zero 2017: This is an initiative of the State of Haryana to reduce the number of road deaths. Nagarro launched the program with the aim of reducing the number of fatalities in road accidents to zero. We are now in our second year and to date we have achieved the following results: 6,554 km of road inspections were conducted, 1,386 accident investigations were performed, 84 so-called black spots were audited (places where more than 5 people died in accidents), 613 zero-tolerance journeys were taken by the traffic inspectorate where fines for illegal activity were imposed, 121 District Road Safety Meetings were held, 1,070 reports were submitted; a total of 162 lives were saved; as a side effect an economic benefit of 1.95 billion Indian rupees was created (approximately EUR 24.3 million): The United Nations and the World Health Organization WHO estimate that India loses three percent of its GDP annually through accidents – by saving human lives we make a financial contribution to India's GDP
- Comprehensive CSR education initiative for underprivileged children: As part of the CSR initiative for schools, we are building a complete new wing in a school for the underprivileged. This will enable the school to accommodate more pupils in the future. Nagarro has set itself the goal of improving infrastructure in some 150 schools in the area by providing them with access to water, clean toilets, a functioning computer room and a continuous power supply through the provision of solar modules. By the end of the project, we aim to have improved the lives of about 30,000 – 40,000 school children. We have already successfully implemented the

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measures at six schools. In addition, we have established a stronger bond with the students by inviting them to the Nagarro campus to promote communication between the software industry and students. We also provided laptops and bags for excellent pupils in village schools and financed the construction of a community hall with an adjoining library in the village to encourage people to read. In addition, we have ensured that eight speech- and hearing-impaired people have been recruited
- Local environmental protection, resource conservation and reducing emissions through wide-ranging mobility measures and campaigns for environmental protection such as forming car pools and car sharing, active commuting to work, a fleet of company bicycles that enable employees to cover short distances by bike, the use of public transport and measures for greater safety for pedestrians, support for the "Car Free Challenge" in Gurugram (India) and Raahgiri Day in India (http://raahgiriday.com), a campaign for a car-free day that has been running since 2013. Our backing for this project was presented by Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) GmbH and the German Federal Office for the Environment as an exemplary campaign in their joint brochure "Reverse Innovation. Rethinking Urban Transport through Global Learning" (http://www.umweltbundesamt.de/sites/default/files/medien/376/publikationen/reverse_innovation_bf.pdf)
- Environmental commitment in India through support for the Plantation Drive (planting trees as part of the Green Earth Initiative)
- Support for World Vision: As part of the Samarth Program, employees take responsibility for adopting a child, and donate to its education and living costs
- Organization of visits to various selected non-governmental organizations (NGOs), which we directly support with food, clothing, stationery for disadvantaged children, people with disabilities, poor people, victims of violence or crime, and people with disabilities. The listed NGOs are visited once a month
- Support campaigns to educate children and youth and support disadvantaged children with fewer opportunities, e.g. DoaOAR ("Donate an Hour" – book donations and indoor games for the Gurugram library). In addition, employees at our development sites in Gurugram teach sixth and seventh grade students in mathematics and English as part of the Saksham program in cooperation with a state school
- Own blood donation camps at Gurugram and Jaipur: The donation camp is repeated every quarter; an average of 80 people donate blood. For our commitment, we received an award from the Rotary Club for a "significant contribution"
- Constructing a library: In January 2019 our Gurugram site built a library in the village of Bbahin, Manpur, for the inhabitants and schoolchildren
- Search for stem cell donors: Recently, two of our colleagues from Gurugram were identified as matching for a stem cell donation. The donation was made in March 2019
- Enabling schooling for children with fewer opportunities: Nagarro has set up a complete training unit for Literacy India (an organization to support children in active education to ensure a minimum level of learning). Through this commitment, more classrooms can be created to enable even more students to attend school
- Job opportunities for visually impaired and disabled people: NABET India (National Association For The Blind (Employment & Training) Manesar), an NGO in India working to employ visually impaired/disabled people and weaker sections of society, has helped Nagarro hire five people with different skills
- Computer training for underprivileged youth: In collaboration with one of our clients, Nagarro sponsored a computer training program for 25 students of the NGO Deepalaya that helped them find a job and earn a living. They are all currently employed
- Launch of an online portal for non-profit organizations: Nagarro has established the web portal "Civic Quotient" (https://cq.community/), which connects people in India with non-profit organizations to publish their events, donations and petitions online
- Renovation of schools: As part of the "Paint The Dreams" initiative, Nagarro employees visited state schools in India and renovated the walls of more than 40 classrooms by painting them with educational drawings

