Technology Driven

Annual Report
2019

ALLGEIER

ALLGEIER

Allgeier SE stands for state-of-the-art software development and flexible IT personnel solutions

Allgeier SE is one of the leading technology companies for digital transformation. Allgeier guides its customers through the challenges of digital transformation to ensure their future success. Allgeier helps global corporations and leading companies from various industries and markets to make the breakthrough to new digital business models, defines strategic priorities and implements trailblazing projects with high flexibility and traction in order to shape agile and intelligent organizations for the digital age.

With more than 10.500 permanent employees and over 1.200 freelance experts in four segments, Allgeier covers the entire range of IT services – from on-site to nearshore to offshore – with a highly flexible delivery model and high-performance development centers in India, China, Vietnam, and Eastern Europe. Headquartered in Munich, the rapidly growing group has more than 120 branches worldwide in 28 countries on five continents. In fiscal 2019, Allgeier Group as a whole generated revenues of EUR 784.2 million with more than 2.000 customers. According to the 2019 Lünendonk® List, Allgeier is one of Germany's top ten IT consulting and system integration companies. The 2019 Lünendonk® market segment study, "The Market for Recruitment, Placement and Management of IT Freelancers in Germany", ranks Allgeier Experts as one of the top three IT personnel service providers in Germany. Allgeier SE is listed in the General Standard on the Regulated Market of Frankfurt Stock Exchange (WKN A2GS63, ISIN DE000A2GS633).

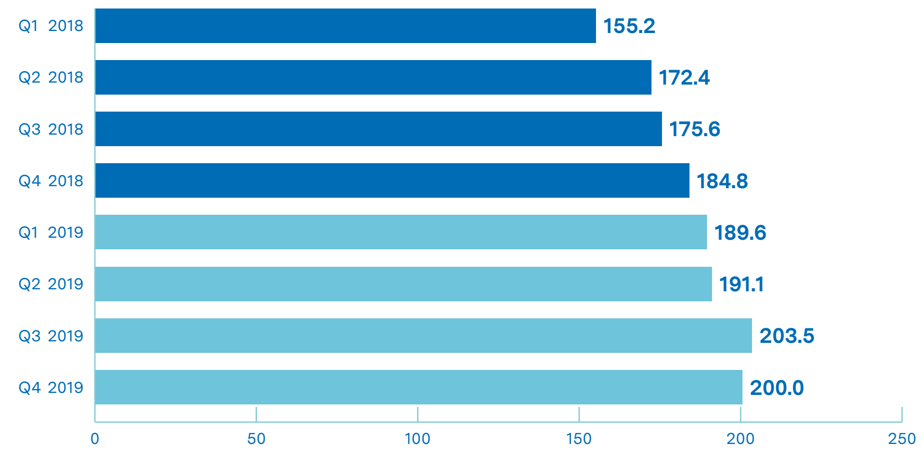
Contents

Company and key indicators at a glance

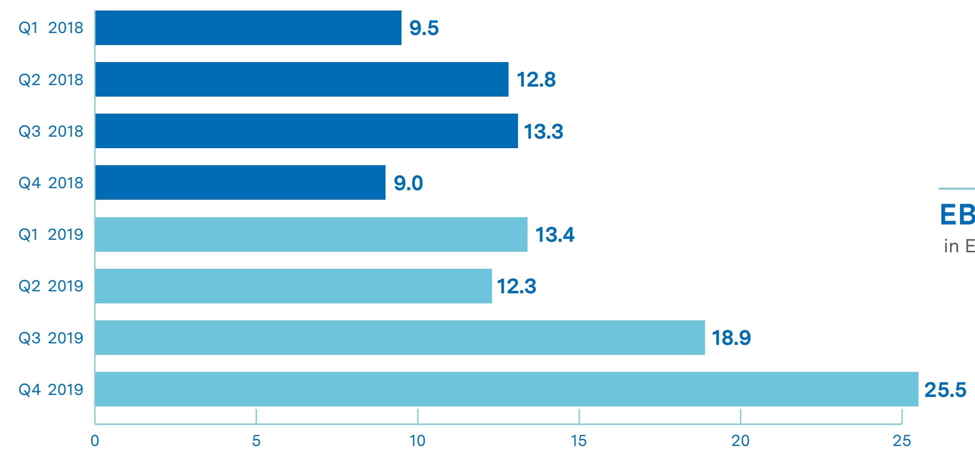
Further information and the company's latest news can be found at www.allgeier.com.

Key Group indicators*	2015	2016	2017	2018	2019	CAGR****
Revenue	445.7	497.5	573.5	688.0	784.2	15.2 %
EBITDA	23.5	31.5	26.0	44.6	70.1	31.4 %
Adjusted EBITDA**	25.6	33.8	28.8	54.9	73.4	30.1 %
EBIT	11.2	17.8	13.0	18.4	37.6	35.4 %
EBT	7.1	13.9	10.5	12.9	29.8	43.1 %
Profit or loss for the period***	1.7	6.7	4.2	6.4	18.4	81.4 %
Total assets	328.0	344.4	337.9	535.9	587.0	15.7 %
Equity	115.7	116.9	122.8	128.7	165.9	9.4 %
Earnings per share (in EUR)	1.39	0.50	0.26	0.59	1.44	0.9 %
Permanent employees	5,691	6,319	7,077	9,437	10,589	16.8 %
Freelance experts	1,334	1,361	1,393	1,080	1,227	-2.1 %
Total staff	7,025	7,680	8,470	10,517	11,816	13.9 %

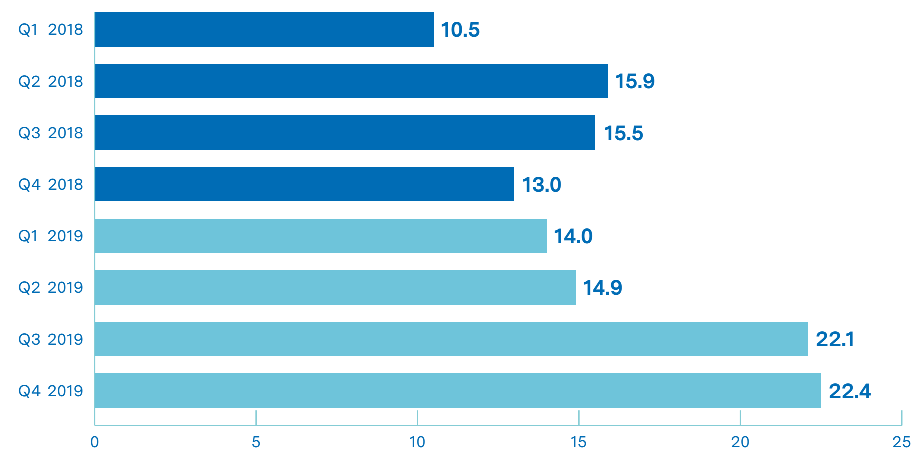
*Group as a whole in accordance with IFRS, figures in EUR million (unless stated otherwise), figures for 2018 and 2019 restated in accordance with IFRS 16
**EBITDA before effects which qualify as extraordinary or relate to other accounting periods
***Excluding gains and losses on disposal | ****Compound annual growth rate



Revenue
in EUR million



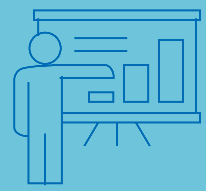
EBITDA
in EUR million



Adjusted EBITDA*
in EUR million

All the figures refer to the Group as a whole. IFRS 16, Leases, effective January 1, 2019, was adopted from January 1, 2019. The Allgeier Group adopted IFRS 16 using the retrospective method, with the figures for the previous year being restated in line with reporting for fiscal 2019 to ensure comparability.
*EBITDA before effects which qualify as extraordinary or relate to other accounting periods

Overview of the Allgeier year 2019



1

Q1 2019

Allgeier achieves significant revenue and earnings growth in Q1 2019

In the first three months of fiscal 2019 (January 1, 2019 to March 31, 2019), the Allgeier Group achieved further significant growth in revenue and earnings in line with its planning for 2019. The Group increased its revenue by 22 percent to EUR 189.6 million (previous year: EUR 155.2 million). Over the same period, value added (defined as total revenue less the cost of sales and staff costs directly attributable to revenue) rose by 20 percent to EUR 51.9 million (previous year: EUR 43.2 million).

Adjusted consolidated EBITDA (EBITDA before effects which qualify as extraordinary or relate to other accounting periods) climbed 33 percent in the first three months of 2019 to EUR 14.0 million (previous year: EUR 10.5 million). EBITDA for the period amounted to EUR 13.4 million (previous year: EUR 9.5 million), an increase of 40 percent. The Group thus generated EBIT (earnings before interest and taxes) of EUR 5.7 million in the first quarter of 2019 (previous year: EUR 4.1 million), an increase of 40 percent as against the same period of fiscal 2018.

2

Q2 2019

Allgeier generates further revenue growth in Q2 2019 – Experts segment reports lower revenue and earnings

In the second quarter of 2019 (April 1, 2019 to June 30, 2019), the Group reported an increase in revenue of 11 percent as against the same period of the previous year to EUR 191.1 million (previous year: EUR 172.4 million). Over the same period, value added (defined as total revenue less the cost of sales and staff costs directly attributable to revenue) rose by 16 percent to EUR 54.2 million (previous year: EUR 46.8 million). Adjusted consolidated EBITDA was down 6 percent year-on-year at EUR 14.9 million (previous year: EUR 15.9 million). Consolidated EBITDA for the second quarter amounted to EUR 12.3 million (previous year: EUR 12.8 million), down 3 percent on the same period of the previous year. Consolidated EBIT in the same period amounted to EUR 4.8 million (previous year: EUR 6.9 million).

Acquisition of software development companies in the United Arab Emirates

On April 2, 2019, Allgeier Nagarro Holding GmbH, Munich, signed contracts to acquire Farabi Technology Middle East LLC (Farabi) and Solutions4Mobility LLC (S4M), both of which have their registered office in Dubai, United Arab Emirates. Farabi and S4M are experts in the development of mobile applications to support digital transformation. Their activities focus on computer animation, graphics work, information technology networks and computer system hardware for large customers in the banking, telecommunications and transport sectors in particular. The companies currently employ around 25 highly specialized software developers at the Dubai location. The transaction gives Allgeier's Nagarro division valuable access to market- and industry-leading customers in the Middle East, and strengthens its consulting and implementation expertise on local markets.

Capital increase

On June 13, 2019, the Management Board resolved, with the approval of the Supervisory Board, to increase the share capital of the company by up to almost 10 percent in exchange for cash contributions.
In accordance with the resolutions, the company successfully completed the capital increase on June 13, 2019. As a result of the capital increase, the company increased its share capital by EUR 997,864.00, from EUR 10,088,649.00 to EUR 11,086,513.00, by issuing 997,864 registered shares against for cash contributions with shareholders' statutory pre-emptive rights disapplied. The new shares are entitled to dividends from January 1, 2019. The placement price was EUR 24.00 per share. In accordance with the applicable exemption clauses for private placements in Europe, the new shares were placed with international institutional investors, members of executive bodies of the company and other executives of the Allgeier Group without a prospectus. In setting the placement price, it was also taken into account that the new shares are entitled to participate in profits only for the current fiscal year of 2019, and that the Annual General Meeting of the company had not yet resolved an appropriation of profits for fiscal 2018 at the time of the placement. After entry of the capital increase in the commercial register of the Munich Local Court, the new share capital amounts to EUR 11,086,513.00 and is divided into 11,086,513 no-par value registered shares. The new shares were admitted to trading on the regulated market of the Frankfurt Stock Exchange (General Standard) without a prospectus on June 18, 2019, followed by their listing on June 20, 2019 and their inclusion in the existing listing of the company's shares on July 3, 2019. The Group has expressed its intention to use the net proceeds of the capital increase in the amount of EUR 23.5 million to finance additional growth investments and to conduct further acquisitions.

Dividend

At the Annual General Meeting held on June 28, 2019, Allgeier SE resolved to pay a dividend totaling EUR 4,968,725.00 from its net retained profits for fiscal 2018 of EUR 16,588,280.41. A total of 9,937,450 shares were entitled to a dividend. The dividend per dividend-bearing share was EUR 0.50. The dividend was paid out to the shareholders of Allgeier SE in July 2019.

3

Q3 2019

Allgeier generates significant revenue and earnings growth in Q3 2019

In the third quarter of 2019 (July 1, 2019 to September 30, 2019), the Group reported an increase in revenue of 16 percent as against the same period of the previous year to EUR 203.5 million (previous year: EUR 175.6 million). Over the same period, value added rose by 25 percent to EUR 62.8 million (previous year: EUR 50.1 million), corresponding to a gross margin of 30.9 percent (previous year: 28.5 percent). Adjusted consolidated EBITDA for the period was up 42 percent year-on-year at EUR 22.1 million (previous year: EUR 15.5 million). This corresponds to an adjusted EBITDA margin of 10.9 percent (previous year: 8.9 percent). In total, adjusted effects which qualify as extraordinary or relate to other accounting periods amounted to EUR -3.2 million in the third quarter of 2019 (previous year: EUR -2.2 million). Including effects which qualify as extraordinary or relate to other accounting periods, consolidated EBITDA for the third quarter amounted to EUR 18.9 million (previous year: EUR 13.3 million), an increase of 42 percent as against the same period of the previous year. Consolidated EBIT for the same period amounted to EUR 11.3 million (previous year: EUR 7.0 million), an increase of 62 percent.

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

According to the 2019 Lünendonk® List, Allgeier SE is one of Germany's top ten IT consulting and system integration companies. Allgeier is placed ninth in the widely recognized ranking. According to the study authors, it benefits from the fact that German companies are increasingly investing in their digital transformation. The pressure to innovate and digitize in some industries has become so pronounced that it is also leading to greater pressure to massively accelerate the pace of development of digital innovations and digital products for process optimization. The digitization trend is increasingly reaching core operating processes such as product development, sales, supply chain, and production. The ranking is headed by the competitors Accenture, T-Systems International and IBM Germany.
In addition, Allgeier again occupied one of the top spots in the 2019 Lünendonk market segment study, "The Market for Recruitment, Placement and Management of IT Freelancers in Germany". 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 was recognized as an IT personnel and project service provider and, as in previous years, ranked third in the comparison.

4

Q4 2019

Allgeier records higher revenue and significant earnings growth in Q4

In the fourth quarter of fiscal 2019 (October 1, 2019 – December 31, 2019), Allgeier again increased its consolidated revenue and achieved significant growth in its consolidated earnings. Consolidated revenue for the fourth quarter rose by 8 percent to EUR 200.0 million (previous year: EUR 184.8 million). Value added increased by 10 percent to EUR 61.1 million (previous year: EUR 55.3 million). Adjusted consolidated EBITDA was up 72 percent year-on-year at EUR 22.4 million (previous year: EUR 13.0 million). Consolidated EBITDA amounted to EUR 25.5 million (previous year: EUR 9.0 million), an increase of 183 percent. The Group increased its EBIT to EUR 15.8 million (previous year: EUR 0.3 million).

Spin-off and separate stock exchange listing of the global technology and software development business

In an ad hoc disclosure on November 5, 2019, Allgeier SE reported that it is aiming to spin off its global technology and software development business. In doing so, the Management Board, with the approval of the Supervisory Board, has resolved to create an innovative full-service provider and global player for software engineering and technology solutions with a separate stock exchange listing. The new business unit is to be developed on the basis of the Nagarro business organization model, under which Nagarro has integrated six acquisitions in six countries. With the Nagarro division at its core, the business unit will also consist of the following Allgeier companies that are driven by the global trend toward digitization across industry boundaries: iQuest, operating in Romania, Switzerland, Germany and Poland; Objectiva, operating in the US and China; and the SAP business of Allgeier Enterprise Services, operating in Germany, France and Denmark. Taken together, this units currently have more than 7,000 employees. Allgeier aims to propose a resolution to this effect to its shareholders in 2020, with the business unit to be spun off and floated independently in the second half of 2020.

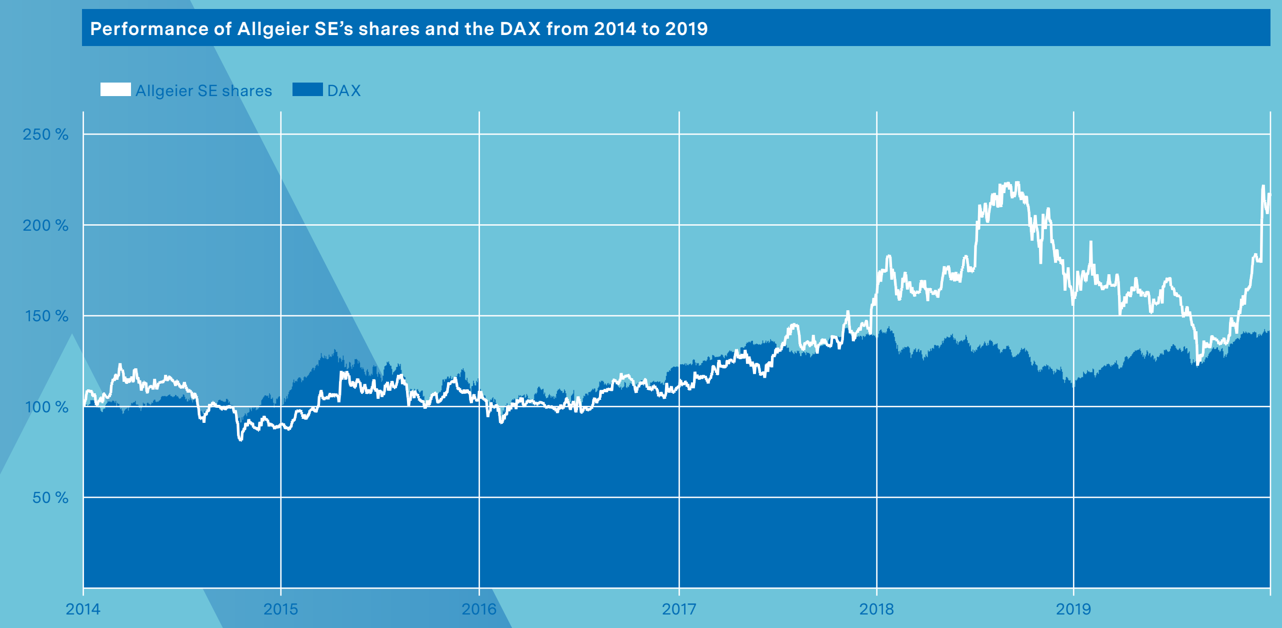
Long-term financing at improved conditions

On December 13, 2019, Allgeier concluded a new agreement on the central credit facility for the Allgeier Group. This places the long-term financing of the Group on a new footing for several years, while at the same time creating scope for future acquisitions and investments. The revolving credit facility, which can be used on a flexible basis, has a volume of up to EUR 228 million. It has an initial term of five years and can be extended twice, in each case by one year. With the new credit facility, the Allgeier Group has access to a considerably increased financing volume at attractive conditions, which it can deploy as required and draw down in line with the Group's future growth. The conditions were adjusted further for the precise use of the credit facility to finance acquisitions and to reflect IFRS 16. The financing partners are Commerzbank, ING Bank, Landesbank Baden-Württemberg, Landesbank Hessen-Thüringen and Norddeutsche Landesbank.

Stock market year 2019: A very good year for stocks

After 2018 marked the first year of negative stock market performance since 2011, market participants enjoyed considerably more positive development in 2019, with share prices rising by more than 20 percent throughout most of Europe and the USA. The DAX and the MDAX closed the year at an all-time high, as did the leading Wall Street indexes. The DAX improved by around 25 percent over the course of the year, its biggest annual gain since 2013. The stock market indexes in Asia, including the Nikkei in Japan and the Hang Seng in Hong Kong, also improved considerably.

This development on the international markets was quite remarkable and not something that had been widely anticipated. 2018 ultimately proved to be a year of political markets, with three major topics dominating the world's stock exchanges: Firstly, international trade disputes, especially between the USA and China; secondly, Brexit; and thirdly, Italy, where attention focused on the formation of a new government and subsequently on the budget dispute with the EU. 2019 was not free of economic concerns either. Fears of a recession, the difficult developments with regard to Brexit, the rise of populism in Europe and the sustained US-Chinese trade dispute continued to keep the markets occupied. Some experts even suspect that the "wall of worry" resulting from these uncertainties could be one of the reasons for the stock markets' successful performance, as it prevented a bubble of euphoria from emerging. In 2019, the stock markets again benefited from the central banks responding to weaker economic signals and the absence of inflation by pressing ahead with their expansionary monetary policy. Having announced its intention to raise interest rates as recently as the previous year, the ECB rowed back from this plan under its new president, Christine Lagarde – while the US Federal Reserve also reversed some of its recent interest rate hikes. With bonds also remaining unattractive, stocks were the main beneficiary of this policy, although share prices were also subject to fluctuation. Furthermore, the slump in share prices for many stocks in 2018 proved to be excessive, as the real economy failed to weaken to the extent that had been anticipated. The partial resolution of the trade dispute between the USA and China and the victory of the Conservatives in the British parliamentary elections in December provided the markets with considerable impetus toward the end of the year, leading to new all-time highs on Wall Street as well as the German indexes. The DAX closed on December 30, 2019 up 25 percent on the start of the year at 13,249 points. The MDAX rose by 31 percent to 28,313 points in the same period, while the TecDAX saw annual growth of 23 percent to 3,015 points. Internationally, the S&P 500, which contains the 500 most important US companies, ended the year up almost 30 percent on the start of January, while the Nikkei index recorded growth of 18 percent in the same period.



Allgeier shares	
Index	General Standard
ISIN	DE000A2GS633
WKN	A2GS63
Number of shares	11,289,000
Share price (on Mar. 31, 2020)	EUR 24.30
Market capitalization (on Mar. 31, 2020)	EUR 274.3 million

Dividend payment (in EUR)	2014	2015	2016	2017	2018	2019
per share	0.50	0.70*	0.50	0.50	0.50	0.00

* of which 0.20 as a special dividend

Key figures per share 2019 vs. 2018	2018	2019	Change in %
Earnings per share* (in EUR)	0.59	1.44	144.1%
Dividend per share (in EUR)	0.50	0.00	
XETRA high for the year (in EUR)	35.70	36.50	2.2%
XETRA low for the year (in EUR)	23.30	18.80	-19.3%
XETRA year-end price (in EUR)	25.10	33.90	35.1%
Number of shares	10,088,649	11,289,000	10.3%
Year-end market capitalization (in EUR million)	227.7	382.7	51.1%
Average XETRA stock market turnover (in number of shares per day)	7,855	11,250	43.2%

*All the figures refer to the Group as a whole. IFRS 16, Leases, effective January 1, 2019, was adopted from January 1, 2019. The Allgeier Group adopted IFRS 16 using the retrospective method, with the figures for the previous year being restated in line with reporting for fiscal 2019 to ensure comparability.

This year-end optimism was carried into 2020 by many investors and stock market observers, with the DAX beating the record it set in January 2018. Investment strategists at Deutsche Bank expect the index to reach around 14,000 points by the end of 2020, with the historically low capital market interest rates continuing to act as a key driver. This could benefit the export-oriented German economy in particular. Interest rates could remain low in the long term, while global economic concerns have decreased on the whole. However, there remain some geopolitical uncertainties: A no-deal Brexit is still a possibility, while the trade dispute between the USA and China is yet to be conclusively resolved. The US presidential election will take place in the fall. In Europe, meanwhile, EU-skeptical forces could continue to gain ground and lead to the breakdown of the fragile ruling coalition in Italy, for example. This is why most investment strategists are adopting a relatively cautious outlook for the 2020 stock market year, with the possibility of more pronounced price fluctuations and an average forecast of single-digit share price growth. The slump in share prices on the global stock markets as a result of the coronavirus crisis in the first months of the current year provided clear evidence of just how insecure the markets remain. At the same time, the risk of a global pandemic and its dramatic impact on economic sectors and entire national economies represents an additional element of uncertainty for the global markets.

Allgeier shares: Significant price gains

Allgeier's shareholders also enjoyed substantial price gains in 2019. On the back of the positive stock market environment, Allgeier's share price increased by 35 percent over the course of the year – thereby comfortably outperforming the DAX and the TecDAX, which closed with gains of 25 and 23 percent respectively.

Shareholder structure
(as of December 31, 2019)*

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

The company's shares already saw significant gains in the first half of 2019, outperforming many other tech stocks in a generally positive stock market environment. Allgeier's shares opened the year at EUR 25.20 in XETRA trading on January 2, 2019.The shares started the year strongly, reaching EUR 30 and recording a high for the first six months on January 31. This was followed by a downturn in subsequent months, with the share price fluctuating at around the EUR 26 mark. Allgeier's shares closed the first half of the year on June 28 at EUR 26.00. The share price lost ground in the third quarter, reaching its low for the year of EUR 18.80 on August 15. Although it recovered slightly by the end of the third quarter, it failed to break through the EUR 22 barrier. A sustained recovery began in mid-October. The share price exceeded EUR 28 on November 25 then stabilized at this level, before making a sustained move to above EUR 30 from December 10 onward. On the last trading day of the year, December 30, 2019, Allgeier's shares reached their high for the year (EUR 36.50) before ultimately closing at EUR 33.90 in XETRA trading – an increase of 35.1 percent on the closing price for the previous year.

Measured against the price at the end of 2018, and including the dividend of EUR 0.50 that was paid out at the start of the third quarter, Allgeier's shares delivered a return of 37.1 percent in 2019.

All in all, market capitalization increased by 51.1 percent to EUR 382.7 million in 2019 (including the new shares from the capital increase), while the average number of Allgeier shares traded via XETRA each day rose by 43.2 percent.

A. Group Management Report

1. Basic Information on the Group

General Approach

Adoption of IFRS 16

IFRS 16, Leases, effective January 1, 2019, was adopted from January 1, 2019. The Allgeier Group adopted IFRS 16 using the retrospective method, with the figures for the previous year being restated in line with reporting for the 2019 fiscal year to ensure comparability of figures. In addition to the effects in the income statement, the adoption of IFRS 16 also affects reporting in the statement of financial position as a result of the capitalization of leases at their values in use and the recognition of liabilities for future payments over their expected useful lives. The values in use and liabilities relating to leases are shown in a separate line in the statement of financial position from the 2019 reporting year onwards. In the statement of cash flows, cash outflows from contracts recognized in accordance with IFRS 16 are shown under cash flow from investing activities from 2019 onwards and the previous year is restated accordingly. These payments were shown under cash flow from operating activities in the reporting for previous years.

Accounting Correction

As Allgeier SE announced on July 9, 2019, in a spot check of the consolidated financial statements as of December 31, 2017 the German Financial Reporting Enforcement Panel (FREP) found that the purchase price allocation of the business operations of the former “Ciber Germany”, acquired in April 2017, was incorrect. Specifically, the finding related to restructuring expenses of EUR 3.1 million and acquired operating leases of EUR 0.3 million, neither of which should have been recognized in equity. Furthermore, the amount recognized for the client base was reduced from originally EUR 3.8 million to EUR 2.0 million. The purchase price allocation was subsequently amended as a result of the errors identified. The change also meant that the acquired net assets of EUR 2,121 thousand exceeded the purchase price of EUR 1,000 thousand, thus resulting in the recognition of corresponding negative goodwill of EUR 1,121 thousand.

In all reporting, previous years were restated for the above findings from the FREP audit. In the statement of financial position as of December 31, 2018, the opening values as of January 1, 2018 were restated and the adjustments were disclosed on the face of the statement of financial position. The amortization of client bases in the years from 2019 to 2022 are reduced by a total of EUR 968 thousand compared to the original value. Hence the adjustment will be neutralized over a period of five years.

Information for the 2020 Fiscal Year

All information for the 2020 fiscal year uses assumptions and estimates based on Management Board expectations. While the Management Board believes that these assumptions and estimates are accurate, actual future developments and results could differ significantly from these assumptions and estimates. Allgeier SE provides no guarantee that future developments and the actual results achieved in the future will be consistent with the assumptions and estimates expressed in this report and assumes no such liability. Whether the assumptions and estimates occur depends particularly on the consequences of the so-called corona crisis. The spread of the coronavirus (Sars-CoV-2) in the spring of 2020, and what have in some cases been drastic measures to contain the pandemic in almost all economies, will impact the global economy, individual markets, industries and companies. At the time this report was prepared, it was not possible for the Management Board to precisely forecast the potential impact on revenue and financial performance of Allgeier SE.