Allgeier Experts Division:
- Participation in the annual CSR action week "Wiesbaden committed" to actively support social and ecological projects in the Hesse state capital with its own teams of employees, who are released from work for one day for this purpose
- Financial support for the aid organization "Engineers without Borders" with the aim of improving the living conditions of needy and disadvantaged people in the long term
- Main sponsor for the Fly & Help Foundation for the promotion of education in the poorest countries in the world
- Donation of 131 packages for "Christmas in a shoe box" by employees: This scheme involves the collection of sweets, coloring books, pens and toys for the world's largest gift campaign for children in need
- Participation in the collection campaign "Deckel gegen Polio", the first main project of the association "Deckel drauf". Through the collection of lids made of high-quality plastics (HDPE and PP) and the subsequent sales proceeds, the "End Polio Now" program is supported by a worldwide project to prevent children from contracting polio
- Admission of EU citizens to the pool of experts through active support of German courses and coaching with the aim of facilitating entry into the German labor market
- Collaboration with the wfb workshop for the disabled for printing and dispatch orders
- Financial support for the ReDi School of Digital Integration for promoting the integration of young refugees through IT training, support in obtaining their first job and in their further professional career
- Participation in company runs such as the JP Morgan Chase Run and the B2RUN series
- Active participation in the Deutsche Sporthilfe Foundation
- Donations in kind to the Tafel association and child care facilities
- Active participation in the City Cycling Initiative with a team of employees
- Support for victims of natural disasters, war and violence and employee fundraising campaigns

mgm technology partners Division:
- Christmas donation campaign by mgm consulting partners for the "Neue Kupferhof" in Hamburg, a short-stay home for children and young people with disabilities
- Christmas donation campaign for an orphanage in Đà Nẵng, Vietnam
- Christmas donation campaign by mgm security partners for the Wikipedia Foundation
- Financing of the education of 12 disabled children from disadvantaged families by mgm Vietnam

Enterprise Services Division:
- Christmas donation campaign "Donate instead of giving" to regional associations and organizations with the involvement of employees
- Commissioning of a workshop for the disabled in Bremen for a climbing garden for the "Home for Children"
- Local environmental protection, conservation of resources and reduction of emissions through various mobility measures and campaigns for environmental protection such as the use of alternative drive technologies for our pool of vehicles, bike leasing offers, etc.
- Campaign to donate monitors to schools

iQuest Business Unit:
- iQuest's sponsorship commitment to society reflects the company's culture: iQuest thereby aims to give something back to society – and even if the measures taken do not solve the world's problems, they should help make the world a better place
- Education and personal development: The commitment ranges from promoting talented and high-performing employees with disabilities to volunteering and supporting programming projects for children, such as the Adopt a School Program or Coder Dojos, where iQuest colleagues help children learn the Scrath programming language, and partnerships with numerous educational initiatives such as the Mathematics Olympiad, TEDx events in various locations in Romania and the Rada Mihalcea Awards for young researchers in natural and engineering sciences
- Support and sponsorship of humanitarian programs and charities such as Yuppi & Magic Camp, leisure camps for children with severe or chronic diseases such as cancer, diabetes and arthritis
- Supporting Shoebox: For over ten years, support for a project founded by a former employee, which serves to bring some happiness to poor children all over Romania with donated gift boxes
- Developer support: iQuest is very proud of its female engineers and supports this group and initiatives within the technology industry, e.g. supporting women in the Tech Cluj community
- At least twice a year Blood Donation Events in the office in Cluj-Napoca and encouraging employees to adopt healthy lifestyles, including through partnerships with local initiatives such as Ride2Work and Food Waste Combat
- Support for cultural events such as the Jazz in the Park Music Festival and the Comedy Cluj

Objectiva Business Unit:
- In order to improve students' understanding and knowledge of the real working environment, Objectiva works with the universities in Xian to develop lectures with software architects and engineers, attract students as interns, and regularly offer public seminars on technical topics
- Promoting the education of children in remote mountain areas through clothing and book donations as part of the China Social Welfare Foundation's Warm Current Project
- Participation in the "China Poverty Reduction Program" through sponsorship of educational and living costs for an orphan
- Adoption and sponsorship of two children through Plan International

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- Annual donation to the Disability Fund of the China Disabled Persons' Federation
- Aid to combat hunger in the world through food donations to the World Food Program via Freerice
- Support for the public blood donation program
- Donations to the Red Cross during the earthquakes in Wenchuan and Ya'an

4.4 Sponsorship commitment

Besides the social commitment described above, we also get involved as sponsors — both at Group level and at the level of our divisions, companies and local facilities A few select examples of our sponsorship commitment:

- Sponsoring of the annual cancer research run in Vienna
- Sponsorship of two volleyball teams (Munich and Wiesbaden)
- Sponsorship at the grass roots: e.g. sponsorship of football shirts for the F Youth Team of Dresdner Sportclub 1898, of 1. FC Ohmstede and 1. FC Victoria Berlin as well as sponsorship of football tournaments
- Conversion of employee birthday gifts into donations
- Participation in various charity runs as well as financial support for runners
- Sponsoring of participation and running shirts of employees in B2RUN company races
- Sponsoring for Bremen Athletics Association

5. CUSTOMERS AND SUPPLIERS

The Allgeier Group has a widely diversified customer portfolio with numerous large and smaller customers in nearly every sector of industry. Around the world, we work for global groups, market and sector leaders and a large number of demanding mid-sized customers as well as for public sector customers in many different markets. We want to be an agile, vigorous but above all reliable and long-term partner to our customers, one who understands the wide-ranging requirements and needs of its customers, recognizes the challenges, tackles them and successfully solves them. Responsible dealings with customers and suppliers marked by fairness and integrity are consequently of elemental importance for our business and our sustained financial success. Our relationships with customers and suppliers are consequently shaped by our core values. The consistently high quality of our products and services and our focus on important future trends deliver financial sustainability and represent prerequisites of our future viability and continued growth

5.1 Quality Management System

Guaranteeing the consistently high quality of our services and products is of major importance to our financial success. Our aspiration is to give all-round satisfaction to our customers and always to offer them the best possible solutions with state-of-the-art technology. Consistent quality management forms an essential basis for meeting this aspiration. We have consequently implemented quality management systems in our companies, and individual companies are certified to ISO 9001 or CMMI (Capability Maturity Model Integration) Maturity Level 5. With regard to the process maturity of our technology services and software development, we also align with the CMMI reference models and in some cases have corresponding certification.

5.2 Customer satisfaction

We aim to be a reliable, efficient, flexible and lasting partner for our customers. In many cases, we play a direct and active part in helping to shape digital transformation at critical points of the business, thereby making a crucial contribution towards chaperoning our customers into the digital future. In accordance with our high quality aspirations, we define the success of our work essentially by the satisfaction of our customers as well as our contribution to the success of their business. Within the Group, we have established binding evaluation systems and processes in various areas. Their aim is to measure the success of our work, regularly record and evaluate the satisfaction of our customers and derive continuous improvements to our products and services from the results. Depending on the services and products concerned, these processes are differently designed in our divisions.

In our Nagarro Division, we conduct a customer satisfaction survey at least every quarter for all our customers. The feedback is summarized on the basis of the evaluation results for different segments and customers and using the list of questions in the survey. An analysis is then conducted of the emerging trends, which customers reveal a positive leaning and which ones are negatively inclined, the areas where we can improve further and any areas where risks are imminent. The results are shared with the management for further reflection and corrective measures (if applicable).

In our mgm technology partners division, we pursue an evolutionary innovation strategy. In cycles of a maximum of six months, a project must deliver verifiable results, otherwise the objective must be changed or it must be stopped completely. By doing so, we avoid irresponsible project risks. Together with our customer, we gain important insights with each small step, and we use them to review and correct the objectives of the coming steps. After the conclusion of each project, a joint retrospective is held with the customer and, if possible, a customer reference is prepared.

In our iQuest business unit, customer satisfaction is measured quarterly on the basis of three main criteria: Commitment, quality and communication. This ensures that projects are continuously aligned with the values of integrity, excellence, commitment and teamwork. The results are shared internally with the entire company and externally with potential customers in order to ensure the best possible transparency of the company's performance. In addition, special attention is paid to personal feedback from customers. For this purpose, a process based on qualitative methods has been established in which interviews with customer representatives are conducted twice a year. The results serve to improve service and performance as well as to optimize internal processes and are directly linked to the executives' key performance indicators.