Alternative Key Performance Indicators

This document includes supplementary key financial indicators– not specified precisely in relevant accounting frameworks – which are or may be alternative key performance indicators. These supplementary financial performance indicators may have only limited suitability as an analysis instrument and for the assessment of the financial position and financial performance of Allgeier SE should not be viewed in isolation or as an alternative to the key financial indicators presented in the consolidated financial statements determined in line with the relevant accounting frameworks. Other companies which present or report alternative key performance indicators with a similar designation may calculate them differently, so that they may not be comparable.

1.1 Business Model of the Allgeier Group

Allgeier SE			
Enterprise Services	Experts	Technology	New Business Areas
Allgeier Enterprise Services	Allgeier Experts	mgm technology partners	Allgeier Education
		Nagarro	Allgeier CORE
		iQuest	Oxygen Consultancy
		Objectiva Software	

1.1.1 Business and Structure of the Allgeier Group

The Allgeier Group comprises 82 fully consolidated companies as of the end of the reporting period (previous year: 88 fully consolidated companies). In addition, there is Talentry GmbH, Munich, which is consolidated at equity. The Group's operating business is structured in the four segments „Enterprise Services", „Experts", „Technology" and „New Business Areas", which are subdivided into nine operating business units. At the end of the reporting period, the Allgeier Group has the following operating business units: the Enterprise Services unit (corresponding to the Enterprise Services segment), the Experts unit (corresponding to the Experts segment), the Nagarro and mgm technology partners units as well as the two business units iQuest and Objectiva Software (together the Technology segment) and the business units Allgeier CORE, Allgeier Education and Oxygen Consultancy (together the New Business Areas segment).

The simplified organization chart shown above provides an overview of the four segments with their respective operating business units.

1.1.2 Tasks of Allgeier SE

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

- Strategic orientation and ongoing review of the Group's strategy, segments with the operating business units based on value-oriented and sustained corporate development.
- Coordination and organizational structuring of the Group.
- Organization of finances and financing the Group's further development.
- Identifying, addressing and examining potential additional suitable investments, domestic and foreign, based on the Group strategy.
- Negotiation and execution of acquisitions as well as disposals of companies and investments.
- Controlling, risk management and compliance.
- Determining accounting policies and preparing the consolidated financial statements according to IFRS.
- Group planning.
- Managing and supporting the management of the operating Group units and individual Group companies.
- Integration of the various interests in the 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.

Range of solutions and services			
Enterprise Services	Experts	Technology	New Business Areas
SAP	Services · Responsible design, sourcing, implementation and support of projects and services	High-end software & application engineering · Onshore development · Nearshore development · Offshore development · Implementation · Management · Testing · Application management services	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	Contracting · Recruiting and support of freelance IT and engineering experts for projects on a service contract basis	Software lifecycle projects	Digital training and qualification for experts
Document Management (DMS) / Enterprise Content Management (ECM):	Temp · Provision of permanently employed IT and engineering professionals, experts and managers under personnel leasing agreements	Process & IT consulting · IT architectures · E-commerce & portals · Mobile enterprise · Business intelligence / big data · Apps	HR management services
Security	Perm · Professional search for IT and engineering experts and managers for permanent technical and management positions		
Business Process Management (BPM)			
Cloud solutions			
Mobile			

1.1.3 Business Operations of the Segments

Enterprise Services Segment

The companies in the Enterprise Services segment design, create and operate end-to-end IT solutions for implementing and supporting client business-critical processes on the basis of standard business software products. To do this, the segment's companies use their own software products in addition to the software products and platforms of well-known manufacturers such as Microsoft, SAP, IBM and Oracle. Employees combine in-depth technical and special industry expertise to analyze and optimize client business processes to implement IT solutions. Thus, Allgeier Enterprise Services aids global corporations and SMEs in their digital transformation and the optimization of the digital business processes along the entire value chain.

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

- Enterprise Resource Planning: The original roots of the Allgeier Group 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 clients 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 clients and handled highly efficiently. Here the entire value chain of the process is supported, from detection, read-out and editing of content in professional workflow sequences, through to tamper-proof archiving. On client request, the solutions are integrated into the client's IT infrastructure or are offered as complete cloud solutions with hosting at in-house 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. This achieves a high degree of automation for office work, which is often still largely analog, and so relieves employee workload.

[1] In order to make this report easier to read, in some of the wording we use the generic masculine form, relating equally to males and females.

- Security: Data security is becoming ever more critical. The Enterprise Services segment offers its own software solutions, including for the encryption of SharePoint platforms or e-mail traffic. The company's own IT security software solution julia mailoffice is already in use at a number of ministries, government agencies and large enterprises. EMILY and EMILY SP (SharePoint) ensure secure collaboration.
- The Enterprise Services segment covers the entire SAP lifecycle and it is therefore considered one of the most powerful full-service providers for SAP in the German-speaking region. The SAP portfolio extends from strategy and process consulting to the complete introduction of SAP system landscapes and the 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 for migration to the digital SAP platform S/4 HANA, the Enterprise Services segment maps all concepts – from on-premise to hybrid – to create end-to-end SAP cloud solutions. In addition to its many awards from SAP, as early as 2018 the Enterprise Services segment also received the important SAP Pinnacle Award "New Cloud Partner of the Year".
- Business Process Management (BPM): At their core, all business software solutions are about the IT-supported execution and optimization of business processes. Process tools need to be particularly flexible in interaction with a variety of software products and ever-faster change cycles for software and business processes. With its metasonic® Process Suite, BPM software of the latest generation and a platform for dynamic process applications, Allgeier supports clients in producing tailored software solutions in significantly shorter development cycles. Interactive touchscreens make it particularly easy: Teams put together their business processes and build functional applications quickly and in a playful fashion – without having to do any programming of their own.
- Cloud solutions: The Enterprise Services segment builds and operates a variety of cloud solutions for its clients in the areas cited above. Software solutions can be operated in an enterprise cloud, Allgeier data centers or public cloud environments. The utmost possible data security and fail-safe operation are top priorities, as are reliability and load capacity for large data volumes. In addition to many medium-sized companies, Allgeier Enterprise Services offerings are also used by large multinationals and the public sector.
- Mobile: User interfaces for a wide variety of mobile devices are becoming the standard for modern business software for access to processed data. The Enterprise Services segment implements individual solutions for a large number of clients in the mobile applications area.

The companies in this segment served more than 1,500 clients in Germany and internationally in the past fiscal year. These include large corporations (e.g. nine out of the 30 DAX companies) as well as many medium-sized corporations of varying sizes. The clients are broadly distributed across a variety of different industries. The companies in this segment possess special expertise in the areas of banking and insurance, industry, chemicals / pharmaceuticals and medicine.

The companies of the Enterprise Services segment have more than 26 locations, 20 of which in Germany and six 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, and the European development centers such as that in Romania.

Experts Segment

The companies of Allgeier's Experts segment make it one of the leading providers of flexible personnel services in Germany, especially in the fields of IT and engineering. As a full-service provider for personnel – supplemented by strong project expertise – the segment offers clients a varied portfolio for the most rigorous demands. According to the current 2019 Lünendonk® market segment study, "The Market for Recruitment, Placement and Management of IT Freelancers in Germany", Allgeier's Experts is one of Germany's Top 3 IT personnel service providers in this area. The services offered include:

- Services (services and consulting operations): Responsible design, sourcing, implementation and support for projects and managed services.
- Contracting (freelancers & subcontractors): Temporary recruitment of and support from freelance IT and engineering experts and handling projects implemented by subcontractors.
- Temp (personnel leasing): Provision of permanently employed IT and engineering professionals, experts and managers under personnel leasing agreements.
- Perm (recruitment placement): Professional search for IT and engineering experts and managers for permanent technical and management positions.

The more than 400 clients of the Experts segment in 2019 are predominantly large German companies, of which eleven are listed in the DAX 30. The client portfolio takes in a number of industries with a focus on IT and telecommunications, the public sector and banking and insurance.

The companies of the Experts segment are located at 20 sites in Germany.

Technology Segment

The Technology segment is home to the international custom software development business. The segment comprises the mgm technology partners group, the Nagarro group, the iQuest group and Objectiva Software Solutions, which joined the Group in the 2018 fiscal year.

mgm technology partners is a consulting and solutions provider for digitization projects. mgm stands for digital sovereignty. For IT. For the business. For the organization. mgm technology partners offers its clients cooperation and assumption of responsibility on a partnership basis - from integrated consultancy to an enterprise platform solution. mgm technology partners is one of the leading service providers for e-government in Germany.

With its "thinking breakthroughs" philosophy, Nagarro advances pioneering technology solutions for industry leaders and aspiring companies all over the world. It is driven by disruption, i.e. the transformation by digitalization which also results in drastic changes to client business models in all industries. With some 6,000 technology experts in 22 countries, Nagarro specializes in solving complex and strategic challenges for clients with agile software engineering and co-innovation. Nagarro boasts comprehensive specialist expertise in the areas of digital transformation, product development and design, big data and analysis, artificial intelligence, the Internet of Things (IoT) and wearables. Nagarro takes a long-term, strategic approach to all its client relationships where client satisfaction is its top priority. Clients include market and industry leaders, public authorities and leading software providers (ISVs). The business unit currently generates most of its revenue in North America and the German-speaking countries (Germany and Austria). A smaller proportion derives from Scandinavia and Great Britain, the Asia-Pacific region and the rest of the world. In 2016, Nagarro acquired Conduct, an IT security company based in Oslo, and Mokriya, a software product development studio with its headquarters in Silicon Valley. In 2018, Nagarro bought ANECON, a leading Austrian software development, testing and consulting company. On the basis of strategic acquisitions focusing on disruptive technologies and exclusive partnerships with state-of-the-art research and development organizations, Nagarro is steadily advancing its position as a reliable global partner for innovative and transformative technology services.

iQuest is an international technology consultancy and software provider that has been part of the Allgeier Group since 2018. The unit has more than 22 years experience in providing end-to-end software engineering, product development, managed services and solutions for digital transformation across leading companies in life sciences, transportation, telecommunication, financial services, utilities and logistics. iQuest is an established technology partner for global brands such as Deutsche Bahn, SJ (Swedish Rail), Roche, Vodafone, Bank of Ireland, Fresenius and Swisscom. The company currently employs more than 700 people with local development teams in Romania, Poland and Switzerland.

Objectiva Software Solutions (Objectiva), which has been part of the Allgeier Group since 2018, is a leading provider of software outsourcing services for independent software vendors (ISV), companies and digital agencies. Objectiva was founded in 2001 and is headquartered in the US. With branches in the US and development centers in Beijing and Xi'an in China, Objectiva supports its clients in developing bespoke corporate software and solutions, software for cloud and mobile platforms, e-commerce implementations, highly precise content and document management applications and real-time data systems and applications.

In the past fiscal year, the Technology segment had more than 700 national and international corporations as clients, including 13 of the 30 German DAX companies and a number of global market and industry leaders. The segment's main sales markets are in industry, the public sector, IT and telecommunications, commerce, logistics and transport.

The companies of the Technology segment are located at a total of 74 sites on five continents, 22 in Germany, 20 in twelve other European countries (Austria, Switzerland, France, Romania, Czech Republic, Poland, Sweden, Norway, Finland, Denmark, Malta and the UK), eleven in the US, six in India, two each in China, Australia and the UAE, and one each in Mexico, Canada, Singapore, Vietnam, Malaysia, Thailand, Japan, Mauritius and South Africa.

7,692 (86 percent) of the segment's 8,781 permanent employees worked at locations outside Germany as of December 31, 2019.

New Business Areas Segment

In this segment, Allgeier bundles business models and interests in companies that it firmly believes address key future trends and technologies and thus justify an investment. The following companies are currently bundled within the segment:

- The Allgeier CORE Group is building a specialized business unit for IT and data security through investment in organic growth and targeted acquisitions.
- In the companies of the Allgeier Education Group (previously: GPE Academy), models for the recruitment and training of foreign specialists for the German market are being developed and implemented. Given the shortage of specialists in Germany, this is an ongoing and fundamental issue.
- Oxygen Consultancy is an HR management services company with three locations on the Turkish market. It has been part of the Group for several years and belonged to the Experts segment in the 2017 fiscal year

The companies in the segment have eight locations in total, five of which in Germany and three in Turkey.

Investments Accounted for Using the Equity Method

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 fiscal 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, i.e. 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: Management by the Management Board of Allgeier SE.
- Business unit level: Management by the management of the operating business units.
- Company level: Management by the management teams at the individual companies

At each level, operating business is managed on the basis of key performance indicators, such as contribution margin, profitability and balance sheet ratios, which are set for each fiscal 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 managing business activities at the level of the individual companies and for monthly reporting between the individual company, the business unit and Allgeier SE. Reporting uses a target / actual comparison. Quarterly business review meetings are held at which the Management Board of Allgeier SE and the management organizations of the individual business units discuss business performance, the 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 the development of its existing products on an ongoing basis. In this context, employees of the different segments work closely together, particularly in the Enterprise Services and Technology segments. 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 of EUR 0.6 million (previous year: EUR 0.6 million) were recognized for further development of products and product maintenance. In addition work to develop products of EUR 2.6 million (previous year: EUR 2.1 million) was capitalized. Amortization amounted to EUR 1.6 million (previous year: EUR 1.1 million). The amortization rate as the ratio between capitalization and amortization was thus 60 percent in the 2019 fiscal year (previous year: 54 percent). The capitalization rate stood at 82 percent (previous year: 77 percent).

Furthermore, especially in the Technology segment, with its research and development services, the Allgeier Group participates in numerous client projects. Results include establishing a global development unit for artificial intelligence at Nagarro or the A12 platform at mgm technology partners. A12 is a highly innovative expandable development platform for web-based business applications with the relevant tools. The platform offers developers an extensive set of robust, secure and scalable components as well as a client / server application infrastructure. Through these tasks we gain specialist and sector-specific expertise that is not reflected as a separate item in the figures recognized for research and development. Recognized research and development services are essentially performed in the Enterprise Services and Technology segments.

2. Business Report

2.1 General Economic and Industry Conditions

2.1.1 Macroeconomic Conditions: Ongoing Growth Slowdown

In 2019, according to data from the German Federal Statistical Office, the German economy expanded for the tenth consecutive year, the longest period of growth in Germany since reunification. However, this growth lost momentum, after the price-adjusted gross domestic product (GDP) had moved up more strongly in the previous two years. The positive growth impetus in 2019 was generated primarily domestically. Both private and public consumer spending were higher than in the previous two years. But gross capital investments also rose strongly with German exports also expanding, but not as fast as in previous years.

In 2019, according to the German Federal Statistical Office, gross domestic product rose by 0.6 percent in price-adjusted terms (and also on a price- and calendar-adjusted basis) after 1.5 percent in the previous year, and 2.5 percent in 2017. A recession was avoided. At the beginning of the year, the German government had still assumed somewhat higher growth for 2019 and had forecast an increase in GDP of 1.0 percent in its January annual economic report. After negative growth in the second quarter, due particularly to weak world trade, the German government made a considerable correction to its expectations. In its fall forecast, it reduced its growth expectations to 0.5 percent. The positive development on the labor market and the state budget was ongoing in the previous year. As a result the unemployment ratio continued to decline in 2019, with the annual average falling by 0.2 points to 5.0 percent, according to the Federal Employment Agency. In 2019 the number of persons employed increased to a new all-time high. Government budgets also ended the year with a surplus for the eighth time in succession. The surplus ratio was 1.5 percent. There was also another increase in real wages.

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 largely stable last year, but in some cases also weakened somewhat. Globally the economic environment increasingly clouded over during 2019. In its „World Economic Outlook" of January 2020, the International Monetary Fund (IMF) assumes an increase in global GDP of 2.9 percent for 2019. Trade policy uncertainty, geopolitical tensions and intensifying social unrest in important emerging economies adversely impacted global economic activities in the second half of 2019, negatively affecting manufacturing and trade in particular. Intensifying social unrest in several countries presented new challenges as did weather-related disasters – from hurricanes in the Caribbean, drought and bush fires in Australia to floods in eastern Africa and drought in southern Africa. Despite these headwinds, according to the IMF towards the end of the year there were some indications that global growth may be bottoming out and could move upwards again. In addition, monetary policy easing in many economies was continued into the second half of 2019. Thus there had since been tentative signs of stabilization at a sluggish pace. A recovery depended to an important extent on avoiding further escalation of trade tensions between the USA and China and averting a failure of the negotiations between the EU and Great Britain on a trade deal and also whether the economic ramifications of social unrest and geopolitical tensions could be successfully contained. With the global corona pandemic (Sars-CoV-2), a large risk factor for the global economy arrived in spring

2020. At the time this report was prepared, it was not possible to make any specific estimates on its impact on the future development of global markets, important individual markets, industries and companies. However, as a result of the corona crisis at least a temporary considerable slowing of the economic environment or even a recession must be considered probable.

Note: All following economic forecasts are based on scenarios prepared before the outbreak of the corona crisis. It is to be expected that the corona pandemic and what are in some cases huge restrictions on economic activity, on trade and public life will impact negatively all the national economies described below.

Despite the further progress in the internationalization of operating activities, Germany remained the most important market for Allgeier in the 2019 fiscal year, accounting for 61.9 percent of revenue (previous year: 69.9 percent), followed by the foreign markets of the USA and Austria as well as Switzerland, India and Sweden. The revenue expansion was driven primarily by above-average growth in the Technology segment.

Accounting for 17.2 percent of total revenue, the USA continued to be the most significant foreign market for the Allgeier Group (previous year: 11.6 percent). In absolute figures, the Group increased revenue from the USA by 68 percent during the past fiscal year. Overall economic growth slowed in the USA over the last year, driven partially by higher tariffs on goods and trade tensions. After GDP grew by 2.3 percent in 2018, the OECD expects slight growth deceleration to 2.0 percent in 2019. On the labor market many new jobs were created and unemployment reached historically very low levels. Increasing real wages and high asset prices support average household income and higher consumption. On the other hand, growth is negatively impacted not only as a result of the intensive trade conflicts but also from uncertainty from the combination of diminishing fiscal impulses, weaker growth of trade partners and demographic pressure.

Accounting for 4.3 percent of total revenue, Austria is the Group's second most important foreign market (previous year: 4.4 percent). In absolute terms, revenue of the Allgeier Group companies in Austria rose by 12 percent during the past fiscal year. After the Austrian economy had to cope with some weaker years recently, the growth that started in 2016 continued in 2019, albeit at a lower level. It is true that structural reforms continue to impact positively, but growth is expected to diminish as the slowing of global growth and trade tensions weaken export growth and corporate capital expenditure. The OECD thus anticipates 1.3 percent growth in the Austrian economy in 2020 (2019: 1.5 percent).

For Allgeier, Switzerland is the third most important foreign market with a revenue share of 2.5 percent (previous year: 1.8 percent). In absolute figures, the Group increased revenue in the Swiss market by 60 percent during 2019. Economic growth has also slowed in Switzerland. According to the OECD forecast, it increased by only 0.8 percent in 2019. OECF anticipates that private consumption will remain robust, supported by low unemployment. However, the weak global environment will weigh on investment and trade, but the current account surplus will remain high. International sporting events will boost service exports and thus growth in 2020. Fiscal policy is set to remain supportive, so that OECD sees the growth upturn back to 1.4 percent in 2020.

India, with 2.0 percent of total revenue, has become the fourth most important market across the Allgeier Group. Group company improved revenue strongly against the previous year (previous year: 0.7 percent). The Indian economy has recently experienced ongoing and stable growth. However, it has slowed to 5.8 percent. Now the worst is over: In its Economic Forecast in November 2019, OECD anticipates a recovery to 6.0 percent in 2020 to reach 6.5 percent in 2021, as the election-related uncertainties faded and monetary and fiscal policy became accommodative. The new income support for farmers and a good monsoon supported private consumption. The cut in corporation tax will support corporate investment.

In Sweden, the Group's fifth most important international market with 1.5 percent of total revenue (previous year: 1.7 percent), the long expansion is losing momentum. Weak exports and lower business investment resulting from the global slowdown and higher uncertainty are dragging down economic growth. Low consumer confidence and subdued wage growth are holding back private consumption. The Swedish economy recorded growth of 1.4 percent in 2019, which according to OECD projections will continue to slow slightly to 1.2 percent in the current year.

The Group continues to record good revenue in the other Northern European countries. In 2019, the Allgeier companies in Finland accounted for 1.0 percent (previous year: 1.4 percent) of consolidated revenue. In Denmark 1.0 percent of Group revenue was also generated (previous year: 0.7 percent) and in Norway 0.9 percent (previous year: 1.0 percent).

In other foreign markets such as UK, France, South Africa, the Netherlands and Australia, Allgeier significantly increased revenue in the past fiscal year.

In summary, it can be stated that the Allgeier Group's core markets continue to report solid growth, although in some cases it is slowing slightly. It is primarily global effects which are responsible, resulting in an inhibition of trade. These include trade conflicts (particularly between the USA and China), social unrest in individual markets and unique events such as the Brexit. The spread of the so-called coronavirus (Sars-CoV-2) in the spring of 2020 and what have in some cases been drastic measures to contain the infection in numerous countries, is a further risk factor. Its impact on individual markets and the global economy as a whole were not evident at the time this report was prepared. As still the largest single market, the development of the German economy is of particular importance for Allgeier. A slowdown in German economic growth can thus also impact our Group. Particularly significant here is likely to be the impact of the corona epidemic (Sars-CoV-2) on the general economic situation not only in Germany, but also in other core markets of the Group. At the time this report was prepared, these could not be precisely estimated. It is true that the continuing generally slightly positive economic trend with ongoing growth in many markets relevant to Allgeier and the ongoing internationalization of our business continue to give us cause for cautious optimism in principle. However, a potential slump in demand in many industries and core markets, even a recession in many national economies, as a result of the corona crisis would very likely have a negative impact on the growth and the further development of the Allgeier Group.

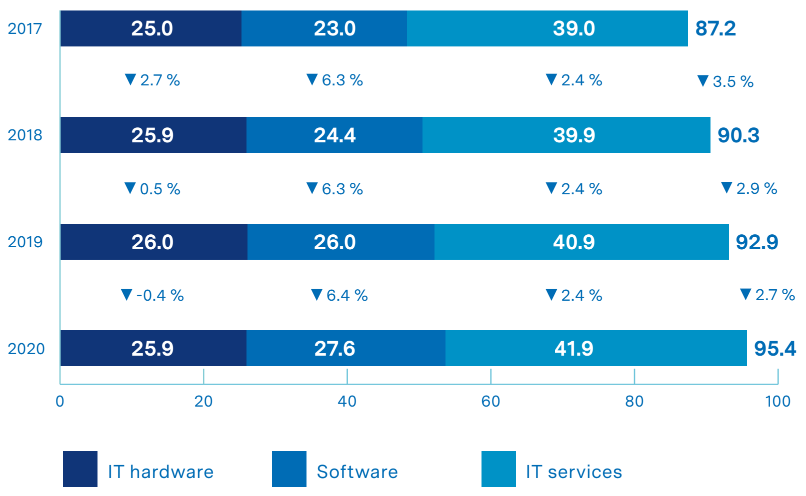
2.1.2 Industry Situation: Ongoing Above-average Growth - Dynamic Software Market

The ITC industry as a whole (information technology, telecommunications and consumer electronics) continues to grow faster than the market. According to a survey conducted by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM) in January 2020, sales of products and services for the overall industry are expected to increase slightly in 2020 by 1.5 percent to EUR 172.2 billion. This is driven particularly by the consistently above-average growth of 2.7 percent (previous year: 2.9 percent) in the information technology market to EUR 95.2 billion. According to BITKOM, in 2019 the IT market recorded growth to EUR 92.9 billion (2018: EUR 90.3 billion). The IT sector thereby outperformed the overall economy last year. The software business which is particularly relevant for Allgeier reported considerably 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 momentum. Last year, the market for software grew by 6.3 percent to EUR 26.0 billion (2018: increase of 6.3 percent to EUR 24.4 billion). According to the BITKOM forecast, in the current year, German companies will generate more sales with software than with hardware for the first time. The market for IT services, which is also relevant for Allgeier, such as consulting, managed services and outsourcing, also reported a steady increase of 2.4 percent to EUR 40.9 billion in 2019 (2018: growth of 2.4 percent to EUR 39.9 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 organizational processes and business models remain at a constantly high level and in recent years have shown themselves 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 had a positioning in these technologies and high-tech trends for many years and is constantly further extending its portfolio and expertise. Within the information technology market, the market for IT hardware, which is of only subordinate importance for Allgeier, after a more dynamic previous year, posted an increase of only 0.5 percent to EUR 26.0 billion in fiscal year 2019 (2018: increase by 2.7 percent to EUR 25.9 billion).

Growth on the German information technology market

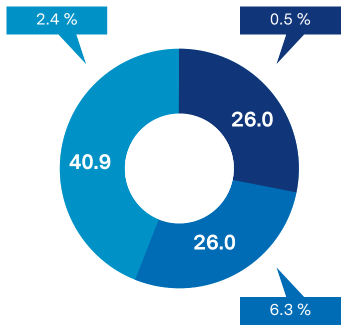
Market volume

(in EUR billion) / year-on-year growth rates (in percent)



Market segments

2019 in EUR billion (growth in percent)



Source: BITKOM, EITO; January 2020

2.2 Business Performance 2019

In the 2019 fiscal year (January 1, 2019 – December 31, 2019), the Group recorded double-digit growth for revenue and value added, with a strong above-average rise in earnings. Overall, consolidated revenue moved up by 14 percent year on year. This growth did not quite reach the planned figure stated in our 2018 annual report, which forecast total growth in a range between 15 and 20 percent. Group value added (defined as total revenue less the cost of sales and staff costs directly attributable to revenue) was increased by 18 percent. In the reporting period, adjusted EBITDA (earnings before interest, taxes, depreciation and amortization before effects which qualify as extraordinary or relate to other accounting periods) increased by 34 percent to EUR 73.4 million. At EUR 70.1 million earnings before interest, tax, depreciation and amortization (EBITDA) in the past fiscal year was 57 percent higher than the previous year. As a result the EBITDA margin climbed to 8.9 percent. Thus even after adjusting for IFRS 16, we achieved our expectation of a higher level of earnings growth than revenue growth to reach an EBITDA margin of between 6.5 percent and 7.0 percent.

The world we live in did not become any easier in 2019. Politically in many places the trend is to more nationalism and populism, economically a long phase of high stability has come to an end and the world over a new awareness for values such as personal freedom and a discussion on essential issues such as the natural environment has emerged. This has to be intermeshed with the rapid and almost breath-taking technical progress. The situation accelerates changes, something that brings with it not only curiosity and enthusiasm among many people, but also fears. We are pleased that in this ever more difficult environment the employees of our Group are continuously working on an improvement of our world. Not only are we developing technology and software for our clients, but in the companies of the Allgeier Group we are shaped by a special culture of performance, curiosity and the will to change, accompanied by high levels of esteem, team spirit combined with security and solidarity. This was subjected to a tough test in the first half of 2019. In the pursuit of rapid growth in the Allgeier Experts business unit we lost the healthy mix of revenue trend and development of costs. The result was the necessary path in implementing hard decisions. For the first time, we had to reduce a considerable number of employees to secure the sustainable profitability and competitive position of the company. We succeeded together, supported by the other companies in the Allgeier Group. This is now paying off with the incipient corona crisis as we go into 2020 better prepared, while many competitors now have to reduce costs considerably.