In our Allgeier Enterprise Services Division, the measurement, maintenance and continuous improvement of customer satisfaction are essential elements of the quality management system and the IT Service Management System based on ITIL (IT Infrastructure Library).

In our Allgeier Experts Division, the increasing demands made by customers require the permanent optimization of processes and continued development of our expertise. The close customer contact provides statements on customer satisfaction by means of personal customer surveys, which are conducted on the basis of a standardized discussion guide. As well as other data, these discussions represent an important source of information for improving our services. Other significant contents of customer interviews and feedback relating to quality are also exhaustively documented. This process is followed systematically. As part of the internal process audit, any suggestions for changes from the organization are reviewed and assessed for implementation. Every employee is also encouraged to contribute suggestions for improvements. Of particular importance here are the constant expansion of the service portfolio and the optimization of service processes in compliance with the entire quality management system. Data from the satisfaction analysis and any customer complaints received are evaluated and lead to appropriate steps being taken if problems are recognized or potential for improvement identified. The results are fed into the management review.

5.3 UN Global Compact corporate culture

Long-term supplier relationships based on partnership which are marked by openness, trust and mutual reliability, are an elemental component of our business strategy. In our wide-ranging relationships with our suppliers and business partners around the globe, we adhere strictly to our corporate values. This includes keeping our employees informed and aware as well as monitoring closely that our specifications are consistently applied. We avoid business relationships with suppliers of whom it is public knowledge that they are in breach of the principles underlying the UN Global Compact. We also advocate further enforcement of the UN Global Compact in our business relationships.

It is important to us that our corporate culture based on criteria of responsibility and sustainability is consistently understood and embraced. We consequently use introductory days and welcome days in our Group companies to communicate our culture at which the most important task owners and contact persons introduce themselves and convey common values and practical knowledge for working in our Group. We would like every employee to be approachable for their customers, partners and colleagues, and our communication to be content-driven.

5.4 Fair competition and anti-corruption policy

As a Group, we subscribe to fair and transparent competition. Accordingly, the Compliance Commitment issued by the Management Board of Allgeier SE forms the basis for all our actions. The high reputation we enjoy with customers, suppliers and other stakeholders, and our financial success are founded on strict adherence to our values and rules. Corruption threatens the guarantors of our success and our

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good reputation. Bribes or anti-trust agreements do not constitute appropriate means of obtaining an order or achieving internal goals. With its five-pillar Compliance Management System, Allgeier SE has taken extensive steps to ensure that anti-corruption regulations and the Group guidelines based upon them, are observed. Infringements are not accepted (zero tolerance) and lead to sanctions against the persons concerned. All managers and employees must be aware of the extraordinary risks which any case of corruption can entail for the Allgeier Group, but also for them personally. Every employee must consequently actively cooperate in putting the Group-wide program into practice within their sphere of responsibility. We provide employees with all our compliance regulations on internal platforms. We also regularly inform and train our managers on our requirements as well as on all relevant changes and new features.

6. SUSTAINABLE PRODUCTS AND SOLUTIONS

In our operating business, we rely on the use of contemporary technology based on the principles of sustainability. Data protection, confidentiality, integrity and customer proximity are essential cornerstones – although it is just as important to us to make the IT life cycle as environmentally compatible and resource-saving as possible. With our sustainable products and solutions, we aim to optimize the net energy impact in our internal systems and at our customers, minimize the consumption of natural resources and thereby reduce initial and ongoing costs.

6.1 Data protection and data security

The highest level of data protection and the maintenance of confidentiality are essential for us. Accordingly, we place the highest demands on IT security in our internal processes and structures, and in our collaboration with customers and partners. We are convinced that the highest level of data security forms the basis for confidential and reliable business relationships. Accordingly, we respect the trade and business secrets of our customers and partners, contractual confidentiality obligations entered into with third parties, and data protection regulations. Data protection regulations are in place in the Group which comply with the EU-GDPR, and their implementation across the board is guaranteed by corresponding TOM (Technical and Organizational Measures) and guidelines refined on an ongoing basis. The observance of data protection and confidentiality obligations is covered in detail at the level of the individual subsidiaries. As well as an obligation of confidentiality, employment contracts also contain an obligation to be familiar with data protection rules and to maintain data protection. Data Protection Officers are also appointed in our companies to monitor observance and implementation and to clarify all associated questions. Numerous individual measures also contribute to data protection in our companies. For example, we provide the facilities in our offices for destroying documents and CDs, technically through the use of shredders and via special destruction boxes.

6.2 ISO 27001

Information security and the installation, implementation, maintenance and ongoing improvement of a documented information security management system with a process-oriented approach are of great importance as part of a sustainable solution strategy. Availability, confidentiality and integrity are essential prerequisites for observing and guaranteeing security in all processes of information processing. In the process, we are guided by the specifications contained in ISO/IEC 27001 and within our Group, we have numerous certifications which ensure that our quality management system meets the latest data protection standards as well as our internal guidelines and specifications regarding confidentiality and information security such as:

- documented and institutionalized ISMS (Information Security Management System);
  observance of ISO 27001 standards and their efficacy are reviewed annually by a certified auditor
- established Security Council in which all company functions are represented (Delivery, HR, Administration, Legal, Management, IT, etc.)
- NDAs or corresponding duties of confidentiality in employee contracts
- regular training programs organized by the Security Council to raise employees' awareness of applicable external and internal guidelines and specifications
- secure network with high-end firewall, IPS and endpoint protection
- use of Microsoft Office 365 for content management and collaboration
- initiation of projects for the end-to-end observance and operational implementation of the General Data Protection Regulation (EU-GDPR), even at our facilities outside the
  European Union

6.3 Product responsibility

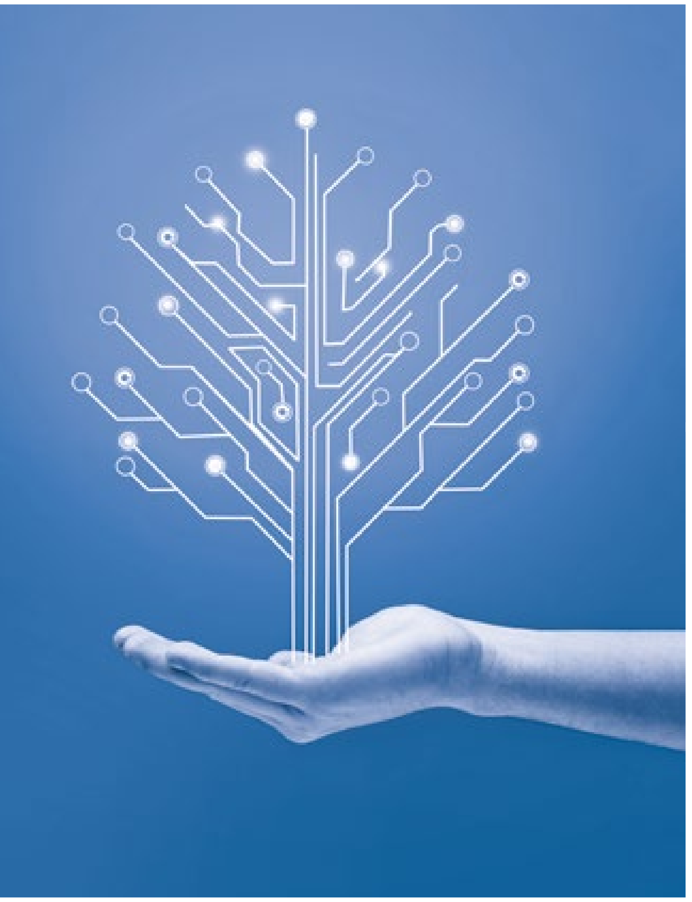
With our solutions and forensic services, such as JULIA MailOffice and DocSetMinder®, we stand for IT security Made in Germany. Our email security solution JULIA MailOffice, for example, is used by numerous Federal and State authorities and prestigious companies. JULIA MailOffice is also the virtual post office of the Federal government Our IT security portfolio also includes IT security services, security consulting, security training including support with ISO 27001 certification and advice on data protection, security due diligence as well as customer-specific, tailor-made security concepts and comprehensive services for IT forensics such as establishing, recording and investigating digital security incidents and cyber security. Our product portfolio also offers a series of proven and secure software solutions from leading manufacturers which are used in different sectors and areas of business. All products cover central functionalities for their particular area of application and can be individually tailored to the requirements of our customers. As part of our customized software development, we develop highly scalable, integratable and secure online applications for company processes critical to the business. Interdisciplinary teams within our organization ensure that topics of IT security relevant to the development of products and services such as web and application security are covered thoroughly from the outset and become part of the implementation of the project. We also rely on coordinated, proven procedures across all projects which are continuously tested, compared and refined. As part of our sustainability concept, the applications we develop for our customers reflect essential factors such as accessibility, paperless systems and a series of further aspects which might affect the environment and the consumption of natural resources.