Overall, we can look back to by far the best year in the history of the Allgeier Group. We concluded 2019 with revenue of close to EUR 785 million and operating EBITDA exceeding EUR 73 million. During the year, with the addition of more than 1,000 colleagues, we have grown to a team of considerably more than 11,000 staff (permanent employees and freelance experts). At the same time, we continued with our internationalization. We are increasingly developing into a global group and now work for our global clients at 128 locations in 28 countries on five continents. With our solutions and services, we are making our contribution to changing the world and help our clients prepare successfully for the future.

We also further expanded our capital market activities last year. With our participation in several capital market conferences, various roadshows and the expansion of our coverage by analysts, we attracted new institutional investors for our share. We further expanded our client base and spectrum. Our Group companies now generate annual revenue of more than EUR 1 million from 142 different national and international clients. With 29 separate clients Group companies generated more than EUR 5 million in revenue and with twelve different clients revenue exceeding EUR 10 million. These clients comprise large corporations, many market and sector leaders from a range of countries, public sector clients as well as high-performing medium-sized companies from almost all industries.

We are particularly pleased to welcome the many new colleagues who joined us over the course of the year. The number of our employees moved up from a good 10,500 employees and freelance experts at the end of 2018 to more than 11,800 as of the end of 2019. In our global Group companies, growth was generated primarily on an organic basis, creating a large number of new jobs. In a market which faces a lack of outstanding specialists worldwide, this ongoing growth is a genuine success. Many of our colleagues 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 client projects and outstanding personal perspectives.

In the past year, we won a range of awards. For example, this year we again ranked in the Top 10 of the Lünendonk® list of the "IT Consulting and System Integration Companies" in Germany. Moreover, according to the Lünendonk® 2019 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 3 IT personnel service providers. mgm technology partners was ranked by ITviec, the most important Vietnamese job platform for IT and software developers, as a Top 5 IT company. Another good ranking was achieved by Allgeier Enterprise Services in the Research in Action GmbH study on "Remote Infrastructure Management Services in Germany" in which the surveyed users placed the company in the Top 20 providers in Germany. The business magazine brand eins ranked Allgeier as one of the best IT service providers in Germany. 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". Other accolades achieved by Allgeier included "Top National Employer", "Digital Champion – Company with Future", for "Top Career Opportunities" and „Top Career Opportunities for Women".

This year, we 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 **Allgeier Experts** segment, after a difficult end to 2018, in the reporting year we faced the challenges of reducing costs combined with strategic and organizational changes. As a result we established a very good foundation for new profitable business. In this context we reduced individual low-margin sales of approximately EUR 50 million on a targeted basis, while increasing the value added and EBITDA margin to 18.6 percent and 3.2 percent respectively in the second half of 2019. The ever closer co-operation with colleagues in the Enterprise Services segment opens up promising perspectives both for employees and in our projects. New client contracts and interesting orders replaced our previous business, and show that the new path taken leads to success and new growth. In the future we wish to further improve our operating excellence on the basis of even closer cooperation with the Experts segments and our IT Services business, achieving a top position in the competition on the German market. Particularly in times of change it is important that we continue working on our culture so that we are an attractive home for our employees and IT experts.
- The **Enterprise Services** segment continued its growth, considerably improving profitability on the basis of its integrated product portfolio. Valuable synergies were

achieved on the basis of closer cooperation with colleagues in other segments. Investments are being made on an ongoing basis, particularly in relation to the cooperation with the Experts segment. It is intended that the comprehensive IT services expertise of the Enterprise Services segment is more strongly integrated in joint project and managed services. At the same time in the segment knowledge transfer was improved and the internationalization of the business continued. The Allgeier Enterprise Services teams stand for openness and pleasure in cooperation within the group and want to intensify the close cooperation within the Group in international client projects.

- In the **New Business Areas** segment, with great commitment the colleagues in the Allgeier CORE business unit are pursuing their objective of establishing a specialist cyber security business unit. After the acquisition of several entities in the previous year, the unit made important progress in integrating business and processes as well as in joint marketing and sales. However, in building up the new business, it has not made as much progress as we had anticipated. For this reason, we are focusing our endeavors primarily on achieving the development targets quickly. With Consulting, Operations as well as Response and Emergency, the unit offers a holistic service and product portfolio and develops innovative solutions to protect companies comprehensively against digital dangers.
- In the **Technology segment**, the colleagues at Nagarro, mgm technology partners, iQuest and Objectiva again achieved strong organic growth in 2019, at the same time progressing with internationalization. After we gained over 1,300 software development experts in the previous year, primarily in Romania, China and Austria, in the current year we successfully advanced the integration of the companies into our Group. With further investments in our specialization as well as in future technologies such as artificial intelligence, machine learning, Internet of Things, augmented and virtual reality, we created the conditions for technological leadership and further growth within a highly performing international peer group. Our software development business is increasingly establishing itself as a global player on the international market. On the one hand this creates outstanding new opportunities, but also creates challenges. In November 2019 we announced that for the business unit made up of Nagarro, iQuest, Objectiva and the SAP business in Allgeier Enterprise Services a spin-off was planned with the aim of achieving a separate stock exchange listing. We are pursuing the goal of presenting our shareholders with a corresponding resolution proposal for the spin-off of the business unit in the current year 2020, which should enable an independent stock exchange listing in the second half of 2020. Thus, it is planned to create an innovative full-service provider and global player for software engineering and technology solutions with its own listing. With a clear story and the alignment as an international and strongly growing technology corporation with a highly attractive peer group, the aim is to achieve separate visibility for the company in the market. We are aiming to ensure that the great value added achieved will also be reflected in attractive valuations on the capital market. The targeted emancipation of our software development business is one outstanding result of our successful work together.

The successful business trend in the key Group segments form the basis for positive planning for 2020 with a focus on the strong organic growth, particularly in the Technology segment and a further considerable expansion of profitability. In the current year we are working on successfully implementing the strategic realignment of our Group. For the business unit consisting of Nagarro, iQuest, Objectiva and the SAP business, which is targeting a spin-off with the objective of an independent stock exchange listing, as one of the biggest objectives for 2020 we will do everything in our power to support the path to an independent visibility and a stock exchange listing as a player in the top global league.

With the remaining business in the Enterprise Services and Experts segments as well as the mgm technology partners operating business unit, we want to establish ourselves as one of top-performing players on the German IT services and software market – with the full power, entrepreneurial spirit and excellence that unites us as a team across all the business units: Experts and Enterprise Services with the broad-based manpower and regional coverage combined with the comprehensive IT expertise including digitalization competency at the mgm technology partners operating business unit. We are convinced that the two future companies will play a key role on their markets as strong and recognized players. In particular, with their positioning in future-driven and growth areas and with many exciting client projects, they will offer interesting development opportunities for colleagues.

Key Figures

In fiscal year 2019, revenue under IFRS across the entire Allgeier Group increased to EUR 784.2 million (previous year: EUR 688.0 million), corresponding to growth of 14.0 percent. Group value added (defined as total revenue less the cost of sales and staff costs directly attributable to revenue) was raised on an operating basis. It was up by 17.7 percent to EUR 230.0 million (previous year: EUR 195.4 million). The Group gross margin or the value-added margin thus rose to 29.2 percent (previous year: 28.3 percent). In the reporting period, the Group increased adjusted EBITDA by 33.7 percent year on year to EUR 73.4 million (previous year: EUR 54.9 million). Within the Group EBITDA is defined as EBITDA before effects which qualify as extraordinary or relate to other accounting periods. Here effects on results which occur as a non-recurring effect in the respective fiscal year, or which on examination cannot be allocated to the operating business development of the fiscal year under review, are defined as extraordinary or as relating to other accounting periods. In the 2019 fiscal year, expenses totaling EUR 11.7 million (previous year: EUR 11.1 million) and income of EUR 8.4 million (previous year: EUR 0.8 million) were adjusted – resulting in a net surplus of expenses of EUR 3.3 million (previous year: EUR 10.3 million). In the 2019 fiscal year, the adjustments individually related to expenses from the translation of foreign currencies and hedging transactions amounting to EUR 1.4 million net (previous year: EUR 0.0 million), non-recurring staff costs of EUR 4.3 million (previous year: EUR 2.8 million), losses from value adjustments on receivables and defaults amounting to EUR 1.4 million (previous year: EUR 2.3 million), expenses from acquisition activities amounting to EUR 0.3 million (previous year: EUR 1.6 million), finance charges amounting to EUR 1.1 million (previous year: EUR 0.8 million), net income from adjustments of variable purchase prices of subsidiaries amounting to EUR 6.9 million (previous year: EUR 0.4 million), expenses from non- capitalizable purchase price components of EUR 1.8 million (previous year: EUR 0.0 million), other expenses not related to the accounting period of EUR 0.1 million (previous year: income EUR 0.4 million), expenses for restructuring and reorganisation amounting to EUR 1.3 million (previous year: EUR 0.0 million) and other extraordinary effects or those which relate to other accounting periods of EUR -1.1 million (previous year: EUR -2.4 million).

Across the whole Group EBITDA (earnings before interest, tax, depreciation and amortization) amounted to EUR 70.1 million in the reporting year, 57.2 percent above the result of the 2018 fiscal year (previous year: EUR 44.6 million). Group EBIT (earnings before interest and taxes) for the period stood at EUR 37.6 million (previous year: EUR 18.4 million), representing an increase of 104.5 percent over the comparable figure for the previous year. The Group achieved EBT (earnings before taxes) of EUR 29.8 million (previous year: EUR 12.9 million), representing an increase of 132.0 percent over the previous year. Net income for the period rose by 186.2 percent to EUR 18.4 million (previous year: EUR 6.4 million). The Group generated gains from disposals of EUR 0.3 million (previous year: EUR 1.7 million). This results in total comprehensive income for the period (including the disposal result) of EUR 18.7 million (previous year: EUR 8.2 million), a year-on-year increase of 129.0 percent. Overall in the reporting period, the Group generated earnings per share of EUR 1.44, an increase of 144.1 percent (previous year: EUR 0.59). Earnings per share adjusted for depreciation and amortization due to acquisitions and calculated using a normalized tax rate of 30 percent amounted to EUR 2.18 (previous year: EUR 1.88) for the 2019 fiscal year. Before disposal gains earnings per share adjusted for depreciation and amortization due to acquisitions and calculated using a normalized tax rate of 30 percent on the Group result amounted to EUR 2.16 (previous year: EUR 1.69).

Performance Indicators

For 2019, the Allgeier Group set the following objectives for the individual performance indicators to manage the company at Group level (see below, 2.4 Financial and Non-financial Performance Indicators):

Revenue growth

For the 2019 fiscal year, we had forecast revenue growth of between 15 and 20 percent, with all segments contributing to the planned growth. Due particularly to considerably reduced revenue in the Allgeier Experts business unit, with actual revenue growth at 14 percent we did not quite achieve the forecast growth target. As reported in the ad hoc notification on December 9, 2019, this deviation is due to restructuring the Allgeier Experts business unit in the 2019 fiscal year, with low-margin sales being discontinued.

Thus it is important to take a closer look at the different Group segments:

- For the Enterprise Services segment we had targeted 18 to 23 percent revenue growth. The SAP business unit, which was established in 2017, was to make a significant contribution and contribute strongly to revenue growth. In fact, the Enterprise Services segment reported revenue growth of 7.9 percent to EUR 122.6 million in the 2019 fiscal year (previous year: EUR 113.6 million). The SAP business unit contributed to the revenue increase with a 14.8 percent upturn in third-party revenue to EUR 71.7 million (previous year: EUR 62.5 million). With revenue growth being only 3.2 percent in the first six months, in the 2019 half-year report we adjusted the growth target on the basis of the intra-year planning, formulating the expectation of a revenue upturn between 13 and 15 percent. Thus we did not achieve the revenue expectation for the whole year stated in the 2018 annual report. However, in the second half of 2019, revenue improved considerably year on year, with the segment posting organic revenue growth of 12.6 percent.
- For the Experts segment, in the November 2018 planning we had expected revenue growth in the range of 3 to 5 percent for 2019. As a result of restructuring and the strategic business realignment, the planned revenue and earnings downturn occurred, particularly in the first half of 2019. We published an adjustment to the revenue expectation in the half-year report to the effect that for the whole of 2019 the segment would post declining revenue of between 5 and 10 percent. Due to the targeted discontinuation of low-margin sales as part of restructuring, segment revenue declined by 6.2 percent from EUR 278.6 million in the previous year to EUR 261.3 million in the reporting year. This meant that segment revenue was below our original guidance stated in last year's annual report, as had already been corrected in the half-year report. The guidance in the 2019 half-year report was achieved on the back of the stabilized business and the restructuring work results.
- For the Technology segment, we had expected revenue growth of between 20 to 25 percent in the past fiscal year. We adjusted this figure upwards in last year's half-year report, formulating a revenue upturn of between 25 and 30 percent. Together the two existing business units and the two business units of the Technology segment that joined the Group in 2018 and which were consolidated on a pro rata basis recorded a good organic business trend in the 2019 fiscal year and achieved sales revenue growth of 34.8 percent to EUR 402.2 million (previous year: EUR 298.2 million). This means that the revenue upturn was considerably higher than our original expectation and also up on the guidance published in the half-year report.
- For the New Business Areas segment which was created in 2017 and which is still being developed, in the past fiscal year we stated the expectation of doubling revenue but commented that the forecast was subject to a higher level of uncertainty. In 2019, the segment increased revenue by 45.8 percent to EUR 7.8 million (previous year: EUR 5.3 million). The revenue increase was significant, but below our expectations.

All in all, last year we exceeded the revenue targets formulated in the individual segments in some cases and failed to achieve them in others. The actual development in the Technology segment exceeded our original expectations, while the Enterprise Services, Experts and New Business Areas were below the originally formulated targets. Overall, with 14 percent growth in 2019, Allgeier did not achieve the objective formulated in the annual report of Group revenue growth between 15 and 20 percent.

Profitability

With regard to profitability measured in terms of EBITDA growth, the objective we stated as part of last year's forecast 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 6.5 percent to 7.0 percent. In the 2019 fiscal year, the Group achieved EBITDA of EUR 70.1 million, corresponding to an EBITDA margin of 8.9 percent. We considerably outperformed expectations relating to the Group profitability trend, including IFRS 16 which was effective from the 2019 fiscal year.

- For the Enterprise Services segment, in last year's annual report we anticipated a rise in the EBITDA margin to between 9 and 10 percent. In the context of the half-year report in 2019, we raised our guidance for the segment to an increase in the EBITDA margin to between 12 and 15 percent. In continuing operations from the segment we actually achieved a margin of 13.5 percent. Segment profitability thus moved in the corridor we had stated in the half-year report, considerably exceeding our original expectations published in last year's annual report.
- For the Experts segment, following the substantial growth investments of the previous year, we anticipated an increase in the EBITDA margin to around 3.0 to 3.5 percent for the 2019 fiscal year. As a result of the restructuring and realignment of the business with the non-recurring charges described above, particularly in the first half of 2019 earnings declined to an EBITDA of EUR -0.8 million and an EBITDA margin of -0.6 percent. As a result in the 2019 half-year report we adjusted our segment earnings target to a margin range of 1 to 2 percent for the whole year. After a considerable profits upturn in the second half of 2019 in the wake of restructuring and the discontinuation of low-margin sales, in the second six months the segment generated an EBITDA of EUR 4.2 million, corresponding to an EBITDA margin of 3.2 percent. In continuing operations, the segment posted EBITDA of EUR 3.5 million in the 2019 fiscal year (previous year: EUR 3.7 million), corresponding to an EBITDA margin of 1.4 percent. We thus achieved the expectation published in the 2019 half-year report, after we had given up the profits target from the 2018 annual report as early as the first half of 2019.
- According to our forecast from last year's annual report, the Technology segment target was an EBITDA margin of between 11 and 14 percent. In the 2019 half-year report, on the basis of our intra-year planning we formulated our expectation of an EBITDA margin in the range of between 13 and 15 percent. In the 2019 fiscal year, the segment actually achieved an EBITDA margin of 16.1 percent in continuing operations, thus posting a result which was above our expectations.
- For the New Business Areas segment, which was created in 2017, we had formulated the expectation of a slightly positive EBITDA margin. At the same time, we pointed out that this forecast was subject to greater uncertainty as the segment was being established. In the 2019 fiscal year, the segment (continuing operations) posted an EBITDA of EUR -2.7 million (previous year: EUR -1.9 million) in a year shaped by high investments in establishing the business. Thus the segment missed its profitability target in the 2019 fiscal year.

At segment level we surpassed the guidance given in 2018 annual report in the Enterprise Services and Technology segments. But in the New Business Areas and Experts segments our profit growth expectations were not fulfilled, or only in the second half of 2019.

Net Debt

For the performance indicator net debt, defined as interest-bearing bank liabilities minus cash and cash equivalents, we had expressed the expectation that in the 2019 fiscal year there would be no material year-on-year increase in net debt without further acquisitions. This expectation was met: Net debt (without lease liabilities) at EUR 67.5 million as of the December 31, 2019 declined considerably against the previous-year figure of EUR 104.7 million. Net debt including lease liabilities declined to EUR 164.5 million in the fiscal year (previous year: EUR 173.5 million), in line with expectations. Cash and cash equivalents rose year on year from EUR 77.0 million to EUR 97.4 million and lease liabilities expanded from EUR 68.8 million to EUR 97.0 million, but financial liabilities moved down by EUR 16.8 million against the previous year, driven by a reduction in net debt.

Capital Market and Financing

A dividend of EUR 5.0 million (previous year: EUR 4.9 million) was paid to the shareholders of Allgeier SE in July 2019 (in both years this corresponds to EUR 0.50 per share entitled to a dividend). In the 2019 fiscal year, profits of EUR 1.5 million were distributed to non-controlling interests at subsidiaries (previous year: EUR 1.9 million).

In December Allgeier SE reached agreement on a new central credit facility for the Group. It places the long-term financing in the Allgeier Group on a new basis for several years, at the same time creating headroom for future acquisitions and investments. The credit facility is for up to EUR 228 million. It has an initial duration of five years, but can be extended twice, in each case by one year. With the new revolving credit facility which can be used on a flexible basis, Allgeier has a considerably increased volume of financing resources at attractive conditions which can be deployed precisely as required, and which can be drawn down in line with the Group's future growth. The conditions of the credit facility were adjusted for a precise use in financing acquisitions and for IFRS 16 (Leases) which is effective for lease accounting from 2019. The financing partners are Commerzbank, ING Bank, Landesbank Baden-Württemberg, Landesbank Hessen-Thüringen and Norddeutsche Landesbank.

In the 2019 fiscal year, Allgeier SE deployed treasury shares from a securities account held in trust to the seller of a subsidiary. As a result, as of December 31, 2019, there were 105,351 treasury shares, amounting to 0.9 percent of the share capital.

Acquisitions

In the past fiscal year, as part of its acquisition activities Allgeier continued to support the expansion of its international software development business in the Technology segment with the following transaction:

- In April 2019, Allgeier Nagarro Holding GmbH, Munich, signed contracts to acquire Farabi Technology Middle East LLC, Dubai, United Arab Emirates ("Farabi"), and Solutions4Mobility LLC, Dubai, United Arab Emirates ("S4M"). Both companies specialize in the development of mobile applications to support digital transformation. Their activities include computer animation, graphics work, information technology networks and computer system hardware for large clients in the banking, telecommunications and transport sectors in particular. In the 2019 fiscal year, together the companies generated revenue of EUR 4.9 million with an operating EBITDA margin of 15.2 percent. The real value of the transaction for Nagarro is valuable access to market and industry leading clients in the Middle East, with the ability of being able to offer Nagarro's full consulting and implementation expertise on local markets of the United Arab Emirates as an onshore service provider. As a result the entire client potential of this important market can be gained and serviced.

- In December 2019, Allgeier Engineering GmbH, Munich, sold Allgeier Engineering Czech s.r.o., Pilsen, Czech Republic. A purchase price of EUR 605 thousand was agreed for the company. The gain on the disposal of Allgeier Engineering Czechia amounted to EUR 382 thousand before income taxes. In the first eleven months of the 2019 fiscal year, the company generated revenue of EUR 1.8 million and a negative EBIT of EUR 0.2 million.

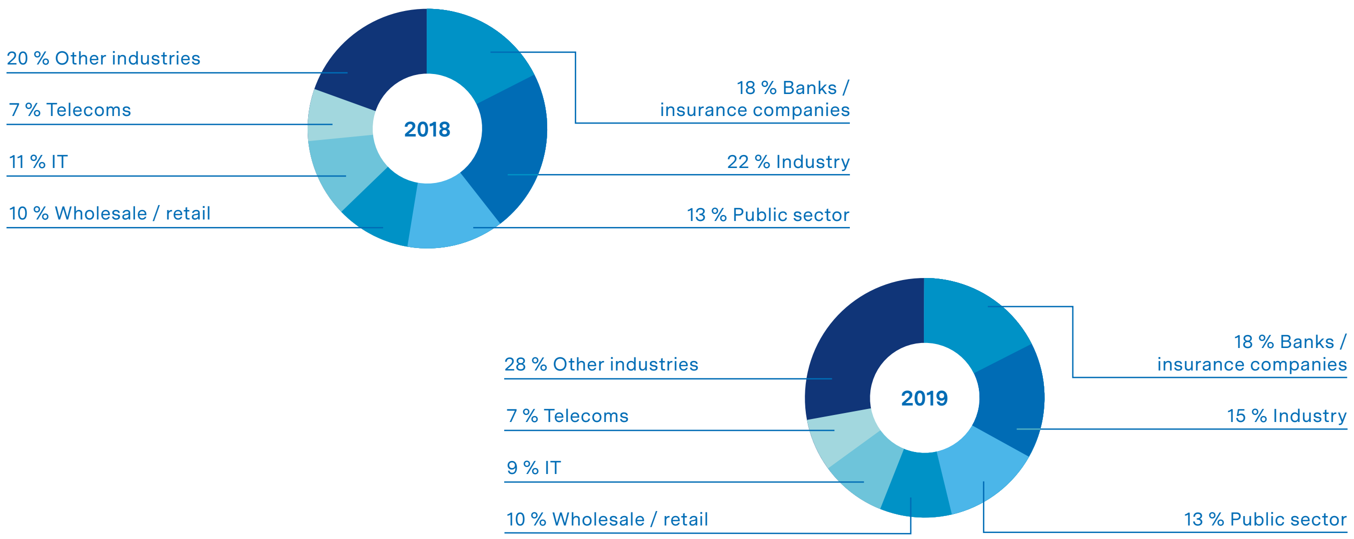
Clients

In the past fiscal year, the Allgeier Group companies further extended their client base and strengthened existing client relationships. Allgeier is active for multinational enterprises – e.g. 16 of the current 30 DAX companies (previous year: 19 of the DAX companies at that time) – as well as for a number of medium-sized market and industry leaders from many countries and for public-sector clients. The number of clients with annual revenue of more than EUR 1 million each was again increased considerably during the past fiscal year, reflecting the further broadening of the client base. Allgeier now generates annual revenue exceeding EUR 1 million with 142 different clients, compared with 115 clients in the previous year. In the 2019 fiscal year, with 29 separate clients Group companies generated more than EUR 5 million in revenue and revenue exceeding EUR 10 million with twelve different clients. With its largest individual client, Group companies generated revenue of EUR 33.7 million in the reporting year (previous year: EUR 28.5 million), corresponding to 4 percent of total Group revenue. The average revenue volume of Group companies with the Group's Top 10 clients was EUR 19.8 million in the 2019 fiscal year. With these ten clients, Group companies generated aggregate revenue of EUR 197.6 million in the reporting year, corresponding to 25 percent of total Group revenue.

The Group's clients include companies and entities from many industries. In 2019, the segments in which Allgeier Group companies achieved its highest revenue were:

- Banks and insurance companies: Companies in the financial and insurance sector comprise the largest revenue segment for the Group, accounting for around 18 percent of revenue (previous year: 18 percent). In the past fiscal year, Group revenue with banks and insurance companies was increased by 16 percent, with the growth being driven from the Technology segment which increased its revenue with banks and insurance companies by 89 percent. In the banking and insurance industry group, Allgeier's clients include a number of the largest German insurance groups as well as major national and international banks and financial service providers.
- Industry: Accounting for an approximately 15 percent revenue share (previous year: 22 percent), industry clients make up the second largest sector segment within the Group. In the past fiscal year, sales to industrial companies declined, particularly in the Technology segment, so that the Allgeier Group recorded a total of around 19 percent less sales to industrial companies than in the previous year. Important Group clients include leading corporations from various industrial sectors, such as aviation and aerospace, automotive, chemicals and pharmaceuticals, metals and electronics, construction, the timber industry and consumer goods. Long-standing industrial clients also include companies in the energy supply sector, among them international energy producers, as well as a number of regional suppliers.
- Public sector: For public companies and corporations, the Allgeier Group operates at all levels in Germany and Switzerland as well as in other international markets such as the USA. 13 percent of consolidated revenue 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 revenue in this segment by around 14 percent.
- Wholesale / retail: As the fourth largest industry segment, wholesale / retail enterprises are steadily growing in significance within the Group's operations. The Group generated 10 percent of consolidated revenue with the wholesale / retail sector (previous year: 10 percent), representing an increase in absolute revenue of 9 percent. This is due primarily to higher revenue in the Enterprise Services segment. For wholesale / retail companies this segment provides SAP services and offers digitalization solutions for e-commerce and the Internet of Things, such as the IoT Store for retail of the future.

Revenue



- Information technology: The Group's activity for large international IT corporations was stable in absolute terms in the past fiscal year. While the Technology segment considerably increased revenue with technology - by approximately 80 percent - and the Enterprise Services segment generated some 20 percent more revenue with IT companies, the Experts segment recorded a partly deliberate decline. As a result of this shift to business with higher margins in the Group, there was a significant increase in the value added for clients of the IT industry. Accounting for an approximately 9 percent revenue share (previous year: 11 percent), IT companies form the fifth largest sector segment within the Allgeier Group.
- Telecommunications: Measured in terms of revenue in the 2019 fiscal 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, revenue generated with telecoms achieved 4 percent growth during the past fiscal year.
- Other sectors: Important sectors such as services, health, logistics as well as media and entertainment are aggregated within other industries. Allgeier generated approximately 28 percent of its consolidated revenue in these sectors (previous year: 20 percent). In absolute figures, the Allgeier Group increased revenue to other industries by 63 percent in the past fiscal year, with services companies in the Technology segment, in particular, posting a revenue increase of over 100 percent.

2.3 Business Situation

2.3.1 Income Situation

In the 2019 fiscal year (January 1, 2019 – December 31, 2019), the Allgeier Group achieved revenue growth of 14 percent to EUR 784.2 million (previous year: EUR 688.0 million). The segments Technology (growth of 35 percent from EUR 298.2 million in 2018 to EUR 402.2 million in 2019) and Enterprise Services (growth of 8 percent from EUR 113.6 million in 2018 to EUR 122.6 million in 2019) made the greatest contributions to revenue growth. Some of the growth in the Technology segment derives from the proportionate consolidation of the units acquired in 2018 and 2019. On the basis of like-for-like revenue of the companies acquired in the last two years, in 2019 the Technology segment achieved 19.2 percent growth from EUR 338.7 million to EUR 403.8 million.

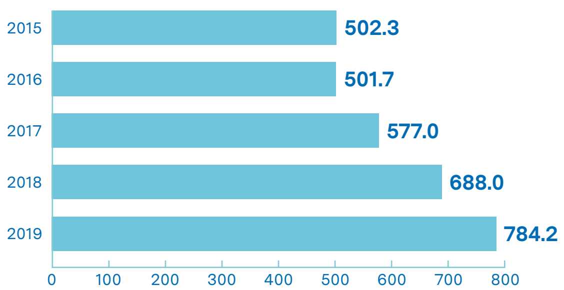
Consolidated adjusted EBITDA (EBITDA before effects that qualify operationally as extraordinary or relate to other accounting periods) in the period under review was up 34 percent to EUR 73.4 million (previous year: EUR 54.9 million). EBITDA for the period was EUR 70.1 million (previous year: EUR 44.6 million), up 57 percent year on year. The Enterprise Services segment recorded an increase in EBITDA of EUR 0.8 million and the Technology segment an increase in EBITDA of EUR 24.9 million, whereas the New Business Areas (EUR -0.8 million compared with the previous year EBITDA) and Experts segments registered a decline in earnings. The Experts segment (continuing operations) was down year on year by EUR -0.1 million. The result in the Experts segment was driven by non-recurring effects in the wake of restructuring and the strategic realignment of the business which had been planned. This resulted in the expected revenue and earnings downturn, as well as extraordinary non-recurring charges, especially in the first half of 2019, so that the segment generated a negative earnings contribution in the first six months. After a considerable earnings recovery, the Experts segment generated positive EBITDA in the second half of 2019.

From the remaining business (Allgeier SE and Consolidation), EBITDA was EUR 1.0 million higher than in the previous year. Consolidated earnings were impacted by EUR -3.3 million from non-recurring effects and those from previous periods (previous year: EUR -10.3 million). Material non-recurring effects are continued pay and severance payments for former employees, financing charges, losses from value adjustments on receivables and defaults and purchase price components to be recognized from acquisition activity. On the other hand, in the 2019 fiscal year the Group generated non-recurring income from the adjustment of purchase price liabilities recognized in profit and loss from the acquisition of subsidiaries in previous years.

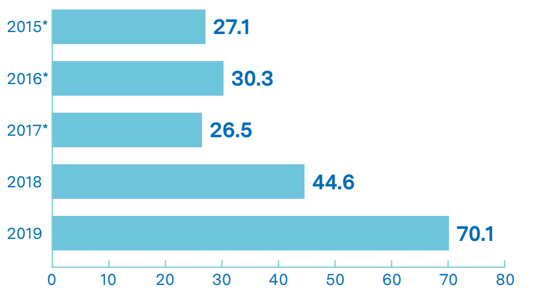
Depreciation and amortization rose from EUR 26.2 million in the previous year to EUR 32.5 million in the year under review. A large proportion of the depreciation and amortization of EUR 19.8 million (previous year: EUR 14.1 million) relates to the amortization of rights of use from leases. Further depreciation and amortization of EUR 4.5 million (previous year: EUR 4.1 million) relates to the amortization of client relationships and products capitalized as part of the acquisition of subsidiaries. Depreciation on property, plant and equipment amounted to EUR 5.5 million (previous year: EUR 5.0 million). Amortization of EUR 2.7 million was taken on other intangible assets (previous year: EUR 2.0 million). As in the previous year, there was no goodwill impairment in the year under review. The Allgeier Group thereby achieved EBIT of EUR 37.6 million in the 2019 fiscal year (previous year: EUR 18.4 million), up 104 percent year on year. Excluding acquisition-related amortization, the above-mentioned one-off effects and items relating to other accounting periods, the Group recorded EBIT of EUR 45.4 million in 2019 (previous year: EUR 32.8 million), corresponding to 38 percent growth.

Pursuant to IFRS, acquisitions are consolidated from the acquisition date in the entire Group management report and in the graphs. IFRS 16, Leases, effective January 1, 2019, was adopted from January 1, 2019. The Allgeier Group adopted IFRS 16 using the retrospective method, whereby the figures for the previous year in the entire Group management report and in the charts were restated so that it is possible to compare the figures for the 2018 and 2019 fiscal years. In addition, all previous figures were restated on the basis of the corrections resulting from the FREP audit completed in 2019.

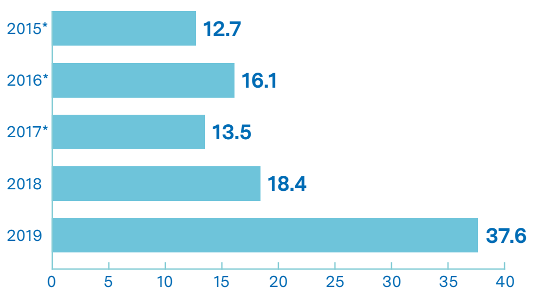
Revenue Group (in EUR million)



EBITDA Group (in EUR million)



EBIT Group (in EUR million)



*Historical figures not including the effects of IFRS 16

Financial income of EUR 0.8 million and financial expenses of EUR 7.5 million were both up year on year (EUR 0.7 million and EUR 5.9 million respectively). At-equity investments led to an expense of EUR 1.1 million (previous year: EUR 0.4 million). After deducting interest and the earnings share from interests accounted for using the equity method, the Group reported earnings before tax (EBT) of EUR 29.8 million (previous year: EUR 12.9 million), equivalent to an increase of 132 percent compared with the previous year.

Income tax expense for continuing operations amounted to EUR 11.5 million in the reporting period (previous year: EUR 6.4 million). Income tax expense in relation to earnings declined significantly from 50.1 percent in the previous year to 38.0 percent. After taxes, the Group generated net income for the year of EUR 18.4 million in the period under review (previous year: EUR 6.4 million), corresponding to 186 percent year-on-year growth. From the business sold, the Group generated a result of EUR 0.3 million (previous year: EUR 1.7 million).

To present adjusted earnings per share, the Allgeier Group corrects the reported consolidated EBIT of continuing operations for amortization of intangible assets capitalized in connection with business combinations (effects of purchase price allocation), income and expenses from purchase price adjustments in profit or loss and other non-recurring effects and effects relating to other accounting periods. Taking into account these adjustments and applying a tax rate of 30 percent, the Group generated earnings per share of EUR 2.16 in the 2019 fiscal year (previous year: EUR 1.69).

(in EUR million)	2018	2019
Profit from operating activities (EBIT as reported)	18.3	37.8
Amortization of intangible assets from business combinations	4.1	4.2
Goodwill impairment	0.0	0.0
Purchase price adjustments in profit or loss (net)	-0.4	-6.9
Other non-recurring effects and effects relating to other accounting periods	10.7	10.2
Net finance costs	-5.1	-6.6
Net income from investments accounted for using the equity method	-0.4	-1.1
Adjusted earnings before taxes	27.2	37.6
Tax rate	30 %	30 %
Taxes	-8.2	-11.3
Adjusted earnings per share from disposal	19.0	26.3
Non-controlling interests	-2.3	-3.6
Earnings for calculation of adjusted earnings per share	16.7	22.7
Number of shares outstanding	9,877.280	10,529.961
Adjusted earnings per share in euro (basic)	1.69	2.16

The other non-recurring effects and effects relating to other accounting periods and the purchase price adjustments in profit and loss include the following items:

(in EUR million)	2018	2019
Losses on the disposal of non-current assets	-0.2	-0.1
Losses from value adjustments on receivables and defaults	-2.3	-1.4
Other income relating to other accounting periods (net)	0.6	0.0
Acquisition expenses	-1.6	-0.3
Income from purchase price adjustments (net)	0.4	6.9
Finance charges	-0.8	-1.1
Cost of stock options issued	-0.4	-0.2
Income from the translation of foreign currencies and hedging transactions	0.0	1.4
Continued pay and severance payments for former employees	-2.8	-4.3
Purchase price components recognized as expense	0.0	-1.8
Loss on GDE participant program and joint participant liability for loans	-0.6	-0.1
Expenses for restructuring and reorganisation	0.0	-1.3
Other extraordinary expenses (net)	-2.3	-1.1
	-10.3	**-3.3**

Of these earnings totaling EUR 18.7 million (previous year: EUR 8.2 million), an amount of EUR 15.1 million (previous year: EUR 5.9 million) is attributable to the shareholders of Allgeier SE and EUR 3.6 million (previous year: EUR 2.3 million) to non-controlling interests at subsidiaries.

This resulted in earnings per share of the Allgeier Group of EUR 1.44 in the year under review, an increase of 144 percent (previous year: EUR 0.59). In the 2019 fiscal year, Group earnings per share before profits from disposals adjusted for depreciation and amortization due to acquisitions and calculated using a normalized tax rate of 30 percent was EUR 2.16 (previous year: EUR 1.69), an increase of 28 percent.

2.3.2 Financial Position

As was the case in previous years, the Allgeier Group reports a solid and balanced financial situation, with the balance sheet ratios improving in the last fiscal year. Thus net debt declined in the 2019 fiscal year. With the new financing facility arranged in the previous year, considerable funds are still available to finance the Allgeier Group and continue its growth. Over the past years, funds were generated on an ongoing basis for the distribution of dividends to shareholders.

Interest-bearing financial liabilities (not including lease liabilities) fell by EUR 16.8 million to EUR 164.9 million as of December 31, 2019 (previous year: EUR 181.7 million). At the same time, cash and cash equivalents rose by EUR 20.4 million to EUR 97.4 million as of the balance sheet date (previous year: EUR 77.0 million). The change in cash and cash equivalents reflects the net change in cash flows from operating activities, investing activities and financing activities including payments from capital increases and dividends. Besides cash and cash equivalents of EUR 97.4 million, at the end of 2019 the Allgeier Group had free financial resources of EUR 95.4 million from its financing facility arranged in the previous year and further credit lines (previous year: EUR 44.0 million). In addition, there is a facility of EUR 60.0 million in the context of factoring client receivables (previous year: EUR 50.0 million). EUR 32.3 million of the factoring facility was utilized as of December 31, 2019 (December 31, 2018: EUR 43.0 million).

In the 2019 fiscal year, the Group generated EUR 54.5 million in cash flow from operating activities and before changes in working capital (previous year: EUR 34.4 million). As a result of changes in working capital, the Group generated positive cash flow of EUR 4.6 million as of the reporting date (previous year: negative cash flow from changes in working capital of EUR 17.4 million). The change was driven largely by optimizing receivables management. Including the cash flow from changes in working capital, this resulted in cash flow from operating activities of EUR 59.2 million (previous year: EUR 17.0 million).

In the 2019 fiscal year, the Allgeier Group had EUR 36.0 million outflows on investing activities (previous year: EUR 59.0 million). This amount includes payments for investments in the acquisition of subsidiaries and business units of EUR 8.7 million (previous year: EUR 37.8 million). Outgoing payments for operating investments (including leases) of EUR 30.6 million were also incurred in the reporting year (previous year: EUR 22.9 million). The Group received net proceeds of EUR 3.3 million from the disposal of subsidiaries (previous year: EUR 3.2 million).

For financing purposes and distributions, the Allgeier Group paid net cash of EUR -1.0 million in the 2019 fiscal year (previous year, including the capital increase: net additions of EUR 59.2 million). In the past fiscal year, loans in a net amount of EUR 0.1 million were repaid (previous year: EUR 66.1 million net drawn). In addition, EUR 13.5 million was repaid on the borrower's note loan (previous year: EUR 0.0 million). The Group received EUR 25.4 million from the capital increase (previous year: EUR 1.1 million). The shareholders of Allgeier SE received dividends totaling EUR 5.0 million (previous year: EUR 4.9 million). In the 2019 fiscal year, the Allgeier Group paid interest of EUR 3.9 million (previous year: EUR 2.4 million net). Payments to non-controlling interests amounted to EUR 3.9 million (previous year: EUR 0.7 million).

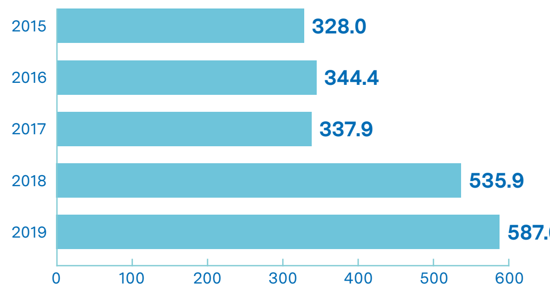
In the 2019 fiscal year, as balance from the cash flows from operating activities, investing activities and financing activities, and the items for correcting currency differences in cash and cash equivalents, the Group generated a surplus of inflows totaling EUR 22.7 million (previous year: EUR 18.1 million). Due to capital inflows, cash and cash equivalents increased from EUR 59.4 million on December 31, 2018 to EUR 82.2 million at the end of the 2019 fiscal year.

The cash ratio (cash and cash equivalents / current liabilities) moved up to 57 percent as of December 31, 2019 (previous year: 47 percent) as a result of higher cash and cash equivalents while current liabilities increases less quickly. The quick ratio (cash and cash equivalents and trade receivables / current liabilities) increased to 135 percent as of the balance sheet date (previous year: 131 percent).

2.3.3 Net Assets

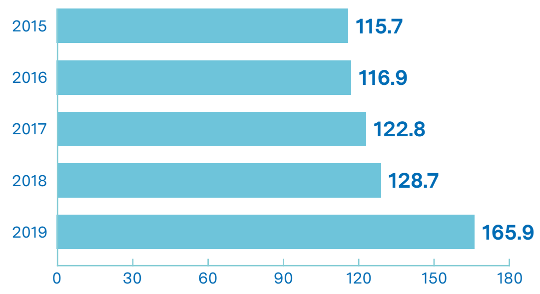
Changes in the Allgeier Group's asset position generally reflect acquisition activity and the associated addition of new Group companies, the disposal of subsidiaries, and measures implemented to finance the Allgeier Group.

Total assets Dec. 31* (in EUR million)



*Due to the initial application of IFRS 16, there is only limited comparability of the balance sheet totals from 2015 to 2017 with those of 2018 and 2019. Due to the capitalized rights of use from leases, the balance sheet expanded in 2018 by EUR 56.5 million and in 2019 by a further EUR 22.2 million.

Equity Dec. 31* (in EUR million)



*Due to the initial application of IFRS 16, there is only limited comparability of the equity figures in 2015 to 2017 with those in 2018 and 2019. As a result of applying IFRS 16, equity declined by EUR 4.5 million in 2018 and a further EUR 0.9 million in 2019.

Other factors impacting the asset position are operating activities, client payment behavior and payments to suppliers.

In the past fiscal year, the Allgeier Group acquired the assets and liabilities of Farabi and S4M (previous year: acquisition of the assets and liabilities of ANECON, Objectiva and iQuest as well as secion, consectra and GRC Partner). With these two companies, assets of EUR 2.6 million (previous year: EUR 39.8 million) and liabilities of EUR 0.7 million (previous year: EUR 19.9 million) were transferred to the Allgeier Group. Offsetting this, there were outflows of EUR 3.2 million for the acquisition of these companies and business units (previous year: EUR 37.1 million). In addition, the Allgeier Group paid EUR 5.5 million for subsequent purchase price payments in connection with companies acquired in previous years (previous year: EUR 0.6 million). The acquisitions were financed from available liquidity in the Allgeier Group.

During the fiscal year under review, the balance sheet expanded by EUR 51.0 million as of December 31, 2019. As of the reporting date, total assets amounted to EUR 587.0 million (previous year: EUR 535.9 million). Key reasons for the increase are higher rights of use from leases and a higher cash and cash equivalents position. Non-current assets rose by EUR 31.9 million to EUR 316.7 million (previous year: EUR 284.7 million). Within non-current assets, rights of use from leases increased by EUR 26.8 million to EUR 90.2 million (previous year: EUR 63.4 million), intangible assets inched up by EUR 3.3 million to EUR 190.3 million (previous year: EUR 187.0 million) and property, plant and equipment moved up by EUR 0.9 million to EUR 15.5 million (previous year: EUR 14.6 million). Other non-current financial assets advanced slightly to EUR 5.9 million (previous year: EUR 5.5 million). Deferred tax assets rose to EUR 11.2 million at the end of 2019 compared with EUR 9.5 million at the previous year's balance sheet date. Within intangible assets, as a result of acquisitions and the adjustment of goodwill acquired in foreign currencies at the closing rate on December 31, 2019, goodwill increased by EUR 5.0 million to EUR 171.0 to the end of the fiscal year (previous year: EUR 166.0 million). Other intangible assets declined by EUR 1.6 million to EUR 19.3 million (previous year: EUR 20.9 million). This includes additions from internally generated developments of EUR 2.6 million (previous year: EUR 2.1 million).

The investment ratio calculated as the ratio of non-current assets to total assets was 53.9 percent in 2019 and is thus almost exactly at the level of the previous fiscal year (previous year: 53.1 percent).

As of the 2019 reporting date, current liabilities increased by EUR 19.1 million to EUR 270.3 million (previous year: EUR 251.2 million). Trade receivables moved slightly downwards by EUR 6.4 million to EUR 134.1 million (previous year: EUR 140.5 million). Cash and cash equivalents increased by EUR 20.4 million to EUR 97.4 million as of 31 December 2019 (previous year: EUR 77.0 million). This figure resulted primarily from the capital increase of EUR 23.5 million (net) in June 2019 and the inflows from operating activities on the one hand and the repayment of loans totaling EUR 13.6 million and further payments for investing and financing activities on the other.

On the equity and liabilities side, Group equity increased by EUR 37.2 million to EUR 165.9 million (previous year: EUR 128.7 million). Liabilities increased by EUR 13.8 million to EUR 421.0 million (previous year: EUR 407.2 million). In the same period, due to a lower increase in total assets and a higher rise in Group equity, the equity ratio fell to 28.3 percent at the end of 2019 (previous year: 24.0 percent).

This increase of Group equity was driven by the capital increase of EUR 23.5 million in June 2019 and higher net income for the year of EUR 18.7 million (previous year: EUR 8.2 million). With share options from the share option programs being exercised and the adjustment of the exercise price, equity increased by an additional EUR 2.1 million (previous year: EUR 1.5 million), from the deployment of treasury shares to pay an escrow in the context of acquiring Nagarro Inc. by EUR 0.6 million, and from currency differences and other effects recognized directly in equity by a total of EUR 1.0 million (previous year: EUR 1.8 million). As the same time, equity was reduced as a result of dividends to Allgeier SE shareholders and to non-controlling interests of subsidiaries of EUR 6.5 million (previous year: EUR 6.8 million). With the acquisition of iQuest, non-controlling interests of EUR 2.4 million were recognized.

Non-current liabilities increased by EUR 10.1 million to EUR 251.8 million as of 31 December 2019 (previous year: EUR 241.7 million). The change in liabilities was due to payments of purchase prices from acquisitions posted as liabilities as of December 31, 2018 and earn-out payments of EUR 5.8 million and changes on account of operating activities. Non-current financial liabilities at the end of 2019 include EUR 145 million for the utilized portion of the syndicated facility of EUR 228 million concluded in 2019 and EUR 5.5 million for the portion of the borrower's note loan running until 2021. EUR 13.5 million on the borrower's note loan was repaid in the 2019 fiscal year. In 2019, other non-current liabilities increased by EUR 10.6 million to EUR 102.0 million (previous year: EUR 91.4 million). This was driven by the rise in liabilities from leases from EUR 53.6 million to EUR 78.2 million, the decrease in non-current liabilities from the acquisition of subsidiaries by EUR 15.7 million to EUR 10.7 million and the rise in deferred tax liabilities by EUR 0.4 million to EUR 5.2 million as of the end of 2019.

Current liabilities increased by EUR 3.8 million to EUR 169.3 million (previous year: EUR 165.5 million). Within current liabilities, financial liabilities declined by EUR 16.2 million to EUR 15.2 million (previous year: EUR 31.4 million) while other current liabilities from leases increased by EUR 3.5 million to EUR 18.7 million at the end of 2019 (previous year. EUR 15.2 million). Other current liabilities moved up by EUR 16.5 million to EUR 135.4 million (previous year: EUR 118.9 million). Due to the lower increase in total assets in relation to liabilities, the Group gearing - the ratio of liabilities to total assets - declined to 71.7 percent at the end of the 2019 fiscal year (previous year: 76.0 percent).

2.3.4 Segments

Segment reporting exclusively contains the segments' continuing operations. The disclosures and information below include revenue and earnings from transactions conducted between the segments. In the 2019 fiscal year, IFRS 16, Leases, effective January 1, 2019, was also implemented for the segments for accounting leases. The Allgeier Group adopted IFRS 16 using the retrospective method, whereby the figures for the previous year in the entire Group management reporting and in the charts were restated so that it is possible to compare the figures for the 2018 and 2019 fiscal years. In addition, all figures were restated on the basis of the findings from the FREP audit completed in 2019. The findings from the FREP audit related exclusively to the Enterprise Services segment.

2.3.4.1 Enterprise Services Segment

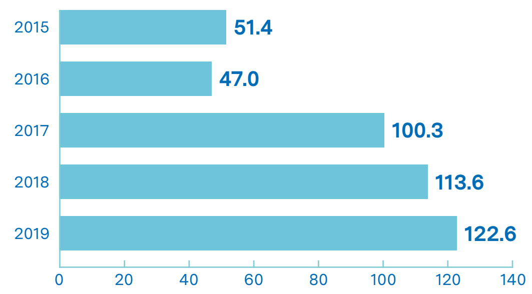
In the period under review, the Enterprise Services segment contributed 15 percent to consolidated revenue (previous year: 16 percent). In turn, the segment is divided in the "Intellectual Property" and "SAP" business units which flowed into the overall segment result with different growth rates and earnings contributions.

The Enterprise Services segment (continuing operations) registered 8 percent revenue growth to EUR 122.6 million in 2019 (previous year: EUR 113.6 million). Value added (total performance less cost of sales and staff costs directly attributable to revenue) surged 22 percent to EUR 53.3 million (previous year: EUR 43.7 million), representing a gross margin of 42.8 percent (previous year: 38.1 percent). Revenue growth came from both business units. The SAP unit increased its third-party revenue to EUR 71.7 million in the 2019 fiscal year (previous year: EUR 61.6 million). Revenue generated with third parties by the Intellectual Property unit declined to EUR 44.3 million (previous year: EUR 48.2 million). Both business units contributed to the higher value added. The Intellectual Property unit generated an increase of EUR 1.5 million to EUR 25.2 million (previous year EUR 23.7 million) and the SAP unit increased added value by EUR 8.1 million to EUR 28.1 million (previous year: EUR 20.0 million).

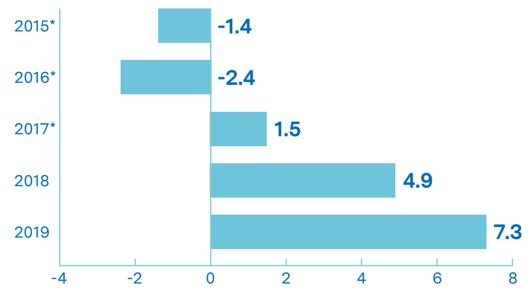
Adjusted EBITDA (EBITDA before effects that qualify operationally as extraordinary or relate to other accounting period) expanded by 30 percent compared with the previous year to EUR 19.3 million (previous year: EUR 14.9 million). Of this increase, EUR 4.7 million is attributable to the SAP unit while EBITDA in the Intellectual Property unit declined slightly by EUR 0.3 million.

EBITDA generated by the Enterprise Services segment amounted to EUR 16.6 million in the year under review (previous year: EUR 15.8 million). In the 2019 fiscal year, the net adjusted effects, which mainly comprise personnel measures and value adjustments for receivables, amounted to EUR -2.7 million (previous year: positive net impact of EUR 0.9 million). Segment depreciation and amortization amounted to EUR 9.3 million in the reporting year, above the previous year's level of EUR 7.4 million. Segment EBIT rose accordingly from EUR 4.9 million in 2018, to EUR 7.3 million in the reporting period. Earnings before tax in the Enterprise Services segment totaled EUR 6.0 million (previous year: EUR 3.8 million), an increase of 158 percent.

Enterprise Services segment revenue
(continuing operations in EUR million)



EBIT Enterprise Services segment
(continuing operations in EUR million)



*Historical figures not including the effects of IFRS 16

2.3.4.2 Experts Segment

Measured by revenue, the Experts segment is the second largest segment in the Allgeier Group. The segment contributed 33 percent to revenue of the Allgeier Group in the 2019 fiscal year (previous year: 40 percent).

The Experts segment generated EUR 261.3 million revenue in the reporting year (previous year: EUR 278.6 million), corresponding to a 6 percent decline. This was due to restructuring in the business unit with the related discontinuation of low-margin sales. Added value declined 7 percent year on year to EUR 46.1 million (previous year: EUR 49.8 million), resulting in the gross margin declining slightly to 17.6 percent (previous year: 17.9 percent). After restructuring, the segment increased its gross margin to 18.6 percent in the second half of 2019.

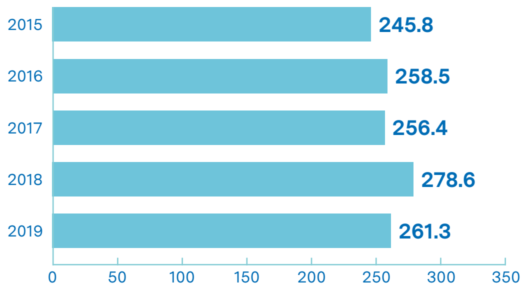
Adjusted EBITDA (EBITDA before effects that qualify operationally as extraordinary or relate to other accounting periods) increased slightly to EUR 8.5 million (previous year: EUR 7.3 million).

Due to higher extraordinary effects, the Experts segment achieved EBITDA of EUR 3.5 million in the 2019 fiscal year, slightly up on the previous year's result (previous year: EUR 3.7 million). The development in the Experts segment was driven by the necessary business restructuring, which entailed the anticipated declines in revenue particularly in the first half of 2019 and non-recurring charges. The segment generated a negative earnings contribution in the first six months. However, after a considerable earnings recovery, the Experts segment generated positive EBITDA of EUR 4.4 million in the second half of the year. In the 2019 fiscal year, EBIT was EUR -0.7 million, a slight improvement on the comparable previous-year period (previous year: EUR -1.2 million). Before tax and profit transfers, the segment generated a negative result for the year of EUR 2.6 million, compared with the negative result of EUR 3.0 million in the previous year.

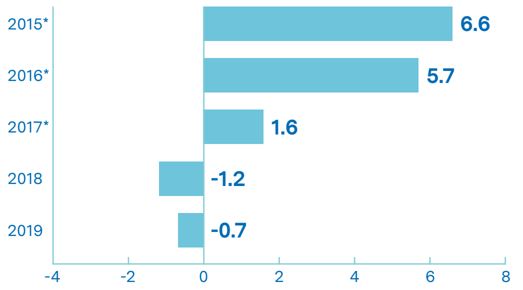
2.3.4.3 Technology Segment

The Technology segment generated further strong and stable growth in the year under review. Accordingly, the segment, which comprises four operating units (the two existing operating business units Nagarro and mgm technology partners as well as the business units Objectiva and iQuest which were added in the 2018 fiscal year), accounted for 51 percent of Group revenue in 2019 (previous year: 43 percent).

Experts segment revenue
continuing operations in EUR million



EBIT Experts segment
continuing operations in EUR million



*Historical figures not including the effects of IFRS 16

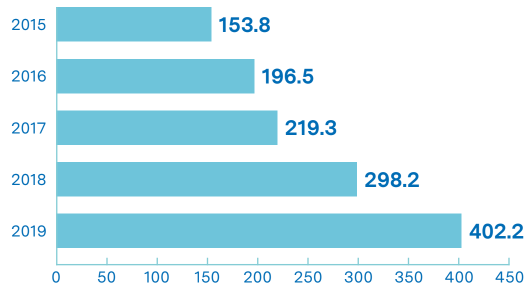
The Technology segment recorded 35 percent revenue growth in the 2019 fiscal year to a level of EUR 402.2 million (previous year: EUR 298.2 million). The Objectiva and iQuest business units, which were added to the Group in the previous year and thus consolidated proportionately, contributed EUR 42.7 million to revenue growth. Value added increased by 31 percent to EUR 129.0 million (previous year: EUR 98.8 million). This corresponds to a slightly lower gross margin of 32.1 percent compared with the previous year (33.1 percent).

Adjusted EBITDA (EBITDA before effects that qualify operationally as extraordinary or relate to other accounting periods) amounted to EUR 57.5 million in the reporting year (previous year: EUR 41.9 million), representing an increase of 37 percent.