6.4 Ecological aspects of production and services

Protection of the natural environment and resources is taken fully into consideration both in fulfilling our responsibilities for our own company and as part of our services for our customers. Responsible and sustainable use of resources is a necessary condition. As part of our commitment to sustainability, we discuss with employees within our companies possibilities for protecting the environment and enhancing resource efficiency, and we frequently implement their ideas and suggestions alongside our own specifications. The companies in our Group thereby demand and promote environmental protection in production and services with a variety of individual measures and innovations such as:

- environmentally-friendly and resource-friendly use of information and communication technology throughout their entire life cycle
- The consumption of resources during manufacture, operation and disposal of the devices is kept as low as possible
- Internal company travel is reduced by means of internal process specifications and the use of collaboration tools and video conference solutions, the formation of car pools is promoted and resource-friendly shuttle buses are provided for collective transport.
- optimizing route planning when appointments are fixed and car pooling
- car fleet with reduced emissions and lower noise levels (mainly vehicles with lower CO_2 emissions as well as the procurement of CNG vehicles and electric cars)
- reduction in electricity consumption by means of server virtualization
- reduction in the consumption of electricity and resources
  through measures such as LED lighting, presence sensors and IoT sensors and systems for the central monitoring and control of electricity consumption
- installing power-saving functions in all electronic devices

- procuring electricity from renewable energies (eco-friendly power)
- installing solar panels at individual facilities
- recycling programs for electronic or IT consumables
- reduction in water consumption and waste water through intelligent systems for saving water, collecting and making use of rainwater and recycling waste water at individual facilities
- reduction in paper consumption, e.g. by replacing plastic cups with ceramic mugs, internal applications with paperless transactions, monitoring paper consumption for document printing



Report of the Supervisory Board

The Supervisory Board submits the following report on its activities in the past financial year of 2018:

The Supervisory Board has comprehensively performed the tasks incumbent on it under the law and the company's by-laws, and monitored the management of the company by the Management Board on a regular basis as well as providing advice. Besides topics dealt with continuously such as the current progress of the business, the company's financial and liquidity position, the acquisition pipeline, risk management and compliance, the primary focus from the Supervisory Board's perspective lay on the following activities in 2018:

- New corporate strategy with the intended division into the areas of Technology/Software on the one hand and Experts on the other,
- Continued expansion of the Technology division, in particular through the acquisition of the business operations of ANECON Software Design und Beratung GmbH, Austria, Objectiva Software Solutions Inc., USA/China, and the iQuest Group, Germany/Romania,
- Further acquisition projects, such as the talks on a merger of Allgeier Enterprise Services AG with Sycor GmbH, which ended in February 2019,
- Establishment of an IT security unit under the Allgeier CORE brand, including the acquisition of three companies.

In the 2018 financial year, the Supervisory Board held six meetings, one of which was a telephone conference. All the meetings were attended by all members of the Supervisory Board. In addition, the Supervisory Board conducted several further discussions and votes by way of telephone conferences. Members of the Management Board attended all meetings of the Supervisory Board. When discussing and adopting resolutions on particular subjects, particularly topics relating to the Management Board and its remuneration, the Supervisory Board met and passed resolutions without the presence of the Management Board. Between meetings, the Management Board kept the Supervisory Board or its Chair regularly informed of all major developments in writing, in telephone calls and personal meetings, and agreed decisions with the Supervisory Board in advance, particularly with its Chair. From the perspective of the Supervisory Board, the Management Board consequently met its reporting and information duties towards the Supervisory Board in the past financial year in full, and kept the Supervisory Board continuously and fully up to date on the course of the business, the position of the company and Group companies and all major business transactions both in meetings of the Supervisory Board and also outside of such meetings. The Supervisory Board did not form any committees due to its size.