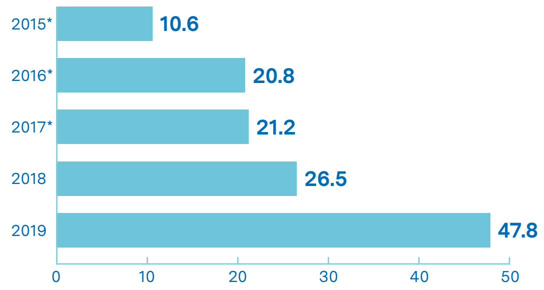
In the 2019 fiscal year, the Technology segment recorded a positive result from extraordinary effects and those relating to other accounting periods of EUR 7.3 million (previous year: loss result from extraordinary effects and those relating to other accounting periods of EUR 2.0 million). Given the segment's international nature and key locations in India, the US, eastern Europe and China, its earnings are subject to exchange rate effects. The effects on earnings of exchange rate fluctuations and the currency hedges for the Indian rupee are adjusted for as non-recurring factors. These resulted in income of EUR 1.5 million in 2019 (previous year: EUR -0.5 million). In addition, the segment recognized non-recurring income of EUR 7.1 million from reversing part of a liability from earn-outs posted in the previous year (previous year: EUR -0.1 million). Other non-period and extraordinary expenses totaled EUR 1.3 million (previous year: EUR 1.4 million) and related essentially to costs in the context of business combinations, personnel measures and value corrections relating to trade receivables.

Segment EBITDA thus advanced by 62 percent to EUR 64.8 million (previous year: EUR 39.9 million). Depreciation and amortization increased to EUR 17.0 million (previous year: EUR 13.4 million). The segment thus posted an EBIT of EUR 47.8 million (previous year: EUR 26.5 million), an increase of 80 percent. The segment's financial result was EUR -4.6 million (previous year: EUR -3.7 million). Segment earnings before income taxes improved 89 percent to EUR 43.2 million (previous year: EUR 22.8 million).

Technology segment revenue
(continuing operations in EUR million)

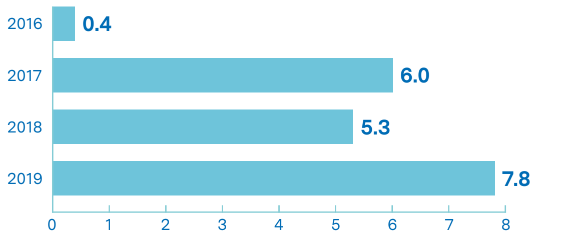


EBIT Technology segment
(continuing operations in EUR million)

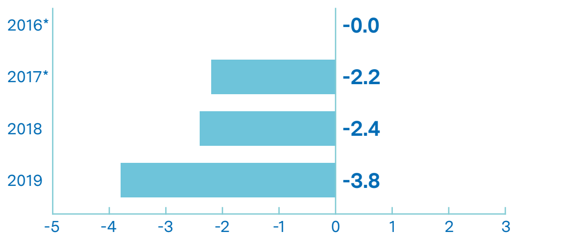


*Historical figures not including the effects of IFRS 16

New Business Areas segment revenue
(continuing operations in EUR million)

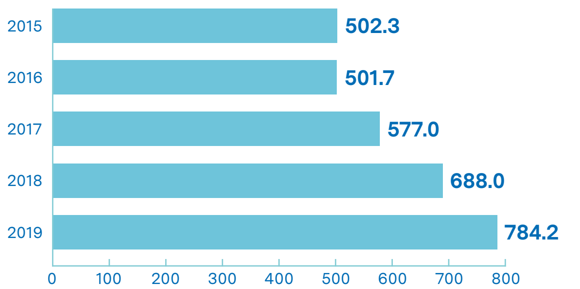


EBIT New Business Areas segment
(continuing operations in EUR million)



*Historical figures not including the effects of IFRS 16

Revenue Group (in EUR million)



2.3.4.4 New Business Areas Segment

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

In the 2019 fiscal year, the New Business Areas segment posted revenue of EUR 7.8 million (previous year: EUR 5.3 million). Value added increased to EUR 3.7 million (previous year: EUR 3.0 million). This translates to a gross margin of 47.4 percent (previous year: 55.9 percent).

Adjusted EBITDA (EBITDA before effects that qualify operationally as extraordinary or relate to other accounting periods) was EUR -1.1 million (previous year: EUR -0.8 million).

In the 2019 fiscal year, the New Business Areas segment recorded EBITDA of EUR -2.7 million (previous year: EUR -1.9 million). EBIT was EUR -3.8 million in the reporting period (previous year: EUR -2.4 million). Segment earnings before income taxes were thus EUR -5.9 million (previous year: EUR -3.4 million).

2.4 Financial and Non-financial Performance Indicators

2.4.1 Financial Performance Indicators

At Group level, the following financial performance indicators are the focus for the management of the company:

Revenue Growth

Allgeier operates 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, over a period of several years the market has also been undergoing a consolidation process driven by innovation and client demand. As a result, 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 is thus a key issue for the Allgeier Group.
The Group's revenue growth over the past years is as follows: (see left)

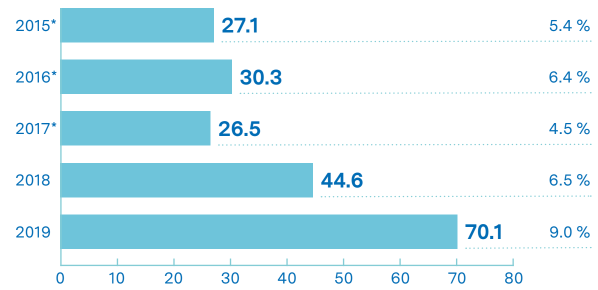
Profitability

Besides growth, the objective of sustainably increasing the enterprise value is based on profitability. The targeted EBITDA margins play a crucial role in planning at all Group levels. The EBITDA and EBITDA margin for the Group as well as its individual segments developed as follows: (see right)

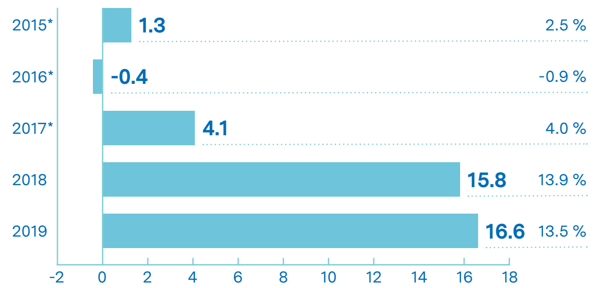
EBITDA (in EUR million) /
EBITDA margin

*Historical figures not including the effects of IFRS 16

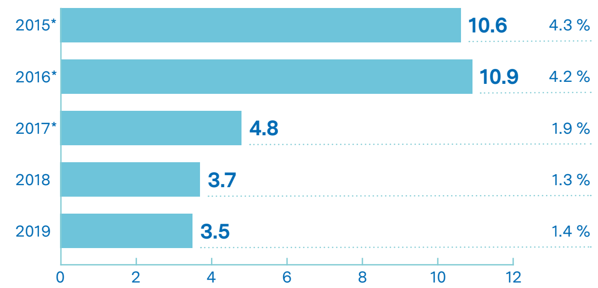
Group



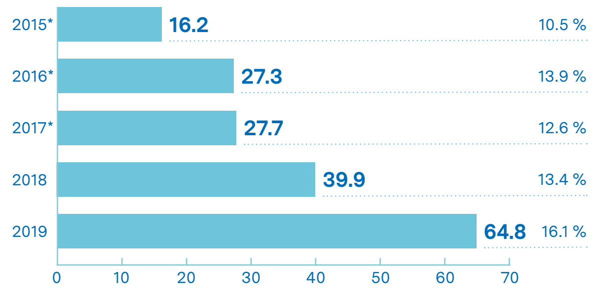
Enterprise Services segment
(continuing operations)



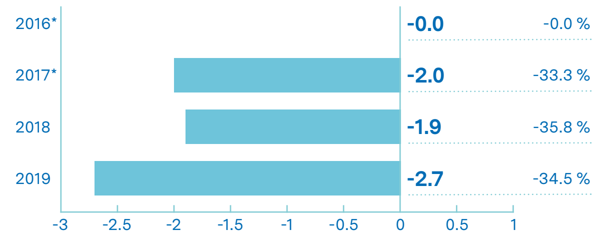
Experts segment
(continuing operations)



Technology segment
(continuing operations)



New Business Areas segment
(continuing operations)



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 stipulate 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 essentially financial liabilities and liabilities from leases minus cash and cash equivalents. In the 2019 fiscal year, the Group's net financial liabilities decreased to EUR 164.5 million (previous year: EUR 173.5 million). On the other hand, cash and cash equivalents climbed to EUR 97.4 million (previous year: EUR 77.0 million) and lease liabilities moved up from EUR 68.8 million to EUR 97.0 million. On the other hand financial liabilities declined by EUR 16.8 million from EUR 181.7 million in the previous year to EUR 164.9 million on the 2019 reporting date. Accordingly, the Group's net debt in relation to the relevant adjusted EBITDA decreased to 2.2 as of December 31, 2019 (previous year: 3.2).

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 has more than 15 years of in-depth experience in implementing 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 steadily improved the process, which ranges from recording all acquisition candidates we are offered or which we actively identify, through to selection and execution of specific transactions. This process is supported by software tools and is now handled not only at Allgeier SE, but takes place with the involvement of the Group's operating business units.

Our goal is to continue growing through acquisitions. Transactions of recent years included:

Transactions (acquisitions)	
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, Wiesbaden)
2016	Conduct AS, Oslo, Norway (now Nagarro AS, Oslo, Norway)
	Mokriya Inc., Cupertino, USA
	Betarun, Buckow (asset deal) (now part of Allgeier Experts Pro GmbH, Munich)
	GDE Group, Munich (now Allgeier Experts Medical GmbH and Allgeier Education GmbH, both Düsseldorf)
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 von der Höhe
	Objectiva Software Solutions, Inc., San Diego, USA
	consectra GmbH, Offenburg (now: Allgeier CORE GmbH, Kronberg im Taunus)
	secion GmbH, Hamburg
	GRC Partner, Kiel (now: Allgeier CORE GmbH, Kronberg in Taunus)
2019	Farabi Technology Middle East LLC, Dubai, United Arab Emirates
	Solutions4Mobility LLC, Dubai, United Arab Emirates

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 asset. Their expertise and their motivation drive our business forward every day. They are the ones who enjoy the trust of our clients and develop and implement innovations for them. In competing for qualified new employees, it is important to candidates worldwide that we are an attractive employer. 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 integrate employees in client projects play an important role in this context. These include service and work contracts, personnel leasing, project outsourcing, onshore, nearshore, offshore models and much more. The continuous development of existing employees and recruiting new highly qualified colleagues are essential factors for the development of the entire Group. Accordingly, employee satisfaction within our Group represents a key performance indicator.

2.5 Human Resources

Allgeier Counts on Dedicated and Loyal Employees

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

Continuously fostering and developing the motivation and skills of our employees is therefore a central objective of our personnel policy. In the reporting year Allgeier made good progress by further harmonizing its employee recruitment and retention activities within the operating business units. We have expanded our international presence significantly in recent years, gaining access to what is now some 6,500 extremely well trained software developers at our sites in India, China and eastern Europe. On our core market of German-speaking Europe (Germany, Switzerland and Austria), we are increasingly seeing shortages of well-qualified experts at central locations. For this reason as well, we are continuously investing in our employees to ensure the sustained growth of our Group and to keep valuable knowledge within the company. Moving ahead, this will entail a further rise in investment in ongoing employee training and continuing professional development.

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

Organic Staff Growth: Headcount Continues to Rise Significantly

At the end of the 2019 fiscal year, the Allgeier Group had a total of 11,816 employees and freelance experts (previous year: 10,517) – including 10,589 employees and 1,227 freelance experts (previous year: 9,437 employees and 1,080 freelance experts). At the end of the fiscal year, Allgeier had a total of 4,067 employees and freelance experts in Germany (previous year: 4,153) and 7,749 foreign employees and freelance experts (previous year: 6,364). An increasing share of our staff work at our Group's international locations. At the end of the 2019 fiscal year, 34.4 percent of all employees and freelance experts were engaged in Germany (previous year: 39.5 percent). Overall, Allgeier increased the overall number of its employees and freelance experts by 1,299 (previous year: 2,047, 1,347 on the basis of acquisitions). The total number of employees rose by 1,152 (previous year: 2,360, 1,312 on the basis of acquisitions). In 2019, this consistently high growth resulted primarily from organic growth. The number of employees rose by 1,128 as a consequence of organic growth (previous year: 1,013 employees), which corresponds to a year-on-year organic increase of 12 per cent (previous year: 12 percent). A further 24 jobs were created as a consequence of the acquisitions we realized in the 2019 fiscal year (previous year: 1,347).

We are pleased to report that in 2019 the share of female employees remained at the high level of the previous year. The share of women working as of the end of the year was 27.0 percent (previous year: 28.0 percent). BITKOM estimates an industry average of just around 15 percent female employees in German IT. Similarly, we continue to have a high level of staff with university level qualifications. The share of graduates was 46.8 percent as of the reporting date (previous year: 49.1 percent). Overall, 97.1 percent of our employees have a bachelor's / master's / doctoral degree, state-certified technician / master tradesman qualification or other qualified professional training (previous year: 96.5 percent). In addition to continuous further training and professional development, it is our aim to offer our employees long-term prospects and an attractive future within the Group by enabling a healthy and appealing work-life balance. The high share of female employees and those with higher qualifications encourage us in this endeavor.

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

Headcount Dec. 31	2015	2016	2017	2018	2019
Number of permanent employees	5,691	6,319	7,077	9,437	10,589
Number of freelancers	1,334	1,361	1,393	1,080	1,227
Total staff	7,025	7,680	8,470	10,517	11,816

3. Overall Statement Concerning the Business Situation

For our Group, 2019 was by far the most successful in the history of the company. We look back on this special fiscal year with pride, but also with humility. The positive development was by no means self-evident and it brought particular challenges. The world we live in did not become any easier in 2019 - there was increasing nationalism and populism in politics and a long period of economic stability came to an end. At the same time, globally there is an increasing awareness for values such as personal freedom and a discussion on essential issues such as the environment. This has to be intermeshed with the rapid and almost breath-taking technical progress. The situation accelerates change. But it is also something that inculcates not only curiosity and enthusiasm, but also fears. Together in the Allgeier Group we are shaped not only by a special culture of performance, curiosity and the will to change, but also by high levels of esteem and team spirit combined with security and solidarity. This was subjected to a tough test in the first half of 2019. In the pursuit of rapid growth in the Allgeier Experts business unit, we lost the healthy mix of revenue trend and development of costs. This resulted in restructuring with hard decisions. To begin with, we had to reduce a considerable number of employees to secure the right balance and profitability of the company. We succeeded together, supported by the other companies in the Allgeier Group. The success achieved should not mask the many difficult decisions we had to make – with difficult consequences for the colleagues impacted.

Overall, we can look back to by far the best year in the history of the Allgeier Group. We generated further growth and the highest annual revenue as well as the highest annual profits in our history. At the same time, we continued with the Group's internationalization and opened up new markets with attractive client companies. Today we operate in 28 countries on five continents and are increasingly developing into a group with a global positioning. With the addition of two new Group companies, and particularly the further organic expansion of our staff basis with a large number of new highly qualified colleagues we achieved gains in expertise and personnel and enhanced our competences in important future technologies. At the same time, we have expanded our position in attractive industries and markets, in many locations further improved proximity to clients and increased scalability and agility in software development. On this basis, we can deploy disruptive technologies to provide our clients with even better support in solving the complex strategic challenges posed by digital transformation.

Overall, in the 2019 fiscal year the Allgeier Group recorded revenue growth of 14 percent to EUR 784.2 million. This growth was generated largely on an organic basis, and also with a small share of EUR 4.4 million (4.6 percent of Group growth) through the pro rata consolidation of the new units added to the Group. In addition, the profitability from client contracts was considerably enhanced, As a result, the Group value added generated from the operating business increased by 18 percent and the Group value added margin to 29.2 percent (previous year: 28.3 percent).

Adjusted EBITDA (EBITDA before effects that qualify operationally as extraordinary or relate to other accounting periods) expanded at Group level by 34 percent to EUR 73.4 million (previous year: EUR 54.9 million), corresponding to a margin of 9.4 percent. In the fiscal year, Group EBITDA increased to EUR 70.1 million (previous year: EUR 44.6 million), an increase of 57 percent to an EBITDA margin of 8.9 percent (previous year: 6.5 percent).

Net debt (without leases) moved down to EUR 164.5 million (previous year: EUR 173.5 million).

In 2019, we again considerably strengthened the employee base of the Group companies, primarily on the basis of organic employee growth. The number of hired employees increased from 9,437 to 10,589, corresponding to 1,152 new jobs in our Group. In the fiscal year, the number of workers, including the average number of hired freelance experts, grew to 11,816 overall as of December 31, 2019 (previous year: 10,517). In comparison to the industry we have an above-average share of female staff and also a high share of graduates. The constant hiring of highly qualified employees and the ongoing development of our staff also reflects an investment in the future, which also generated corresponding costs in 2019. 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 leverage market consolidation for the targeted expansion and faster development of our Group segments through value-adding acquisitions.

Our Enterprise Services segment remains on growth track. In the past fiscal year, we further extended our integrated portfolio of products and services and expanded 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 retailing of the future. With numerous new clients 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 capacity utilization of our consultants. With the units of our Technology segment, we intend to leverage even more strongly the cross-selling opportunities of key current issues such as HANA, cloud, IoT and multi-channel commerce.

In the Experts segment we resolutely advanced the business realignment, with the expected revenue and earnings downturn as well as non-recurring charges, especially in the first half of 2019. As a result of the reduction of low-margin sales and the targeted cooperation with colleagues from the Enterprise Services segment, we laid the foundation for a sustained improvement of profitability. In the future we want to further intensify the cooperation and combine personnel and IT services in client projects to an increasing extent. Initial promising accounts have already been gained. At time same time, in the current fiscal year, we are planning ongoing considerable reduction of business with low margins. Internally we are working hard on performance-oriented sales controlling, an effective and highly efficient sales organization and securing our profitability on a project and account basis in a sustainable fashion. We want to provide support here with the increased deployment of digitalized components in our business processes and harmonizing our systems.

The Technology segment can look back on a successful 2019. It was the Group's most important growth driver. In this segment, we faced the challenge of rapid technological change and the establishment of new teams and client contacts. As a result the operating business units achieved considerable ongoing double-digit growth with high profitability in highly competitive markets. We successfully continued our global growth and integration process. On the one hand we advanced internationalization by extending our business in global client projects and by entering new markets. At the same time we successfully integrated the units gained in the previous year with a large number of highly qualified colleagues at the development centers in eastern European and China. Together we worked at creating a modern and scalable matrix organization with flat structures aligned on the basis of markets / geographies, industry verticals and technologies / skills and represents the basis for further future growth.

In the New Business Areas segment, we invested in the respective units in the past fiscal year and created important foundations and structures for future growth. The newly created Allgeier CORE unit brings together experienced experts from IT security and IT forensics. 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 advancing the development of Allgeier CORE to 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 other operating business units, invest in artificial intelligence to automate test procedures. In addition, Allgeier CORE will further increase the visibility of the unit for highly qualified candidates in the IT security market. In Allgeier Education we invested a great deal in internal training tools and content and created new attractive offers for clients. For example, we offer them completely digitalized voice, IT and compliance training. Wherever they are, employees can participate in digital training sessions and courses in teaching rooms and learning spaces. Certified language training is one specific instance offering opportunities for existing employees in internationally operating teams, but also for new specialists from outside Germany who join the company on the basis of the German Specialist Immigration Act or with an EU Blue Card.

The promising business trend in all key Group segments forms the basis for positive planning for 2020 with a focus on the strong growth and a further expansion of profitability. In the current year we are working intensively on successfully implementing the strategic realignment of our Group. Our software development business is increasing establishing itself as a global player on the international market. On the one hand this creates outstanding new opportunities, but also creates challenges. With the announced independence of the business unit consisting of Nagarro, iQuest, Objectiva and the SAP business in Allgeier Enterprise Services with the relevant resolutions of the Annual General Meeting in the course of 2020 an innovative full-service provider and global player for software engineering and technology solutions with its own listing is to emerge on the basis of a spin-off. With a clear story and the alignment as an international and strongly growing technology corporation, our aim is to achieve visibility in the market. We expect that the clear transparency of the sustainable value creation achieved by the business unit and the improved comparability with the corresponding global peer group will also be reflected in more attractive valuations on the capital market in future. We regard the targeted emancipation of our software development business as a positive result of our successful work together.

As one of the biggest objectives for 2020, we are fully supporting the path to independent visibility and a stock exchange listing as a player in the top global league. With the remaining business in the Enterprise Services and Experts segments as well as the mgm technology partners operating business unit we want to establish ourselves as one of best players on the German IT services and software market – with the full power, entrepreneurial spirit and excellence that unites us as a team across all the business units: Experts and Enterprise Services with the broad-based manpower and regional coverage combined with the comprehensive IT expertise including digitalization competency at mgm technology partners. To do this the Management Board, together with the management of the respective operating business units, will examine the strategic options for the future providing the best possible development of the companies. In principle, Allgeier will continue to operate as an investment company and continue what has been the very successful policy of investing in promising companies and business models on the basis of a buy-and-build model and to expand them considerably over the years. As has been the case in the past, the respective entrepreneurs and management teams in the business units remain the focus in this process. With the help of Allgeier as long-term partner, with great entrepreneurial freedom they develop the various portfolio companies on an organic basis, also by leveraging further acquisitions.

We are convinced that the two future companies will play a key role on their markets as strong and recognized players. Our investors and also our clients benefit from the good positioning in future and growth areas. And for the colleagues in our Group, the highly interesting client projects offer interesting development opportunities and new possibilities.

4. 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. Events after the balance sheet date).

5. Forecast, Opportunity and Risk Report

5.1 Forecast

General economic forecast

The organic growth of the Group companies is largely dependent on the economic environment and, in particular, the development of the software and IT services market in Germany and other relevant markets. According to the annual economic report of the German government, after adjustment for inflation, the German economy achieved gross domestic product (GDP) growth of 0.6 percent in 2019. This means that the German economy expanded for the tenth time in succession, avoiding a recession. However, growth was considerably below the average of recent years. For 2020, the German government is forecasting further growth of 1.1 percent. Economic momentum was modest at the beginning of 2020. However, the economy would pick up slightly over the course of the year. The German government underlined the fact that the social market economy had proved itself again as a powerful economic system over the last decade. Wages and disposable income had increased appreciably, the trend on the labor market remained positive and there were also impulses from the domestic economy. However, the economic environment continued to be dominated by uncertainties including international trade conflicts, the Brexit and geopolitical risks which adversely impacted world trade and global industrial production. The digital transformation led to changes in the business and working world, with the corporate landscape changing and a question mark being placed against traditional working forms and business models. Demographic change reinforced the need for action in gaining specialists.

It its growth forecast from November 2019, the OECD is projecting growth for the German economy of only 0.4 percent for 2020. Sustained weak world trade growth had contributed to a further reduction of industrial production and a slowdown of the German economy. In particular the export-dependent economy had taken a substantial hit from the stagnation of global trade, with declines in export orders and industrial production. Continuing trade disputes and Brexit uncertainty were weighing on business confidence and investment. Weak world demand is compensated to a certain degree by domestic strength. Thus private consumption and construction was expected to stay resilient. In view of the shortage of skilled labor and programs to support flexibility in working hours, no large deterioration of the labor market was expected. Expansionary monetary and fiscal policy would continue to support growth. As investment was needed across a broad range of infrastructure sectors and the economy was slowing, budgetary margins allowed under the debt brake should be used to strengthen long-term growth and facilitate the transition to a low emissions economy. For the current year, the outlook for exports remained poor. According to the OECD incoming orders would stabilize at a low level.

Also according to the current forecasts of the Organization for Economic Cooperation and Development (OECD

Economic Forecast Summary from November 2019), the economic prospects for 2020 are predominantly somewhat restrained for Allgeier's other key markets, such as the US, Scandinavia and Switzerland, though the ongoing growth continues to slow in a number of economies.

Moreover it is to be expected that the current global spread of the coronavirus (Sars-CoV-2) will have not inconsiderable repercussions on various economies which cannot be precisely estimated at this moment in time. The OECD refers to the relevant global risks in its Interim Economic Outlook published in March 2020. Global growth had been weak, but signs of stabilization had appeared prior to the corona outbreak. The corona epidemic and the related containment measures such as closing factories had impacted global movement of persons, goods and services and strongly restricted production and domestic demand in China. The impact on the rest of the world as a result of business travel and tourism, supply chains, commodity and lower confidence also had increased. For this reason the impact of the Covid-19 outbreak on economic prospects was serious. The coronavirus outbreak had already brought considerable human suffering and major economic disruption. Output contractions in China were being felt around the world, reflecting the key and rising role China had in global supply chains, travel and commodity markets. According to the OECD, subsequent outbreaks in other economies would have similar effects, albeit on a smaller scale. For this reason, growth prospects remained highly uncertain. Thus the Organization projects annual global GDP growth to drop to 2.4 percent in 2020 as a whole, from an already weak 2.9 percent in 2019, with growth possibly even being negative in the first quarter of 2020. The OECD has markedly revised prospects for China, with a projection of growth slipping below 5 percent this year, before recovering to over 6 percent in 2021, as output returned gradually to the levels projected before the outbreak. According to the OECD, the adverse impact on confidence, the financial markets, the travel sector and the disruption to supply chains would contribute to downward revisions in all G20 economies in 2020, particularly those strongly interconnected to China, such as Japan, Korea and Australia. Provided the effects of the virus outbreak fade as assumed, the impact on confidence and incomes of well-targeted policy actions in the most exposed economies could help global GDP growth recover to 3.25 per cent in 2021.

A longer lasting and more intensive coronavirus outbreak, spreading widely throughout the Asia-Pacific region, Europe and North America, would weaken prospects considerably. In this event, global growth could drop to 1.5 per cent in 2020, half the rate projected prior to the virus outbreak. The OECD thus urges governments to act swiftly and forcefully to overcome the coronavirus and its economic impact. This measures include effective and well-resourced public health measures to prevent infection and contagion, as well as implementing well-targeted policies to support health care systems and workers, and protect the incomes of vulnerable social groups and businesses during the virus outbreak. In addition, supportive macroeconomic policies were required to restore confidence and aid the recovery of demand as virus outbreaks ease, even though these measures could not offset the immediate disruptions that result from enforced shutdowns and travel restrictions. If downside risks materialized, and growth appears set to be much weaker for an extended period, the OECD recommends co-ordinated multilateral actions for ensuring effective health policies, for implementing containment and mitigation measures, for supporting low-income economies and for jointly raising fiscal spending. The OECD has reduced its growth forecasts against those in November for almost all large countries, for Germany by 0.1 percentage point to 0.3 percent, for the USA also by 0.1 percentage point to 1.9 percent and for the G20 as a whole by 0.5 percentage points to 2.7 percent. In its Economic Forecast on March 19, 2020, the ifo Institute anticipates a recession in Germany as a result of the corona crisis. The German economy could shrink by 1.5 percent this year. The ifo Institute is thus reducing the growth rate compared to the situation without the outbreak of the corona crisis by almost 3 percentage points The crisis would take full effect in the second quarter. The ifo Institute anticipates gross domestic product to collapse by 4.5 percent. The production of goods and services should then gradually return to a normal level by the first half of 2021. The ifo Institute anticipates that the global economy will also slump. Many countries were now restricting freedom of movement and bringing public life largely to a standstill. At the same time, most countries were attempting to mitigate the expected economic consequences with wide-ranging economic policy measures. At the time the forecast was published the Institute conceded it was almost impossible to make a precise prediction of the economic costs of the coronavirus crisis. There was much too great an uncertainty about the further spread of the virus and in particular about the measures governments have taken to contain the pandemic. In addition, there was no historical experience of comparable events. There were only very few economic indicators available with which to estimate the macroeconomic extent of the consequences of the coronavirus crisis.

Forecasts for the IT industry

According to market figures from the Federal Association for Information Technology, Telecommunications and New Media (BITKOM) from January 2020, the German ITC market is set to grow by 1.5 percent (previous year: 2.0 percent) to EUR 172.2 billion in the current year (previous year: EUR 169.6 billion). This assessment did not take account of the possible results of the Covid-19 outbreak. Even though the overall market shows a slight weakening of growth, the growth forecast for the ITC market continues to be higher than the general economy. Thus the market relevant to Allgeier, information technology, is in turn expected to achieve strong growth of 2.7 percent (previous year: 2.9 percent) to EUR 95.4 billion (previous year: EUR 92.9 billion). This growth will be attributable primarily to the software market, which is expected to continue to significantly outpace the market average at 6.4 percent (previous year: 6.3 percent) and, contrary to the general market and industry trend, not lose momentum compared to the two previous years. The market for IT services is also showing no signs of slowing down with steady growth of 2.4 percent (previous year: 2.4 percent).

The main driver of growth on the IT market will again be advancing digitization of the economy and the public sector, which is entailing fundamental changes in market conditions which impact the business and working world. According to BITKOM's 52nd Industry Barometer from 2018 these developments are based on market trends and technologies such as IT security, cloud computing, the Internet of Things and Services, Industry 4.0, big data and digital platforms. With its services, IT and software solutions, Allgeier has a successful handle on these trends and future technologies, and is specifically developing them in line with rising market demand. In the public sector, digitalization impacts as a driver. According to IDC (the market research company), public sector investment in software is to increase by 6.5 percent annually to 2021. Increased demand is due particularly to e-government initiatives (also supported by the German E-Government Act). In this context business processes are to be optimized and cost reductions pushed forward. Most companies anticipate that the industry-wide digitalization process will last for a longer period. According to BITKOM's 50th Industry Barometer, as many as 39 percent of companies believe that digital transformation is a never-ending process, while another third expects the process to continue for at least the next nine years. Also 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, i.e. the digitization of production processes, big data, i.e. solutions for analyzing and using large quantities of data in business processes, digital platforms, cognitive computing, blockchain, mobile applications and websites. Allgeier is benefiting from the strong growth in these high-tech trends.

For instance, the global market for cloud services and cloud technologies – and in particular multi-cloud technologies – is growing steadily. This is shown by recent statistics on cloud development from the ifo Institute. It reports that the market volume of cloud computing services in Germany will grow to EUR 10.1 billion by 2021. Investment in public clouds is also rising constantly. Experts agree that the development will be reinforced as a result of multi-cloud solutions in 2020. These statements are confirmed by a study published by Bitkom Research which reports that 73 percent of companies surveyed already use cloud computing. 19 percent are considering doing so and already have plans to introduce cloud computing. Deploying cloud technologies is the key driver and engine of digitalization in companies, in particular for digitalizing internal processes.

According to the German Federal Ministry of Economics and Technology, the development of intelligent technologies for business and production is making rapid progress. The global market for services and software based on artificial intelligence is growing by up to 25 percent a year. The Ministry states that large corporations are already investing billions in the relevant research.

According to a Deloitte study on Industry 4.0 published in 2020, companies with an effective Industry 4.0 strategy are more successful. Last year, 18 percent of these companies generated 20 percent growth last year, while only 3 percent of companies without a corresponding strategy generated similar growth levels. According to the authors of the study, there was still a lot of potential for catching up in Germany, as only a few companies are already pursuing comprehensive strategies. The Internet of Things offers many deployment scenarios. Key areas include quality control, Industry 4.0 and smart connected products. The TÜV SÜD Internet of Things (IoT) 2019/2020 study showed that the Internet of Things is increasingly relevant for companies. The companies which gave a positive assessment was 56 percent with an upward trend. The share of companies which have implemented IoT projects increased from 44 to 49 percent. According to the study, only 8 percent of corporates do not generate any added value in productivity or costs as a result of IoT projects. 42 percent of businesses could optimize their processes and reduce costs.

Alongside these market trends, other important technology areas, such as business process management, Collaboration/Enterprise 2.0 and Enterprise Resource Planning (ERP) in particular, can also function as additional growth drivers for Allgeier; these are areas where Allgeier Group companies have already commanded a strong market position for many years. ERP, for instance, is a central software system that optimizes business processes by connecting individual links in the production chain. The megatrends in the industry are also stimulating ERP sales as ERP software solutions greatly simplify corporate control and planning processes. Shifting ERP software solutions into the cloud could develop into a key driver over the next few years. According to the Synergy Research Group, cloud services in the ERP area, one of the largest segments in the enterprise software market, is currently somewhat underrepresented.

Moving forward the Group's Management Board expects IT dependency to continue to grow in an increasingly globalized world. Thus, the growth forecast in the future areas reported on is significantly higher than the industry average. At the same time, IT itself is undergoing rapid change, resulting in a constant need for innovation and investment – subjects that have been relevant to date will quickly be overtaken and replaced by others. Thanks to the good positioning of the Group in key innovation and future areas, Allgeier is confident of the structural growth prospects in the software and IT service industry. However, potential economic consequences of the corona pandemic can also adversely impact growth in the software and IT services areas. When this report was prepared, the specific impact could not be precisely forecast.

Forecast by the Allgeier Group

Overall, the development of the Allgeier Group is defined by the assessments outlined above for the economic environment as a whole and the IT market in Germany and other relevant markets, particularly the US, central and northern Europe and Asia as well. Despite the expected slowdown in growth on the German and in some other markets and some uncertainty stemming from international crises such as trade conflicts, a no-deal Brexit, social unrest and the still unquantifiable impact of the pandemic resulting from the coronavirus, we consider ourselves well positioned for a continuation of our organic growth on a medium- and long-term basis. Should the corona pandemic result in entire economies moving into recession – as the ifo Institute is assuming in its Spring Forecast for Germany dated March 19, 2020 – and there is a huge demand downturn in specific industries, in all probability this will also impact the short- and medium-term development in the course of 2020 and the further growth of our Group during this fiscal year.

However, despite this the ongoing, high and fundamental importance of high-quality and reliable IT solutions is a key factor in ensuring future competitive capability and efficient management for nearly all business enterprises and public-sector institutions. It is foreseeable that digitization will reach new dimensions, and new business areas in information technology are emerging, such as IT security, the use and analysis of large data volumes or the digitization of the industrial world known as Industry 4.0. Together with key future areas such as artificial intelligence, augmented reality, machine learning, blockchain or wearables, Allgeier SE believes that this will continue to support a strong performance in respective parts of the sector. Despite the corona crisis, global markets and global service providers will experience further internationalization as drivers of technological development. This is compounded by the shortage of highly qualified IT specialists on economically strong markets and price pressure on the local economy from global players. For us and our customers, this requires an combination of international know-how and capacities with local presence close to the customer as digitization continues. Despite the difficult environment, Allgeier will proceed along its chosen path of continuing to hone its business models, internationalizing the business and optimizing its internal organization in fiscal 2020.

We provide the following forecast for the individual key performance indicators based on the Group's previous planning:

Note: At the time the consolidated financial statements were prepared, it was not yet possible to foresee the specific impact of the Corona crisis on our global business. Due to the very dynamic development in the general economic environment since the end of February 2020 and the unforeseen special situation triggered by the pandemic with the resulting consequences for the global economy, individual markets, industries and companies, at the current moment it is not possible to precisely forecast or quantify the potential impact on revenue and financial performance. For this reason, we will report separately about any adjustments to our forecast during the year.

The current planning for the 2020 financial year, which has so far been achieved in January and February 2020, shows a development that continues the positive growth trend of the 2019 fiscal year. We are planning growth in consolidated revenue in the order of 6 to 8 percent for fiscal year 2020. The Technology segment will make a major contribution to the planned revenue growth, while the Experts segment is planning a further reduction in revenue volume as a result of the measures taken to increase value added and improve margins.

According to the planning, consolidated EBITDA is to increase more strongly with the EBITDA margin reaching a level between 9 and 10 percent. All forecast figures relate exclusively to the organic development of the Group as it is currently composed with no further changes in its portfolio. Future acquisitions in the individual segments could generate 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 1 and 5 percent and an increase in the EBITDA margin to a level between 16 and 18 percent.
- The Experts segment plans to continue its measures to reduce low-margin business, particularly in the first half of the year, and therefore expects a reduction in annual revenue in the order of 13 to 15 percent. The EBITDA margin is expected to increase to 6 to 7 percent.
- The Technology segment plans revenue growth of between 15 and 17 percent and a stable EBITDA margin in a range of between 12 and 14 percent.
- The New Business Areas segment plans to increase sales by 35 to 45 percent with a nearly balanced EBITDA. The segment is still in the process of being set up and transformed, which is why the forecast is subject to greater uncertainty.

The Allgeier Group intends to further reduce net debt in the 2020 financial year - without taking into account possible acquisitions.

Intelligent Integration and Focus on Growth Markets

The following continues to apply for 2020: The sustainable development of our Group, our business units and the enterprise value is our primary objective. In this regard the Group should become more attractive to employees and clients, with improved performance. As a major mid-market player, we see ourselves as a reliable partner with close proximity to the client, but also with the potential to offer these qualities in major projects with long terms and increasingly also at international level. IT has long since become more than a national issue. The ability to perform internationally and operate as equals with regard to technology are required. In general geographical proximity is desired.

Our specific goals for 2020 are to continue the focus within the segments and pursue the organizational development in the operating business units.

In this way, we want to create the basis for the targeted split of the Group into two independent business units with their own stock exchange listing planned for the 2020 fiscal year. The business unit consisting of Nagarro, iQuest, Objectiva and the SAP business of Allgeier Enterprise Services is to be positioned as innovative full-service provider and global player for software engineering and technology solutions. We want to develop this new business unit on the basis of the Nagarro business organization model, under which Nagarro has integrated six acquisitions in six countries. On the other hand, with the remaining business we want to establish ourselves as one of best players on the German IT services and software market – with the full power, entrepreneurial spirit and excellence that unites us as a team across all business units: Experts and Enterprise Services with the broad-based manpower and regional coverage combined with the comprehensive IT expertise including digitalization competency at mgm technology partners. In this context, the business model of Allgeier Experts is to be further developed in the direction of higher value added and integrated more closely with the IT services business.

Before a spin-off, we are pursuing the following strategic objectives for the current segments:

In the Enterprise Services segment, we offer a comprehensive and bundled service portfolio for our Enterprise clients extending from providing modern software solutions to holistic operating and support scenarios. The Allgeier Enterprise Services business unit is continuing its development into a fully-fledged IT solution provider, offering clients 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 consultancy 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 future-oriented SAP cloud offerings, we want to continue growing faster than the sector average, and advance our internationalization.

In the Experts segment we position ourselves as a comprehensive partner to our clients for IT human resources and project topics in which we want to further integrate our IT services expertise. In addition to conventional personnel placement and leasing models for flexible project deployment of IT experts, we essentially also offer the assumption of project and managed services extending to providing services performed as an IT services partner. Especially 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 develop business-critical software and IT solutions for our clients and support them in changing their business models as part of digitalization. For some of the software solutions we have created we continue to provide support over many years, something which covers particularly further development and adaptation to new client requirements. Innovation in terms of deployed IT and software solutions has since become a decisive competitive factor for clients. In the course of the massively advancing digitalization of many industrial sectors, for many clients we will transition from being an IT partner to being a strategic partner – a partner working directly together with the client on innovation in the core business.

We created the new segment of New Business Areas as a structural unit in 2017. Over the past year, we have come a great deal closer to our goal of building a specialized business unit for cyber security under the name. Already in the new Allgeier CORE unit, many highly qualified specialists offer clients a comprehensive security portfolio ranging from consulting, training and coaching, software and testing to contingency management. In the future, too, in this segment we want to continue to develop businesses which we are convinced address important future trends and technologies, and thus justify investment.

Additional targeted acquisitions also continue to form an express part of the growth strategy in 2020. Here we are leveraging the advancing consolidation of the market, driven by technological development and the increasing intensity of cooperation with clients.

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 danger 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 operating business units and individual Group companies. This supports us in identifying at an early stage risks and developments which jeopardize the continuation of our company as a going concern. We 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. In addition, the Allgeier SE Supervisory Board 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. In addition, operating business unit and Group management accompany and monitor the work of the Management Board members and managing directors through the corresponding governing bodies such as supervisory boards and shareholder meetings. The rules of procedure for the management of Group companies define clear information obligations and approval requirements. An intensive and regular exchange of information also occurs between the management of the various Group companies, as well as with business unit management teams and Group management. In addition to monthly reporting and controlling, quarterly business review meetings are held involving the Management Board of Allgeier SE and the individual business unit 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 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. Its function and efficiency are reviewed regularly, and adapted to reflect changing conditions. In system terms, this is based on integrated planning, controlling and reporting instruments that ensure ongoing business analysis of the operating units and individual companies, and extend to Group level. The system incorporates all key Group figures at the holding level, also on a monthly basis. We monitor and review Group liquidity and the liquidity planning of all Group companies weekly. Furthermore, we gather performance data and trends such as revenue, order backlog, incoming orders and headcount, partly broken down to 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 fiscal year – consisting of the income statement, budget balance sheet and financial plan – which is approved by the Supervisory Board of Allgeier SE, is implemented on the basis of bottom-up planning for the business units and individual companies, and for each business unit 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 appropriately manage the operating business units and individual companies as well as the Group. Analysis results are discussed in quarterly meetings with the management of the individual business units, 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 which even includes 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 relation to a forecast.

We also conduct a risk assessment as an additional risk management tool. For this purpose, utilizing a professional software tool, we regularly obtain individual risk reports from the responsible Management Board members and managing directors at the Group companies. These are prepared on the basis of a standardized risk catalog 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. The Group thus has a software-based risk matrix.

With the support of Group Controlling, the Management Board of Allgeier SE 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 particular 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 Board and Supervisory Board. The 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 Board and Supervisory Board embody our values in daily practice and require other Group managers to follow their lead.

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

Standards & Controls
- This pillar comprises the elements derived from the risk assessment to establish the compliance organization, for a compliance management system integrated into the management landscape, and the related regulations set down in writing. An extensive code of conduct applies for the entire Allgeier Group, the Allgeier Compliance Basic Handbook which is implemented in all subsidiaries. This handbook sets out minimum standards, from which only upward deviation is permitted for individual business units and Group companies, i.e. more stringent individual regulations and structure. Most Group companies have their own handbooks, which extend even beyond the standards of the Basic Handbook and which are adapted individually to the respective operations of the company or business unit, 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 necessary risk monitoring easier, as the existence of compliance within the company enhances the probability that relevant matters are notified to the compliance function. Employee awareness is raised through both face-to-face courses 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 on an ad hoc basis and independent of specific events, help to identify potential compliance violations at an early stage. If a compliance violation is identified, the respective employee is subject to an appropriate employment law measure, and the compliance management system is reviewed for potential improvement. The Group has a central office to notify compliance violations or corresponding suspicions. Such notifications may also be submitted on an anonymous basis.

A functioning compliance system including observance of data protection regulations. This applies particularly since the introduction of the General Data Protection Regulation. For this reason, Allgeier decided to establish more efficient data protection management. In the first step, all requirements of the General Data Protection Regulation were implemented in the Group companies. In the second stage, Allgeier will harmonize data protection across the Group and improve it on an ongoing basis. To do this Group data protection management is being established. Here Allgeier is placing a particular focus on improving the following points:

- reduction of compliance risks by ensuring conformity across the Group to the respective data protection standards in force
- ability to demonstrate compliance with data protection standards
- possibility of identifying advantages resulting from Group data protection management – particularly in relation to the strategic alignment of the Allgeier Group
- definition and implementation of a minimum Group data protection standard, resulting in the correct distribution of responsibilities at Group level and at the level of the Group companies.

5.2.2 Internal Control and Risk Management System with reference to the Group Accounting Process

Through the features of the internal control and risk management system cited below, Allgeier SE ensures for all Group companies that the accounting process recognizes, processes and assesses relevant circumstances fully and accurately in the accounting records, and that accounting complies with the 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 features of the internal control system and risk management system with regard to the accounting process are as follows:

- Material processes relevant to accounting are subject to regular analytical reviews.
- There is a clear organizational, controlling and monitoring structure.
- 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 recorded.
- The Supervisory Board also deals with material matters relating to accounting and risk management.
- A systematic analysis and management of risk factors, as well as risks that could threaten the existence of the company as a going concern, 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 recognizing these items is assured by the account structure of the companies and additionally by a reporting procedure.

5.3 Risks

The following sections describe the main risks that could have a material adverse effect on the financial position and performance of the Group and thus its share price. The list of risks is not exhaustive. In addition to those stated, there can also be other risks to which the Group may be exposed and that could negatively affect the business of the Group's companies. Moreover, there are other potential risks that we have not included below as we have identified them as non-material.

5.3.1 Market and Strategic Risks

5.3.1.1 Economic Environment

Our market environment is highly dependent on both global and local macroeconomic factors, such as general economic trends on our core markets in Europe and the US. In particular, the economic situation of our clients, which are also largely dependent on economic developments on the markets relevant to them, influences their spending patterns with regard to IT, and thus indirectly our business as well. The same is also true for the public sector, which is similarly affected by issues such as public sector debt. Our business, which essentially consists of providing services for industrial and commercial companies, and also for public contractors, is thus directly and indirectly influenced by the general economic developments that our clients are exposed to and which affect our clients in different ways. A cautious, volatile or even recessionary development on the markets can result in individual clients no longer awarding contracts or having lower budgets for IT services. This can have a negative impact on the state of our business and on our financial position and performance.

5.3.1.2 Market Trends in the Industry Environment

In the IT industry there are also other factors that have a considerable influence on our business performance, such as the dynamic development of technology trends, high competitive and price pressure and the shortage of personnel. The technology transformation in the IT sector is both extensive and advancing rapidly, which can mean risks and opportunities at the same time. Those that cannot keep up, or that cling for too long to technologies or market segments whose future is superseded by new trends, can therefore suffer considerable disadvantages, even extending as far as jeopardizing the continued existence of the company. Both the global and German IT markets are subject to constant change and the consolidation this entails. In particular, major clients with high requirements and large order volumes are striving to consolidate their suppliers to improve performance and quality while also cutting costs substantially. This increases competition in the industry and confronts us with the challenge of withstanding cost pressure and competition, or possibly even benefiting from it. Some of our competitors are significantly larger than we are, with higher revenue and more considerable resources at their disposal. Some smaller competitors are more specialized than we are. It is also possible that, in individual cases, competitors could respond to new market opportunities more effectively and more quickly. To us, these scenarios could result in falling revenue, lower margins or even have a negative impact on our market share. On the other hand, we expect the trend among our clients towards outsourcing IT services to efficient and flexible partners to further intensify. However, efforts to cut costs, at large corporations in particular, still means that there will be some outsourcing of IT services to more cost-effective companies from emerging economies, including India in particular. Allgeier can also benefit from this development thanks to our approximately 6,500 highly qualified software developers at nearshore and offshore locations. Nevertheless, the occurrence of the above risks could have a negative impact on the state of our business and on our financial position and performance.

5.3.2 Operating Risks

5.3.2.1 Personnel

Dedicated and entrepreneurial employees are a key success factor for our companies. This applies not only to members of management and other executives, but also to all employees and experts at the Group companies. If we are to continue our growth, in the area of management we are confronted with the risk of promoting our own junior managers or, in individual cases, outside recruitment. Succession solutions must be developed in good time before generational changeovers. In the employee area in general, it is an ongoing task to find IT specialists and staff with other disciplines, such as sales, in sufficient numbers and with high qualifications. This is especially a challenge in the boom regions in which we operate. It is just as important for us to retain these people in the long term. A shortage of management and IT specialists can negatively influence our business development and thus our financial position and performance.

5.3.2.2 Clients

Cultivating relationships with our clients through excellent work and ongoing, good and competent support, in addition to acquiring new client orders, are crucial factors for success. As a Group we have the possibility of offering our clients the greatest possible technical and regional coverage through cooperation between several Group companies, in addition to the expertise and long-term reliability of the individual companies. Nevertheless, there is a risk that we may lose key clients, for example owing to business difficulties on the client side, personnel changes, especially at client management level, or the associated changes to business strategy, because of competing offers or the fact that projects can only be continued at a downscaled level. We work in large projects for many medium-sized companies as well as for international corporations and public sector clients. In fiscal 2019, we generated annual revenue in excess of EUR 1 million with 142 clients (previous year: 115 clients). With the ten largest Group clients, in fiscal year 2019 Group companies together generated revenue of EUR 197.6 million, equivalent to 25 percent of Group revenue, with the largest individual client having 4 percent of Group revenue. In previous years, it had already become evident that the loss of parts of such projects can have a significant impact on the relevant 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 are unable to do this or cannot do it quickly enough, this can have a negative impact on the state of our business and on our financial position and performance.

5.3.2.3 Products, Technology and Expertise

IT trends and technology leadership continue to represent both risks and opportunities. Recognizing and seizing on these trends early on is of immense importance to maintaining competitive capability. Technological transformation and shifting requirements, e.g. for IT security and data protection, require constant innovation with the requisite speed. This also applies to the further development of our own software products. For our own software products, there is the additional risk of liability and warranty obligations in the event of improper function, or function that is not as agreed in the contract. Here, Allgeier relies on the expertise of its employees and devotes a great deal of care to the development of its products and solutions. The resources in other territories, such as India or China, also help to ensure sufficiently high performance and quality. In some cases, companies have to rely on partner firms or subcontractors. If we cannot sufficiently satisfy changing requirements, this can have a negative impact on the state of our business and on our financial position and performance.

5.3.2.4 Contracts and Projects

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

5.3.2.5 Company Transactions

In addition to the ongoing organic development of Group companies, our strategy also involves growing the Group through further acquisitions. Every transaction entails significant investment and costs, and bears the risk that the acquired company might not develop as planned or that, despite due diligence, negative consequences from the past are also taken on. There is a risk that assets recognized on account on the transaction, including goodwill, may have to be written off owing to unforeseen developments, which can weigh heavily on the Group's results. Also, there is the risk that the newly acquired company will contribute losses, and that a necessary restructuring will tie up resources and funds that then cannot be otherwise used for the Group's ongoing development. Furthermore, there are financing risks whenever a transaction is partly financed with borrowed funds. This can have a negative impact on the state of our business and on our financial position and performance. The same is true of decisions to sell parts of the business. These decisions are usually made to embark on a change in strategic direction, or to discontinue operations that are not contributing sufficiently to the Group's future development. Contract risks can also arise from such transactions. In addition, the decision to sell a company, or part of one, is subject to strategic risks – the decision can be made too late, or it can negatively affect the Group's perception on the market and among clients. Finally, internal structural changes such as mergers and integration projects also entail risks that can have a negative impact on the state of our business and on our financial position and performance, particularly if the planned success does not materialize or does not unfold as anticipated, or if they slow growth or cause employees to leave the company.

In examining and carrying out business acquisitions or other transactions, the Management Board of Allgeier SE acts in compliance with the highest standards of care for decisions of particular import to the Allgeier Group. The Management Board also regularly relies on the expertise and experience of internal advisors, such as the members of the Supervisory Board or selected persons in the Group, in addition to external advisors such as banks, management consultants, auditors, tax consultants and lawyers. Appropriate due diligence is carried out before performing transactions. We incorporate corresponding contractual regulations to protect against specific risks.

5.3.3 Financial Risks

5.3.3.1 Liquidity and Credit Risks

As of December 31, 2019, the Allgeier Group continues to hold a high level of cash and cash equivalents of EUR 97.4 million (December 31, 2018: EUR 77.0 million). There are also interest-bearing financial liabilities of EUR 164.9 million as of the end of the reporting period (December 31, 2018: EUR 181.7 million), essentially consisting of the recently agreed revolving credit facility, to a limited extent from borrower's note loans and liabilities from factoring client receivables. When due, these loans must be repaid either from refinancing yet to be secured or from company funds. There is a risk that, when due, it will not be possible to repay these loans entirely from the company's own funds, and that sufficient refinancing will not be available in time.

Furthermore, financial liabilities also give rise to interest rate risks and contract risks of possible early repayment obligations. Moreover, there are risks relating to compliance with accounting and income statement indicators and ratios, in addition to other covenants which, if not maintained, could lead to the termination of loans and calls for their immediate repayment. A deterioration of the Group's rating due to negative business developments could also materially influence the Group's ability to raise finance and the terms available to it. For further information, please refer to the more detailed description of liquidity risks in the notes to the consolidated financial statements. The Group manages its financial risks with the help of accounting ratios and ongoing income and accounting forecasts, focusing in particular on the short-term and medium-term development of liquidity. Planned acquisitions of Group companies are carried out only when the financing of these companies does not lead to liquidity or credit risks. The effects of planned acquisitions on the liquidity and credit situation are simulated and tested for feasibility in integrated financial planning. Nevertheless, the unforeseen underperformance of an acquired company can be problematic in terms of financing and compliance with key contractual financial indicators.

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

Future cash flows and the Group's liquidity situation can also be negatively influenced by changes in client payment behavior, e.g. longer payment terms or default. Risks of default are covered by insurance at some subsidiaries. The occurrence of one or more of the above risks can have a negative impact on the state of our business and on our financial position and performance.

5.3.3.2 Hedging Policy and Financial Instruments

The Allgeier Group's business activities expose it to price, interest rate and currency fluctuations. The potential for currency risks is growing as a result of advancing internationalization.

The Allgeier Group predominantly manages and monitors market price risks and opportunities in the context of its operating and financing activities, and uses derivative financial instruments as necessary. 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. Above all, exchange rate risks and opportunities occur in operating activities when revenue is generated and costs are incurred in different currencies (transaction risk).

We monitor and assess these risks on an ongoing basis. In certain cases, we have limited or avoided these risks with hedges, though these hedges do not satisfy the hedge accounting requirements of IAS 39. The Allgeier Group hedges some of the cash flows from intragroup disposals and acquisitions to reduce its currency risks.

An implemented liquidity planning and management tool, together with cash management systems, identify potential liquidity bottlenecks in advance so that appropriate steps can be taken. For financing working capital requirements in the operating companies, cash and cash equivalents, as well as working capital financing in the form of current account facilities totaling EUR 19.8 million are available as of the December 31, 2019 reporting date (December 31, 2018: EUR 12.5 million). Furthermore, various Allgeier companies also have access to factoring facilities for client receivables of up to EUR 60 million. Factoring of EUR 32.3 million was utilized as of the December 31, 2019 reporting date (December 31, 2018: EUR 43.0 million). Currency fluctuations exceeding the hedges in place or potential losses could have a negative impact on the state of our business and on our financial position and performance.

5.3.4 Legal and Regulatory Risks

5.3.4.1 Legal Risks

There are legal risks in contracts with clients in the context of operating activities. These can be liability and warranty risks, as well as risks of cost overruns in individual projects (see 5.3.2.4 above). Depending on the type of project, risks can arise from privacy violations, data losses or compensation for business interruption on the part of clients. Breaches of contractual obligations in respect of or arising from corporate transactions can ultimately lead to legal disputes. Depending on the jurisdiction in which such disputes arise, the risk can be exacerbated by local conditions. In individual cases, contract design issues, e.g. for outsourcing or work contracts – regardless of the underlying regulatory issues – can trigger legal risks if the requirements of such contracts are not sufficiently taken into consideration and implemented. If we are unable to counter the legal risks in an appropriate manner, this can have a negative impact on the state of our business and on our financial position and performance.

5.3.4.2 Regulatory and Compliance Risks

Changes in legislation or the interpretation of laws can affect the revenue and profitability of the Group's companies. If the legal framework in Germany changes, for instance in terms of tax or social security contributions, employment law, service or works contract law, this could lead to increased costs or higher liability risks for the companies. The time limits on employee leasing is a critical concern in relation to IT projects, as such projects are – in many cases – of a long-term nature. Individual solutions are coordinated with clients on a case-by-case basis. An impact on the industry as a whole in the medium term is not sufficiently foreseeable as of today. There is also discussion of – and changes to – the regulatory requirements for employing freelance IT experts as subcontractors, the effects of which are difficult to predict. In this context, the more recent legal changes mean that there is not yet sufficiently established case law, and therefore legal security cannot be described as adequate in some cases. While the Group companies this concerns, particularly in the Experts segment, monitor the respective requirements very carefully, track each announced amendment and consider new statutory requirements, even very extensive measures and precautions cannot fully and entirely rule out the possibility of regulatory and compliance risks.