Major issues with which the Supervisory Board concerned itself during its work in and outside meetings, included the following, in particular:

- current progress of the business in the individual Divisions, and the performance of the Group by comparison with the approved Group budget,
- ongoing financial position and liquidity position
- the Group's finances and capital structure
- individual acquisition projects and sales of portions of the company,
- questions relating to the Group's strategic positioning,
- Corporate Governance and integration within the Group,
- risk management and compliance,
- approval of the Group budget
- Issues in connection with the auditing of the financial statements and non-audit services as well as
- Management Board and personnel issues.

In the discussions between the Management Board and Supervisory Board and thanks to the ongoing information provided by the Management Board, the Supervisory Board was able to satisfy itself that the Management Board managed the business of the company properly and in compliance with the law in the 2018 financial year. The Management Board continued to refine the organization of the Allgeier Group in the past financial year in accordance with the growth of the Group. The Supervisory Board discussed the risk management system used in the company with the Management Board and the auditors, and found it to be in order. Insofar as the approval of the Supervisory Board was required for individual management measures, such measures were inspected by the Supervisory Board after receiving information and a submission from the Management Board in good time, and the necessary approval issued. The Supervisory Board is consequently able to confirm that the Management Board enabled it to fully monitor the work of the Management Board on an ongoing basis. In the process, the Supervisory Board came to the conviction that the management of the company by the Management Board complies with statutory requirements in all regards and does not give rise to any complaints by the Supervisory Board. In addition, the Supervisory Board evaluated the efficiency of its own work as it does every year. There were no changes to the Supervisory Board in the reporting year.

LOHR + COMPANY GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf has audited the annual financial statements of Allgeier SE prepared by the Management Board and the consolidated financial statements as of December 31, 2018 as well as the management reports for Allgeier SE and the Group, and issued each one with an unqualified audit opinion. The documents specified and the audit reports from LOHR + COMPANY GmbH were available to the Supervisory Board for inspection. The Supervisory Board examined and verified the aforementioned documents and the auditors' report in preparation for its meeting on April 24, 2019. The Supervisory Board examined the sustainability report. The annual financial statements and consolidated statements as well as the audit reports were discussed in detail in the presence of the auditors at its meeting on April 24, 2019. The auditors reported on the main findings of their audit in the meeting and confirmed that there were no major weaknesses in the internal control system or the risk management system. The Supervisory Board consequently comes to the conclusion that the annual financial statements and consolidated financial statements as well as the corresponding management reports were properly prepared in compliance with the rules in place for the relevant statements, and that they convey a true and accurate picture of the financial position and results of operations of Allgeier SE and the Group. The review of the audit reports and discussion with the auditors did not lead to any complaints or objections by the Supervisory Board. The Supervisory Board agrees with the conclusion of the auditors after a detailed review and approves the annual financial statements and consolidated financial statements for the 2018 financial year prepared by the Management Board. The annual financial statements are consequently adopted.

The Supervisory Board has also reviewed the proposal by the Management Board for the appropriation of accumulated profits of Allgeier SE for the 2018 financial year which provides for the distribution of a dividend amounting to EUR 0.50 per share. After carefully weighing up the interests, particularly the interests of the company to fund its business operation and further growth of the Allgeier Group on the one hand, and the interests of the shareholders in a dividend payment on the other, it agrees to the proposed resolution and associates itself with the proposal.

The Supervisory Board thanks the management of the company and all employees of the Allgeier Group for their performance in the 2018 financial year.

Munich, April 24, 2019
Supervisory Board of Allgeier SE

Detlef Dinsel
Chairman of the Supervisory Board

Financial calendar 2019

IMPORTANT DATES AND EVENTS	Date
Publication of separate and consolidated financial statements for 2018	April 30, 2019
Publication of voluntary interim information as of March 31, 2019	May 31, 2019
Regular shareholders' meeting in Munich	June 28, 2019
Publication of 2019 half-yearly financial report	August 30, 2019
Publication of voluntary interim information as of September 30, 2019	November 29, 2019

Legal notice

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You can find current financial information on the Allgeier website in the Investor Relations section at: www.allgeier.com/de/investor-relations

ALLGEIER

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