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

5.3.5 Overall Assessment 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 probability of their occurrence and their possible impact, we believe that the risks arising from the economic environment and market trends are currently the most significant. The respective risks for the Allgeier Group and the potential impact on the Group's net assets, financial position and income situation could not yet be accurately predicted and quantified by the Management Board at the time this report was prepared. We feel that our risk and control systems, which are reviewed and adjusted on an ongoing basis, allow us to appropriately take the Group's risk situation into account. Overall, Allgeier's risk landscape has not changed significantly in the past fiscal year compared to the previous year. At the present time, we have not identified any risks that – individually or collectively – could jeopardize the continued existence of our Group as a going concern. The Management Board is therefore confident that Allgeier can continue to successfully master the challenges resulting from the above risks moving ahead.

5.4 Opportunities

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

5.4.1 Acquisitions

Apart from the acquisitions made in 2019, no specific acquisition projects are included in the corporate planning for the 2020 fiscal year, as these cannot generally be planned in advance in individual cases. Nonetheless, acquisitions are to remain an integral element of the company's ongoing development. However, with due regard to the risks from acquisitions described above, they are also a major opportunity for accelerating the Group's growth and its targeted, strategic expansion. Similarly, other shifts within the portfolio, such as the disposal of individual business areas, can mean opportunities for a reorientation of the Group.

5.4.2 Employees

As the Group grows, the factors that make our companies attractive to new employees improve as well. Greater international cooperation and the chance to work on complex and challenging projects, and the superior expertise this entails, are a growing incentive for new employees to work for Allgeier. In particular, the prospect of actively helping to shape future value added and success attracts managers who can significantly enhance our teams and augment the Group. This also applies to new employees who join us through acquisitions. In this context, it will also be essential to establish or further develop the right incentive schemes within the Group.

5.4.3 Technologies and Markets

Another opportunity, as the Group continues its development, is the growing prospect of sharing in or broadening technology expertise, particularly for trend technologies. The IT industry is subject to considerable upheaval that, alongside the risks described, means enormous opportunities for the future. Entirely new business areas with major growth potential and the chance to stand out from the competition are emerging. Here, too, acquisitions, as well as organic growth, can play a crucial role in dynamic development. The same is true for entering and cultivating new market segments – whether in different regions or new sectors. Here again, growth and acquisitions create new opportunities.

5.4.4 Processes and Systems

Finally, we also anticipate good opportunities for our future development in the continuous improvement of our internal organization and cooperation through the improvement of the systems in use and the processes defined. Coming from a background that is very much defined by mid-sized companies, investment in uniform systems becomes sensible and affordable only as the Group grows. This can help to leverage – or make meaningful – synergies and shared potential. Closely intertwined with this is the continuous improvement of internal company processes. This applies both to internal cooperation within the Group, for example, in sharing expertise or available resources or in relation to the client, and to the more efficient implementation of client projects and the quality of our work.

The Corporate Governance Declaration pursuant to Section 289f of the German Commercial Code (HGB) is found below in the Corporate Governance Report (Section B.1.9).

6. Remuneration Report

6.1 Remuneration of Members of the Management Board

Remuneration of 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 aligned to sustainability. The Management Board remuneration system is approved by the Supervisory Board and reviewed at regular intervals. Changes to the remuneration scheme are reported to our shareholders at the Annual General Meeting.
The remuneration for the members of the Management Board comprise the following components in the 2019 fiscal year: (i) a fixed annual salary and (ii) variable remuneration in the form of a bonus linked to consolidated earnings. One twelfth of the fixed annual salary is paid out on a monthly basis. Caps on variable remuneration are established for all members of the Management Board.

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

For 2019, Management Board remuneration totaled EUR 3,975 thousand (previous year: EUR 2,793 thousand). Total remuneration without share options is composed of (i) fixed annual salary of EUR 1,399 thousand (previous year: EUR 1,188 thousand) and (ii) variable remuneration components totaling EUR 2,576 thousand (previous year: EUR 1,460 thousand). Variable remuneration 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 2020 fiscal year.
Due to the expected, but still partially unknown impact of the corona crisis, the members of the Management Board waive payment of 50 percent of their variable remuneration for 2019 for a period of up to one year. Three members of the Management Board were granted a total of 520,000 share options, 380,000 in 2012 and 140,000 in 2017. No share options were granted in the 2019 fiscal year. In all cases, options can first be exercised no sooner than after four years. Exercise for 2012 is possible from a share price of EUR 9.46 and for 2014 from a share price of EUR 24.42. In 2019, three members of the Management Board exercised a total of 179,000 stock options at a price of EUR 9.46 per share.

Adjustments to the valuation of stock options resulted in staff costs of EUR 222 thousand in the 2019 fiscal year (previous year: EUR 435 thousand).

On the basis of the Annual General Meeting resolution on June 28, 2019, there is no disclosure of individual Management Board remuneration for reporting periods until December 31, 2023.

6.2 Remuneration of Members of the Supervisory Board

Remuneration for the Supervisory Board was established by the Annual General Meeting on June 21, 2011 and is regulated by Article 13 of the company's Articles of Association. Supervisory Board remuneration is based on the tasks and responsibilities of the Supervisory Board and the company's economic and financial development. The remuneration of the Supervisory Board consists of (i) fixed remuneration (fixed annual remuneration and attendance fees) and (ii) variable remuneration depending on consolidated earnings, subject to a cap. Variable remuneration based on the consolidated results was recognized as a provision and will be paid out after the consolidated financial statements for the 2020 fiscal year for Allgeier SE have been approved. Higher fixed remuneration is paid to the Chairman of the Supervisory Board.

For 2019, Supervisory Board remuneration totaled EUR 717 thousand (previous year: EUR 426 thousand). The total remuneration is composed of (i) fixed remuneration, including attendance fees, totaling EUR 117 thousand (previous year: EUR 108 thousand) and (ii) variable remuneration components totaling EUR 600 thousand (previous year: EUR 318 thousand).

Due to the expected, but still partially unknown impact of the corona crisis, the members of the Supervisory Board waive payment of 50 percent of their variable remuneration for 2019 for a period of up to one year.

On the basis of the Annual General Meeting resolution on June 23, 2015, there is no disclosure of individual Supervisory Board remuneration for reporting periods until December 31, 2019.

In the 2019 fiscal year, members of the Supervisory Board provided consulting services amounting to EUR 3 thousand (previous year: EUR 3 thousand).

7. Takeover-related Disclosures (pursuant to Section 289a and 315a HGB) and Explanatory Report

(Part of the Group Management Report)

7.1 Composition of Subscribed Capital

On the reporting date of December 31, 2019, the subscribed capital of Allgeier SE of EUR 11,289,000.00 (previous year: EUR 10,088,649.00) was divided into 11,289,000 (previous year: 10,088,649) no-par bearer shares with a notional nominal amount of EUR 1.00 per share. All the company's no-par shares are of the same class. The shares are fully paid in.

Only one share class exists. All shares have the same rights and obligations. In particular, each share has one vote in the Annual General Meeting. This excludes 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 Company's Articles of Association, supplemented by the SE-CR and German SE Implementation Act as well as the German Stock Corporation Act (AktG).

7.2 Restrictions Affecting Voting Rights or the Transfer of Shares

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

7.3 Shareholdings Exceeding 10 Percent of the Voting Rights

The following persons have notified us (as of December 31, 2019) that their direct or indirect interest 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 11,289,000:

- The Supervisory Board Chairman, Mr. Detlef Dinsel, Germany, directly and indirectly holds a stake of 11.80 percent.
- The Management Board Chairman, Mr. Carl Georg Dürschmidt, Germany, indirectly holds a stake of 25.04 percent.
- Lantano Beteiligungen GmbH, Munich, directly holds a stake of 25.04 percent.
- Dr. Christa Kleine-Dürschmidt, Germany, directly and indirectly holds a stake of 27.02 percent.
- Ms. Laura Dürschmidt, Germany, indirectly holds a stake of 25.04 percent.
- Ms. Linda Dürschmidt, Germany, directly and indirectly holds a stake of 25.04 percent.

Other direct or indirect stakes 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 Granting 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 Right Control When Employees Hold an Interest in the Share Capital and Do Not Exercise Their Controlling 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 from their investment directly.

7.6 Statutory Regulations and Provisions of the Articles of Association on Appointing and Dismissing Management Board Members and Amending the Articles of Association

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

According to Article 6.1 of the Articles of Association 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, pursuant to Section 85 of the German Stock Corporation Act (AktG), the court shall appoint the member in urgent cases on application of a party involved. Pursuant to Article 39 of the SE-CR 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 cause. Pursuant to Article 46 of the SE-CR and Article 6.2 of our Articles of Association, members of the Management Board are appointed for a maximum of six years. Reappointment is permitted pursuant to Article 46 of the SE-CR and Article 6.1 of our Articles of Association. The Supervisory Board appoints the members of the Management Board by resolution with a simple majority of votes cast.

Amendments to the Articles of Association require a resolution by the Annual General Meeting. Pursuant to Article 59 of the SE-CR, Section 51 of the German SE Implementation Act and Article 18.2 of the Articles of Association, a resolution to amend the Articles of Association, 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 provided at least half of the share capital is represented. The Articles of Association thus make use of the option pursuant to Section 51 of the German SE Implementation Act. A larger majority is prescribed in Section 51 of the German SE Implementation Act, e.g. to change the company's purpose or to relocate the registered office to another member state. Pursuant to Article 14.2 of the Articles of Association and Section 179 of the German Stock Corporation Act (AktG), the Supervisory Board is authorized to pass amendments to the Articles of Association that relate only to wording.

7.7 Authorization of the Management Board to Issue or Repurchase Shares

7.7.1 Authorized Capital

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 contributions once or several times by a total of up to EUR 4,989,324.00 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 disapply shareholders' statutory pre-emptive rights in the following cases:

- for a rights issue for fractional amounts resulting from the subscription ratio.
- for a capital increase against non-cash contributions to (indirectly) acquire companies, parts of companies, investments in companies or other assets if the purchase is in the interest of the company;
- a capital increase against cash 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 stock 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 contributions, disapplying the pre-emptive rights, calculated in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), must not exceed 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 utilized. Shares that fall within this restriction are shares issued or sold during the term of this authorization until the time they are utilized in direct or appropriate application of this regulation, as well as shares that must be issued or granted due to issuing convertible bonds or bonds with warrants during the term of this authorization, disapplying the pre-emptive rights in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG).

Further details are regulated in Article 4 of the Articles of Association.

In fiscal year 2019, the company increased its share capital by EUR 997,864.00 from EUR 10,088,649.00 to EUR 11,086,513.00, partially utilizing Authorized Capital 2018, by issuing 997,864 registered shares against cash contributions with shareholders' statutory pre-emptive rights disapplied. The new shares are entitled to dividends from January 1, 2019. The placement price set by the Management Board of the company, with the approval of the Supervisory Board was EUR 24.00 per share.

7.7.2 Contingent Capital

By resolution of the Annual General Meeting on June 17, 2010, amended by resolutions of the Annual General Meetings on June 17, 2014 and June 28, 2017, and the issue of 312,487 new no-par value registered shares from Contingent Capital 2010 (subscription shares) as of December 31, 2019, the share capital of the company was contingently increased by up to EUR 147,513.00 (Contingent Capital 2010). Contingent Capital 2010 serves to service up to 147,513 open options to issue up to 147,513 new no-par value registered shares.

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 contingently increased by up to EUR 140,000.00 through the issue of up to 140,000 new no-par value registered shares (Contingent Capital 2014). The Contingent Capital 2014 is intended to service 140,000 options under the 2014 Stock Option Plan that can be granted by the company until June 16, 2019. The company granted 140,000 option rights in the 2017 fiscal year.

By resolution of the Annual General Meeting on June 28, 2017, the share capital of the company is contingently increased by up to EUR 3,500,000.00 through issue of up to 3,500,000 new no-par registered shares (Contingent Capital 2014). The Contingent 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.

By resolution of the Annual General Meeting on June 29, 2018, the share capital of the company is contingently increased by up to EUR 340,000.00 through issue of up to 340,000 new no-par registered shares (Contingent Capital 2018). The Contingent Capital 2018 is intended to service 340,000 options under the 2018 Stock Option Plan that can be granted by the company until June 28, 2023. The company has not yet granted any corresponding option rights.

7.7.3 Treasury Shares

The Annual General Meeting of Allgeier SE on June 28, 2019 authorized the Management Board to acquire treasury shares until June 28, 2023 with a volume of up to 997,864 shares (10 percent 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 percent of the share capital. However, we did not use this authorization in the 2019 fiscal year. The number of treasury shares declined by 45,848 to 105,351 with a carrying amount of EUR 961 thousand. This occurred with transferring 45,858 shares to the seller of the Nagarro Group. Until their release, the relevant shares were 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. Valuation of the portfolio at the closing price on December 31, 2019 (closing price on December 30, 2019 in Xetra trading on the Frankfurt Stock Exchange) of EUR 33.90 per share, results in a fair value of EUR 3,571 thousand and hidden reserves in treasury shares of EUR 2,610 thousand.

As of December 31, 2019, 0.93 percent (previous year: 1.50 percent) of the share capital consisted of treasury shares.

7.8 Significant Agreements of the Company Subject to a Change of Control Resulting from a Takeover Bid

Some lending agreements contain standard provisions which result in legal consequences in the case of a majority takeover or control exceeding 50 percent, or a disposal of material company assets.

7.9 Company's Compensation Agreements with Management Board Members or Employees in the Event of a Takeover Bid

In case of a change of control, i.e. when a third party obtains control over the company within the meaning of 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 claim for a severance payment limited to one year's remuneration. Allgeier SE has not entered into any further other compensation agreements with members of the Management Board or employees in case of a takeover bid.

8. Corporate Governance Declaration in accordance with Section 289f HGB

The Corporate Governance Declaration 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 Declaration pursuant to Section 289f of the German Commercial Code (HGB) is found below in the Corporate Governance Report (Section B.1.9).

B. Corporate Governance

1. Corporate Governance report

In the following section, we report on corporate governance and its principal characteristics at the Allgeier Group, including the statement of compliance with the German Corporate Governance Code, the remuneration report and other disclosures according to the provisions of the German Commercial Code (HGB). Good corporate governance is essential for sustained business success. The relevant standards for the corporate governance of Allgeier SE are the regulations of Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the Statute for a European Company (SE) (SE directive or SE-CR), th Germany SE Implementation Act and the German SE Participation Act, the German Stock Corporation Act (AktG), the provisions of the company's Articles of Association and the rules of procedure for the Management Board and the 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 is subject to the specific European and German regulations for European companies in addition to the provisions of the AktG. 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 oriented toward the interests of the company and the shareholders in the successful further development of the Allgeier Group's existing business and sustained growth in the Group's value through further acquisitions. At the same time, 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.

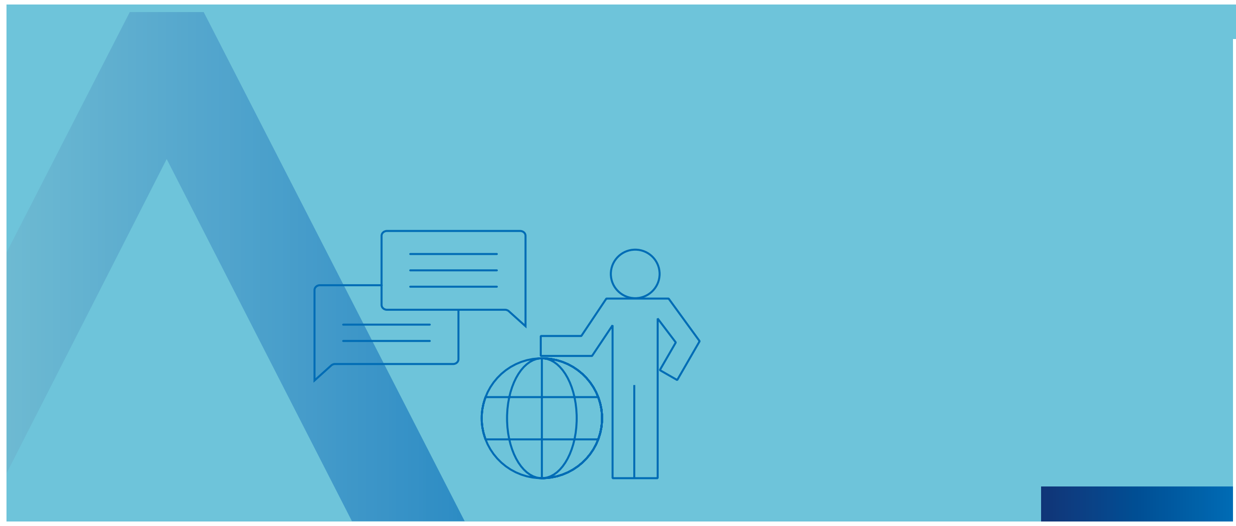
1.2 Supervisory Board

The Supervisory Board of Allgeier SE consists of three members. The current Supervisory Board was elected at the Annual General Meeting on June 29, 2018. The term of office of the members of the Supervisory Board of Allgeier SE ends at the end of the Annual General Meeting for fiscal 2022.

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 remuneration system for members of the Management Board, monitoring the company's financial development including planning for future fiscal years, reviewing risk management and the internal control system as well as reviewing and approving the annual financial statements and the proposed appropriation of net retained profits, the Supervisory Board mainly deals with matters that require the approval of the Supervisory Board according to the company's Articles of Association 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. To this end, there is a regular exchange of information 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 the rules 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 to fulfill their responsibilities responsibly and to best effect. For Allgeier SE, whose Articles of Association 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 evaluate companies in the service sector (not limited to just the



IT business), the ability to evaluate acquisition opportunities domestically and abroad together with corresponding transaction experience, and experience with the organization and procedures of a fast-growing Group with a holding structure. Due to the ongoing internationalization of the Allgeier Group, the Supervisory Board must 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 must also 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 could lead to a significant conflict of interests that is not only temporary in nature. As the Supervisory Board currently has three members, the Supervisory Board must have at least one independent member pursuant to Section 5.4.2 of the German Corporate Governance Code. Furthermore, the Supervisory Board may not include more than two former members of the Management Board. Finally, Supervisory Board members may not be members of any executive 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 similarly suitable technical qualifications are being considered for future appointments, precedence is given to candidates who appropriately enrich the composition of the Supervisory Board in terms of their gender, nationality or other characteristics with a view to achieving 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 targets 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 the 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 citizens 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 stating that the Supervisory Board should include no more than two former members of the Management Board was also observed; the Supervisory Board currently only includes 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 Supervisory Board, see the notes to the consolidated financial statements under F. Other disclosures, VII. Executive bodies of the parent company. Information on the specific activities can be 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 fiscal 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 Dr. Marcus Goedsche have individual signing authority. Mr. Manas Fuloria and Mr. Hubert Rohrer have joint signing authority. In its function as an executive body of the Allgeier Group, the Management Board is responsible in particular for the strategy to support the Group's further development and works toward the objective of lasting value creation and increasing the value of the Group. The principle of joint responsibility applies, i.e., the members of the Management Board are jointly responsible for managing the company as a whole. In light of 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 fiscal year in the manner that is commonly seen in companies with a traditional management structure. However, the tasks and responsibilities within the Management Board are assigned on the basis of appropriate focal points and technical qualifications. The Management Board did not form any committees on account of its size.

Key decisions, e.g., 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 Article 9 of the Allgeier SE Articles of Association, 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 function as shareholders or supervisory bodies of the Group companies, the Management Board of Allgeier SE performs a controlling, coordination and management function to the extent permitted by law.

For further details regarding the composition of the Management Board, see the notes to the consolidated financial statements under F. Other disclosures, VII. Executive bodies of the parent company.

1.4 Annual General Meeting

Our shareholders exercise their rights at the Annual General Meeting. The regular Annual General Meeting at which the Management Board and Supervisory Board answer to the shareholders regarding the past fiscal year is held within the first six months of the following fiscal year. Each share confers one vote in votes 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 shareholders.

The Annual General Meeting elects the members of the Supervisory Board. It decides on the appropriation of net retained profits, the formal approval of the actions of the Management Board and Supervisory Board, and the appointment of the auditor. Furthermore, the Annual General Meeting is responsible for passing resolutions regarding amendments to the Articles of Association, corporate actions, company agreements and the remuneration of the Supervisory Board.

1.5 Shareholdings of the Management Board and Supervisory Board

On December 31, 2019, the members of the Management Board directly and indirectly held a total of 3,138,686 (previous year: 2,864,669) shares of Allgeier SE. On December 31, 2019, the members of the Supervisory Board directly and indirectly held a total of 1,637,646 (previous year: 1,517,698) 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 involving 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 fiscal year.

1.7 Comprehensive and transparent communication

We inform shareholders, shareholder representatives, analysts, media and the interested public about the company's current business development and position regularly and in a timely manner. The various stakeholder groups are treated equally. With the annual report, the half-yearly financial report and two voluntary interim business statements, we reported to our shareholders in particular on current business developments and the financial position and results of operations four times in the past fiscal year.
We also make extensive use of our website to inform our shareholders and all other persons associated with the company, e.g. by publishing a financial calendar, ad hoc disclosures, investor presentations and press releases in addition to our financial reports.

1.8 Accounting and auditing

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

1.9 Corporate Governance declaration pursuant to Section 289f HGB (part of the Group management report)

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

1.9.1 Declaration pursuant to Section 161 AktG

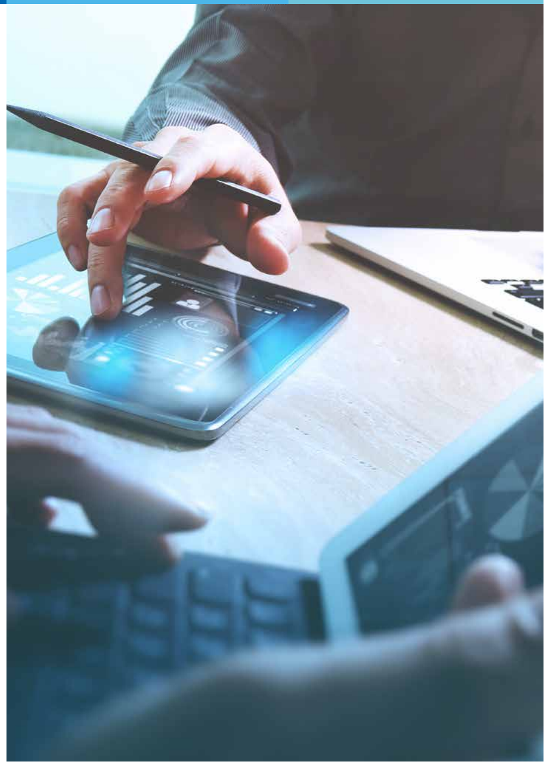
Pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the German Corporate Governance Code, the Management Board and Supervisory Board of Allgeier SE declare that, since issuing the last statement of compliance in April 2019, Allgeier SE has complied with the recommendations of the Government Commission on the German Corporate Governance Code published by the German Federal Ministry of Justice in the version dated February 7, 2017 since their publication and will continue to do so, with the following exceptions:

1.9.1.1 Code Section 3.8 (3)

"A similar deductible shall be agreed in any D&O policy 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; rather, scope is provided for assessing the appropriateness of such a provision, taking into account the differences in the nature and extent of the responsibilities of the Management Board and Supervisory Board. The company will monitor further developments regarding the appropriateness of the D&O insurance and deductibles going forward and review the need for changes as applicable.

1.9.1.2 Code Section 4.2.3 (4) Sentences 1 and 3

"When contracts are entered into with Management Board members, it shall be ensured that payments, including fringe benefits, made to a Management Board member due to early termination of their contract do not exceed twice the annual remuneration (severance cap) and do not constitute remuneration for more than the remaining term of the employment contract. ... The severance cap shall be calculated on the basis of the total remuneration paid for the previous financial year and, if appropriate, shall take into account the expected total remuneration for the current financial year."
It is the opinion of the Supervisory Board that appropriate contracts can be drafted without a general severance 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 must be evaluated and negotiated based on the respective circumstances. In evaluating the appropriateness of the conditions for terminating a contract prematurely, the question of a severance cap is merely one of several aspects that must 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 Annual General Meeting has resolved not to disclose the remuneration of the Management Board individually and by naming each member of the Management Board. In line with the applicable legal regulations, remuneration is disclosed in the annual report as an annual total for the Management Board as a whole, broken down into fixed and variable remuneration.

1.9.1.4 Code Section 4.2.5 (3) Sentences 1 and 2

"In addition, the remuneration report shall present the following information for every Management Board member:

- the benefits granted for the reporting period, including fringe benefits, supplemented in the case of variable remuneration components by the maximum and minimum remuneration achievable,
- the benefits received for the reporting period, consisting of fixed remuneration, short-term variable remuneration and long-term variable remuneration, broken down by the relevant reference years,
- the service cost incurred in/for the reporting period for pension benefits and other commitments.

The model tables provided as appendices to this document shall be used to disclose 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. This disclosure complies with the applicable legal regulations and the recommendations of the German Corporate Governance Code for the Management Board as a whole.

1.9.1.5 Code Section 5.1.2 (2) Sentence 3 and Section 5.4.1 (2) Sentence 2

"The Supervisory Board shall specify an age limit for the members of the Management Board."
"Within the company-specific situation, the composition of the Supervisory Board ... shall reflect appropriately ... an age limit and a regular limit to Supervisory Board members' term of office, both to be specified."
In making decisions to fill Management Board positions and nominations for the election 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 following an extensive examination of the respective candidate's suitability and taking into account all relevant persons. There is no justification for establishing a general age limit, which merely constitutes one isolated criterion. In fact, a rigid age limit could inadvertently exclude Management Board or Supervisory Board members who are otherwise qualified. Similarly, there is no requirement for a regular limit to Supervisory Board members' term of office. Members of the Supervisory Board are appointed in accordance with Article 46 SE-CR and Section 10.2 of the Articles of Association of Allgeier SE for a term of office lasting until the conclusion of the Annual General Meeting that resolves on the formal approval of the member's actions for the fourth fiscal year after commencement of their term of office, not including the fiscal year in which the term of office commences. In any case, the maximum term of the appointment is six years. The Annual General Meeting resolves on any reappointment after this period expires.

1.9.1.6 Code Section 5.4.6 (3)

"The remuneration of Supervisory Board members shall be disclosed individually in the notes to the financial statements or the management report, classified by remuneration components. Payments made or benefits granted by the company to Supervisory Board members for personal services, particularly advisory or agency services, shall also be disclosed separately on an individual basis."
In line with the way in which the disclosure of Management Board remuneration is handled, the company does not consider the individual disclosure of Supervisory Board remuneration to be appropriate and necessary in light of the size of the company and the Supervisory Board. The provisions on Supervisory Board remuneration in the Articles of Association, and the disclosure of total remuneration and its structure as well as the remuneration for other services in the annual report, serve to ensure adequate transparency.

1.9.1.7 Code Section 7.1.2 Sentence 3

"The consolidated financial statements and the group management report shall be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information shall be made publicly accessible within 45 days from 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 each case if this is required in order for the financial statements and reports to be prepared and reviewed properly.

1.9.2 Information on company management practices

Company management practices are discussed in greater detail in the Corporate Governance Report above.

1.9.3 Working practices of the Management Board and the Supervisory Board

The working practices of the Management Board and the Supervisory Board are described in the Corporate Governance Report in sub-sections 1.2 Supervisory Board and 1.3 Management Board. Neither the Management Board nor the Supervisory Board have formed any committees.

1.9.4 Targets 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 Annual General Meeting in 2023. The Management Board consists of four members whose contracts run until 2023 or 2024. 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 that differ from the status quo for the period until December 31, 2023. The Supervisory and Management boards do not currently include any women. For future periods, the Supervisory Board will determine new targets for the Supervisory Board and the Management Board at the appropriate times. Nevertheless, the Supervisory Board will strive, when several candidates with similarly suitable technical qualifications are being considered for future appointments, to give precedence to candidates who appropriately enrich the composition in terms of their gender, nationality or other characteristics with a view to achieving the desired diversity.

1.9.4.2 Targets figures for management levels below the Management Board (Section 76 (4) AktG)

In addition to the members of the Management Board, Allgeier SE employs a total of 8.5 persons with no leadership or management tasks. Consequently, there is no management level below the Management Board at Allgeier SE.

2. Remuneration Report (Part of the Group Management Report)

The remuneration report disclosures can be found in the Group management report (Section A.6).

3. Takeover-related Disclosures (pursuant to Section 289a and 315a HGB) and Explanatory Report (Part of the Group Management Report)

Takeover-related disclosures (pursuant to Section 289a and Section 315a HGB) and the explanatory report can be found in the Group management report (Section A.7).

Consolidated Financial Statements of Allgeier SE

for the 2019 fiscal year in accordance with IFRS

Consolidated Statement of Financial Position of Allgeier SE, Munich, as of December 31, 2019

Consolidated Statement of Financial Position (in EUR thousand)

Assets	Note	December 31, 2019	December 31, 2018 (restated)	January 1, 2018 (restated)
Intangible assets	1.	190,334	186,967	116,501
Property, plant and equipment	2.	15,504	14,565	11,260
Value in use of leases	3.	90,185	63,374	45,470
Investments accounted for using the equity method	4.	2,667	3,778	3,632
Non-current contract costs	9.	332	554	776
Other non-current financial assets	5.	5,909	5,469	6,932
Other non-current assets	6.	485	530	257
Deferred tax assets	7.	11,241	9,487	4,995
Non-current assets		**316,658**	**284,724**	**189,821**
Inventories	8.	228	512	513
Current contract costs	9.	278	301	260
Contract assets	10.	14,030	6,902	4,448
Trade receivables	11.	134,078	140,541	112,118
Other current financial assets	5.	3,689	7,216	6,118
Other current assets	6.	12,788	10,555	7,324
Income tax receivables		7,846	8,191	6,072
Cash	12.	97,387	76,995	52,997
Current assets		**270,324**	**251,214**	**189,850**
Assets		**586,982**	**535,938**	**397,672**

Consolidated Statement of Financial Position (in EUR thousand)

Equity and liabilities	Note	December 31, 2019	December 31, 2018 (restated)	January 1, 2018 (restated)
Issued capital	13.	11,289	10,089	9,979
Capital reserves	14.	58,006	33,592	32,214
Retained earnings	15.	102	102	102
Treasury shares	16.	-786	-1,379	-1,379
Profit carryforward	17.	66,357	65,494	68,671
Profit or loss for the period		15,133	5,857	1,737
Changes in equity recognized directly in equity	18.	-7,056	-6,370	-8,361
Equity interest attributable to shareholders of the parent company		**143,046**	**107,385**	**102,963**
Equity interest attributable to non-controlling interests	19.	22,888	21,315	15,138
Equity		**165,934**	**128,701**	**118,101**
Non-current financial liabilities	20.	149,764	150,298	95,473
Non-current lease liabilities	21.	78,229	53,591	39,085
Long-term provisions for post-employment benefit costs	22.	4,698	3,501	2,881
Other long-term provisions	24.	571	558	294
Non-current contract liabilities	10.	412	364	191
Other non-current financial liabilities	23.	12,857	27,825	2,134
Deferred tax liabilities	7.	5,231	5,596	3,013
Non-current liabilities		**251,762**	**241,734**	**143,072**
Current financial liabilities	20.	15,169	31,379	13,327
Current lease liabilities	21.	18,737	15,212	10,747
Short-term provisions for post-employment benefit costs	22.	598	423	307
Other short-term provisions	24.	22,300	19,381	15,108
Current contract liabilities	10.	11,084	7,327	7,243
Trade payables		35,557	36,995	33,814
Other current financial liabilities	23.	46,043	35,689	24,141
Other current liabilities	25.	5,654	7,416	8,530
Income tax liabilities		14,144	11,683	5,282
Current liabilities		**169,286**	**165,504**	**118,499**
Equity and liabilities		**586,982**	**535,938**	**397,672**

Consolidated Statement of Comprehensive Income of Allgeier SE, Munich, for the period from January 1, 2019 to December 31, 2019

Consolidated Statement of Comprehensive Income (in EUR thousand)

		Total		Discontinued operations:		Continuing operations	
Income statement	**Note**	**2019**	**2018 (restated)**	**2019**	**2018**	**2019**	**2018 (restated)**
Revenue	27.	784,209	687,978	1,755	2,238	782,454	685,740
Other own work capitalized		2,574	2,115	0	0	2,574	2,115
Other operating income	28.	15,201	7,286	22	6	15,179	7,280
Cost of materials	29.	220,297	218,995	136	370	220,161	218,625
Staff costs	30.	429,822	354,707	1,324	1,302	428,498	353,405
Impairment of trade receivables and contract assets		2,753	3,198	0	0	2,753	3,198
Other operating expenses	31.	79,041	75,901	411	425	78,630	75,477
Earnings before interest, taxes, depreciation and amortization		**70,072**	**44,578**	**-94**	**147**	**70,165**	**44,431**
Depreciation, amortization and impairment	32.	32,456	26,180	61	30	32,395	26,150
Results of operating activities		**37,615**	**18,398**	**-155**	**118**	**37,770**	**18,281**
Finance income	33.	820	730	-7	-5	827	734
Financial expenses	34.	7,483	5,868	0	0	7,483	5,868
Net income from investments accounted for using the equity method	35.	-1,110	-398	0	0	-1,110	-398
Earnings before taxes		**29,842**	**12,862**	**-161**	**113**	**30,003**	**12,749**
Net income taxes	36.	-11,458	-6,439	0	-50	-11,458	-6,389
Profit or loss for the period		**18,384**	**6,423**	**-161**	**63**	**18,545**	**6,360**
Discontinued operations:							
Gain on disposal before taxes		327	1,747	327	1,747	0	0
Net income taxes		0	0	0	0	0	0
Earnings from discontinued operations		**327**	**1,747**	**327**	**1,747**	**0**	**0**
Total comprehensive income including discontinued operations:							
Earnings before taxes		30,169	14,609	166	1,860	30,003	12,749
Net income taxes		-11,458	-6,439	0	-50	-11,458	-6,389
Total comprehensive income for the period		**18,711**	**8,170**	**166**	**1,810**	**18,545**	**6,360**
Total comprehensive income for the period attributable to:							
shareholders of the parent company		15,133	5,857	166	1,810	14,967	4,046
non-controlling interests		3,578	2,314	0	0	3,578	2,314

► Fortsetzung auf der nächsten Seite

Consolidated Statement of Comprehensive Income of Allgeier SE, Munich, for the period from January 1, 2019 to December 31, 2019

Consolidated Statement of Comprehensive Income (in EUR thousand)

		Total		Discontinued operations:		Continuing operations	
Other comprehensive income	Note	2019	2018 (restated)	2019	2018	2019	2018 (restated)
Items that cannot be reclassified to the income statement:							
Actuarial gains (losses)		565	-102	0	0	565	-102
Tax effects		-168	50	0	0	-168	50
		397	-52	0	0	397	-52
Items that can be reclassified to the income statement:							
Foreign exchange differences		1,434	1,914	1	0	1,433	1,914
Foreign exchange differences reclassified to the income statement		1	0	1	0	0	0
		1,433	1,914	0	0	1,433	1,914
Other comprehensive income for the period		1,830	1,862	0	0	1,829	1,862
Total comprehensive income for the period		20,540	10,032	166	1,810	20,374	8,222
Total comprehensive income for the period attributable to:							
shareholders of the parent company		16,955	7,632	166	1,810	16,789	5,822
non-controlling interests		3,585	2,400	0	0	3,585	2,400
Basic earnings per share:							
Average number of shares outstanding weighted pro rata temporis		10,529,961	9,877,280	10,529,961	9,877,280	10,529,961	9,877,280
Earnings per share in EUR	37.	1.44	0.59	0.02	0.18	1.42	0.41
Diluted earnings per share:							
Average number of shares outstanding weighted pro rata temporis		10,729,658	10,176,163	10,729,658	10,176,163	10,729,658	10,176,163
Earnings per share in EUR		1.41	0.58	0.02	0.18	1.39	0.40

Consolidated Statement of Changes in Equity of Allgeier SE, Munich, as of December 31, 2019

Consolidated Statement of Changes in Equity (in EUR thousand)

	Issued capital	Capital reserves	Retained earnings	Treasury shares	Profit carryforward	Profit or loss for the period	Changes in equity recognized directly in equity (OCI)	Changes in equity recognized directly in equity (not OCI)	Equity interest attributable to shareholders of the parent company	Equity interest attributable to non-controlling interests	Equity
As of January 1, 2018 (restated)	**9,979**	**32,214**	**102**	**-1,379**	**68,671**	**1,737**	**4,835**	**-13,196**	**102,963**	**15,138**	**118,101**
Transfer of profit or loss for the previous year to profit carryforward	0	0	0	0	1,737	-1,737	0	0	0	0	0
Adjustment of the exercise price of stock options from the 2010 Stock Option Plan	0	24	0	0	0	0	0	0	24	0	24
Adjustment of the exercise price of stock options from the 2014 Stock Option Plan	0	411	0	0	0	0	0	0	411	0	411
Exercise of stock options from the 2010 Stock Option Plan	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
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 GmbH as part of an employee participation 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	120	120	1	122
Return of non-controlling interests of the Nagarro Group as part of an employee stock purchase program	0	0	0	0	0	0	0	9	9	-4	5
Dividends	0	0	0	0	-4,914	0	0	0	-4,914	-1,868	-6,782
Profit or loss for the period	0	0	0	0	0	5,857	0	0	5,857	2,314	8,170
Foreign exchange differences	0	0	0	0	0	0	1,914	0	1,914	32	1,946
As of December 31, 2018 (restated)	**10,089**	**33,592**	**102**	**-1,379**	**65,494**	**5,857**	**6,697**	**-13,067**	**107,385**	**21,315**	**128,701**
Transfer of profit or loss for the previous year to profit carryforward	0	0	0	0	5,857	-5,857	0	0	0	0	0
Adjustment of the exercise price of stock options from the 2010 Stock Option Plan	0	6	0	0	0	0	0	0	6	0	6
Adjustment of the exercise price of stock options from the 2014 Stock Option Plan	0	216	0	0	0	0	0	0	216	0	216
Capital increase	998	22,479	0	0	0	0	0	0	23,477	0	23,477
Exercise of stock options from the 2010 Stock Option Plan	202	1,713	0	0	0	0	0	0	1,916	0	1,916
Utilization of treasury shares in connection with the acquisition of Nagarro Inc.	0	0	0	593	0	0	0	0	593	0	593
Contributions to the minority capital of AES SPP GmbH	0	0	0	0	0	0	0	0	0	250	250
Actuarial gains (losses)	0	0	0	0	0	0	-425	0	-425	-82	-508
Change in non-controlling interests of the Nagarro Group in connection with an employee stock purchase program	0	0	0	0	0	0	0	-403	-403	342	-61
Acquisition of non-controlling interests in iQuest Holding GmbH	0	0	0	0	0	0	0	-1,290	-1,290	-1,142	-2,432
Dividends	0	0	0	0	-4,994	0	0	0	-4,994	-1,463	-6,456
Profit or loss for the period	0	0	0	0	0	15,133	0	0	15,133	3,578	18,711
Foreign exchange differences	0	0	0	0	0	0	1,433	0	1,433	90	1,523
As of December 31, 2019	**11,289**	**58,006**	**102**	**-786**	**66,357**	**15,133**	**7,705**	**-14,760**	**143,046**	**22,888**	**165,934**

Consolidated Statement of Cash Flows of Allgeier SE, Munich, for the period from January 1, 2019 to December 31, 2019

Consolidated Statement of Cash Flows (in EUR thousand)	Total		Discontinued operations		Continuing operations	
	2019	2018 (restated)	2019	2018	2019	2018 (restated)
Results of operating activities	37,615	18,398	-155	118	37,770	18,281
Depreciation and amortization of non-current assets	32,456	26,180	61	30	32,395	26,150
Expenses from the disposal of non-current assets	552	388	15	0	538	388
Change in long-term provisions	705	832	0	0	705	832
Non-cash reversals of provisions	-551	-960	0	1	-551	-961
Other non-cash expenses and income	-5,368	72	-12	0	-5,357	72
Income taxes paid	-10,885	-10,468	-47	-101	-10,838	-10,367
Cash flows from operating activities before changes in working capital	**54,524**	**34,442**	**-138**	**48**	**54,662**	**34,395**
Cash flows from changes in working capital	4,631	-17,442	-7	372	4,638	-17,814
Cash flows from operating activities	**59,156**	**17,001**	**-144**	**420**	**59,300**	**16,581**
Payments for investments in non-current assets	-8,845	-7,740	-142	-141	-8,704	-7,599
Payments for finance leases	-21,793	-15,145	0	0	-21,793	-15,145
Proceeds from the disposal of non-current assets	486	169	12	0	475	169
Payments for the acquisition of subsidiaries	-2,863	-37,138	0	0	-2,863	-37,138
Payments for purchase price components for companies not acquired in the fiscal year	-5,795	-630	0	0	-5,795	-630
Payments of loans to investments accounted for using the equity method	0	-544	0	0	0	-544
Proceeds from the sale of subsidiaries	3,341	3,196	0	0	3,341	3,196
Decrease in cash and cash equivalents from the sale of subsidiaries with loss of control	-91	-727	-91	-727	0	0
Payments for non-current financial assets	-400	-400	0	0	-400	-400
Cash flows from investing activities	**-35,960**	**-58,958**	**-221**	**-868**	**-35,738**	**-58,090**
Proceeds from capital increase	25,392	1,052	39	0	25,354	1,052
Repayment of borrower's note loan	-13,500	0	0	0	-13,500	0
Proceeds from bank loans	435	68,217	80	62	355	68,154
Repayment of bank loans	-557	-2,134	0	0	-557	-2,134
Cash flows from intragroup financing	0	0	101	0	-101	0
Interest received	172	283	0	0	172	283
Interest paid	-4,083	-2,697	0	0	-4,083	-2,697
Distributions	-4,994	-4,914	0	0	-4,994	-4,914
Balance of payments with non-controlling interests	-3,875	-657	0	0	-3,875	-657
Cash flows from financing activities	**-1,009**	**59,151**	**219**	**62**	**-1,228**	**59,089**
Total cash flows	**22,187**	**17,194**	**-146**	**-386**	**22,333**	**17,580**
Changes in cash and cash equivalents due to exchange rate movements	520	898	0	0	520	898
Total changes in cash and cash equivalents	**22,707**	**18,092**	**-146**	**-386**	**22,854**	**18,478**
Cash and cash equivalents at the beginning of the period	59,442	41,350	146	532	59,296	40,818
Cash and cash equivalents at the end of the period	82,150	59,442	0	146	82,150	59,296

Group Segment Reporting for the period from January 1, 2019 to December 31, 2019

Segments (in EUR thousand)

	Enterprise Services Segment		Experts Segment		Technology Segment		New Business Areas		Other		Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
External revenue	115,865	110,848	259,286	277,499	400,930	294,758	6,599	3,813	3	41	782,683	686,959	1,526	1,019	784,209	687,978
Revenue with other segments	6,702	2,702	2,057	1,096	1,229	3,475	1,155	1,506	-11,371	-9,998	-229	-1,219	229	1,219	0	0
Cost of materials	28,576	29,306	154,010	158,363	43,283	38,160	2,449	1,336	-8,158	-8,540	220,161	218,625	136	370	220,297	218,995
Staff costs	64,658	60,488	92,159	103,575	258,387	182,336	6,583	2,586	6,711	4,419	428,498	353,405	1,324	1,302	429,822	354,707
Depreciation and amortization	9,302	7,162	4,249	4,834	16,936	13,385	1,164	450	687	41	32,338	25,872	61	30	32,399	25,902
Impairment losses	0	236	27	0	30	3	0	33	0	6	57	278	0	0	57	278
Segment earnings from operating activities	**7,274**	**4,866**	**-737**	**-1,160**	**47,785**	**26,486**	**-3,842**	**-2,390**	**-12,710**	**-9,521**	**37,770**	**18,281**	**-155**	**118**	**37,615**	**18,398**
Finance income	289	359	284	242	251	451	-10	11	12	-329	827	734	-7	-5	820	730
Financial expenses	1,528	1,411	2,154	2,093	4,865	4,174	962	661	-2,025	-2,471	7,483	5,868	0	0	7,483	5,868
Net income from investments accounted for using the equity method	0	0	0	0	0	0	-1,110	-398	0	0	-1,110	-398	0	0	-1,110	-398
Segment earnings before income taxes	**6,035**	**3,815**	**-2,607**	**-3,011**	**43,171**	**22,762**	**-5,924**	**-3,438**	**-10,673**	**-7,379**	**30,003**	**12,749**	**-161**	**113**	**29,842**	**12,862**
Net income taxes	-2,216	-1,455	-354	-293	-6,881	-7,831	450	79	-2,457	3,110	-11,458	-6,389	0	-50	-11,458	-6,439
Segment earnings before profit transfer	**3,820**	**2,360**	**-2,960**	**-3,304**	**36,290**	**14,932**	**-5,475**	**-3,359**	**-13,130**	**-4,269**	**18,545**	**6,360**	**-161**	**63**	**18,384**	**6,423**
Other non-cash expenses(+)/income(-)	-2,811	-1,438	-1,431	-1,672	-8,612	-2,795	374	-114	5,071	3,631	-7,410	-2,388	-3	-5	-7,413	-2,392
Segment assets	144,554	76,960	125,636	123,810	351,822	309,062	20,805	22,925	-55,371	3,645	586,982	535,938	0	0	586,982	535,938
Segment liabilities	142,659	75,078	104,797	102,200	264,308	188,215	39,602	36,435	-130,318	5,310	421,048	407,238	0	0	421,048	407,238
Additions to property, plant and equipment and intangible assets	12,152	23,532	4,772	9,872	24,227	120,018	906	10,848	20,786	40	62,843	164,310	151	141	62,994	164,452
Cash flows from operating activities	13,047	15,185	11,182	-1,496	45,963	14,856	-60	574	-10,833	-12,538	59,300	16,581	-144	420	59,156	17,001
Cash flows from investing activities	-5,824	-1,595	-4,084	-4,060	-20,198	-46,181	-4,695	-6,970	-939	717	-35,738	-58,090	-221	-868	-35,960	-58,958
Cash flows from financing activities	-3,860	-8,090	1,565	1,028	-12,998	42,241	4,765	7,731	9,301	16,179	-1,228	59,089	219	62	-1,009	59,151

Consolidated Financial Statements ALLGEIER

Consolidated Statement of Changes in Non-Current Assets of Allgeier SE, Munich, for the period from January 1, 2019 to December 31, 2019

Consolidated Statement of Changes in Non-Current Assets (in EUR thousand)

		Cost						
	Note	Jan. 1, 2019 (restated)	Foreign exchange differences	Additions to the basis of consolidation	Additions	Disposals	Disposals from the basis of consolida-tion	Dec. 31, 2019
Intangible assets	1							
Licenses, industrial property rights and similar rights, as well as licenses in such rights and assets		47,245	77	959	4,537	-6,984	-26	45,808
Acquired intangible assets		38,547	67	959	1,979	-7,078	-26	34,447
Internally generated intangible assets		8,698	10	0	2,558	94	0	11,361
Goodwill		174,252	1,580	3,420	0	0	0	179,252
Intangible assets		**221,497**	**1,657**	**4,379**	**4,537**	**-6,984**	**-26**	**225,060**
Property, plant and equipment	2							
Land, land rights and buildings, including buildings on third-party land		5,065	-13	42	0	0	0	5,095
Other equipment, operating and office equipment		28,651	-101	221	6,885	-3,235	-228	32,192
Property, plant and equipment		**33,716**	**-114**	**263**	**6,885**	**-3,235**	**-228**	**37,287**
Value in use of leases	3							
Value in use of property		58,748	-332	105	36,416	-1,755	0	93,182
Value in use of motor vehicles		7,532	-2	0	1,791	-1,356	0	7,965
Value in use of operating and office equipment		11,202	-50	0	8,618	-1,556	0	18,215
Value in use of leases		**77,482**	**-383**	**105**	**46,825**	**-4,666**	**0**	**119,362**
Total		**332,695**	**1,160**	**4,747**	**58,247**	**-14,885**	**-254**	**381,709**

	Depreciation, amortization and impairment losses								Carrying amounts	
	Jan. 1, 2019 (restated)	Foreign exchange differences	Depreciation and amortization from continuing operations	Depreciation and amortization from discontinued operations	Impairment losses	Disposals	Disposals from the basis of consolidation	Dec. 31, 2019	Dec. 31, 2019	Jan. 1, 2019 (restated)
Intangible assets										
Licenses, industrial property rights and similar rights, as well as licenses in such rights and assets	-26,324	1	-7,104	-8	-57	6,960	13	-26,520	19,288	20,921
Acquired intangible assets	-24,338	9	-5,527	-8	-57	7,054	13	-22,855	11,592	14,209
Internally generated intangible assets	-1,986	-8	-1,577	0	0	-94	0	-3,665	7,696	6,713
Goodwill	-8,206	0	0	0	0	0	0	-8,206	171,046	166,046
Intangible assets	**-34,530**	**1**	**-7,104**	**-8**	**-57**	**6,960**	**13**	**-34,725**	**190,334**	**186,967**
Property, plant and equipment										
Land, land rights and buildings, including buildings on third-party land	-2,092	5	-191	0	0	0	0	-2,278	2,817	2,973
Other equipment, operating and office equipment	-17,059	52	-5,215	-53	0	2,714	56	-19,505	12,687	11,592
Property, plant and equipment	**-19,151**	**56**	**-5,405**	**-53**	**0**	**2,714**	**56**	**-21,783**	**15,504**	**14,565**
Value in use of leases										
Value in use of property	-8,608	81	-12,481	0	-388	1,755	0	-19,640	73,542	50,140
Value in use of motor vehicles	-2,696	1	-3,080	0	0	1,356	0	-4,420	3,545	4,836
Value in use of operating and office equipment	-2,805	19	-3,880	0	0	1,549	0	-5,117	13,098	8,398
Value in use of leases	**-14,108**	**101**	**-19,441**	**0**	**-388**	**4,659**	**0**	**-29,177**	**90,185**	**63,374**
Total	**-67,789**	**158**	**-31,951**	**-61**	**-445**	**14,333**	**68**	**-85,686**	**296,023**	**264,906**

Consolidated Statement of Changes in Non-Current Assets of Allgeier SE, Munich, for the period from January 1, 2018 to December 31, 2018

Consolidated Statement of Changes in Non-Current Assets (in EUR thousand)

		Cost							Depreciation, amortization and impairment losses								Carrying amounts	
	Note	Jan. 1, 2018 (restated)	Foreign exchange differences	Additions to the basis of consolidation	Additions	Disposals	Disposals from the basis of consolida-tion	Dec. 31, 2018 (restated)	Jan. 1, 2018 (restated)	Foreign exchange differences	Depreciation and amorti-zation from continuing operations	Depreciation and amorti-zation from discontinued operations	Impairment losses	Disposals	Disposals from the basis of consolidation	Dec. 31, 2018 (restated)	Dec. 31, 2018 (restated)	Jan. 1, 2018 (restated)
Intangible assets	1																	
Licenses, industrial property rights and similar rights, as well as licenses in such rights and assets		38,071	92	8,308	3,384	-2,552	-58	47,245	-21,454	23	-7,137	-7	-235	2,441	44	-26,324	20,921	16,618
Acquired intangible assets		31,577	84	8,206	1,291	-2,552	-58	38,547	-20,608	28	-6,002	-7	-235	2,441	44	-24,338	14,209	10,968
Internally generated intangible assets		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		**146,161**	**2,461**	**72,111**	**3,384**	**-2,561**	**-58**	**221,497**	**-29,659**	**23**	**-7,137**	**-7**	**-244**	**2,450**	**44**	**-34,530**	**186,967**	**116,501**
Property, plant and equipment	2																	
Land, land rights and buildings, including buildings on third-party land		5,184	-126	0	8	0	0	5,065	-1,926	18	-184	0	0	0	0	-2,092	2,973	3,258
Other equipment, operating and office equipment		22,165	-146	2,040	6,371	-1,699	-79	28,651	-14,163	143	-4,471	-23	-33	1,430	58	-17,059	11,592	8,002
Property, plant and equipment		**27,349**	**-273**	**2,040**	**6,379**	**-1,699**	**-79**	**33,716**	**-16,089**	**161**	**-4,656**	**-23**	**-33**	**1,430**	**58**	**-19,151**	**14,565**	**11,260**
Value in use of leases	3																	
Value in use of property		36,181	181	11,075	11,729	-419	0	58,748	0	-35	-8,992	0	0	419	0	-8,608	50,140	36,181
Value in use of motor vehicles		5,152	-1	6	2,686	-313	0	7,532	0	0	-3,009	0	0	313	0	-2,696	4,836	5,152
Value in use of operating and office equipment		6,678	-175	0	6,422	-1,723	0	11,202	-2,542	103	-2,079	0	0	1,714	0	-2,805	8,398	4,136
Value in use of leases		**48,012**	**6**	**11,081**	**20,837**	**-2,455**	**0**	**77,482**	**-2,542**	**68**	**-14,080**	**0**	**0**	**2,446**	**0**	**-14,108**	**63,374**	**45,470**
Total		**221,521**	**2,194**	**85,232**	**30,600**	**-6,715**	**-138**	**332,695**	**-48,291**	**252**	**-25,872**	**-30**	**-278**	**6,327**	**103**	**-67,789**	**264,906**	**173,231**

Notes to the Consolidated Financial Statements of Allgeier SE

in accordance with IFRS for the 2019 fiscal 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 Einsteinstrasse 172, 81677 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 sells 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 interests in a venture capital company recognized in financial assets and liabilities are measured at fair value. All other assets and liabilities are recognized at amortized cost.

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 fiscal year under review are presented with comparative figures from the previous year.

To improve comparability, in the consolidated financial statements the previous year's figures were restated. The restatements related primarily to an accounting error correction and the retrospective adoption of IFRS 16, Leases, effective January 1, 2019, for accounting leases. In addition, in the cash flow statement "Non-cash reversals and additions to provisions" were offset against "Cash flow from changes in working capital".

All other accounting and valuation methods applied remain unchanged relative to the previous year.

III. Accounting Error Correction

As Allgeier SE announced on July 9, 2019, in a spot check of the consolidated financial statements as of December 31, 2017 the German Financial Reporting Enforcement Panel (FREP) found that the purchase price allocation of the business operations of the former "Ciber Deutschland", acquired in April 2017, was incorrect. Specifically, the finding related to restructuring expenses of EUR 3.1 million and acquired operating leases of EUR 0.3 million, neither of which should have been recognized in equity. Furthermore, the amount recognized for the client base was reduced from originally EUR 3.8 million to EUR 2.0 million. The purchase price allocation was subsequently amended as a result of the errors identified so that the acquired net assets of EUR 2,121 thousand exceeded the purchase price of EUR 1,000 thousand, thus resulting in the recognition of corresponding negative goodwill of EUR 1,121 thousand.

The purchase price allocation was specifically corrected as follows:

Purchase price allocation (in EUR thousand)	Original purchase price allocation	Correction	Corrected purchase price allocation
Intangible assets	4,400	-1,813	2,587
Property, plant and equipment	183	0	183
Deferred tax assets	99	0	99
Deferred tax liabilities	-99	-503	-602
Other provisions	-3,450	3,437	-13
Other liabilities	-133	0	-133
Net assets	**1,000**	**1,121**	**2,121**

As a result of the above correction, the income statement and equity for 2017 and 2018 changed as follows:

Income statement and equity (in EUR thousand)	2018	2017
Negative goodwill	0	1,121
Other operating expenses	0	-3,437
Depreciation and amortization	572	272
Deferred taxes	-178	981
Net assets	**395**	**-1,063**
Reduction in equity	**-668**	**-1.063**

IV. Accounting Regulations to be Applied for the First Time in the Fiscal 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 2019 fiscal year:

Standard/Interpretation	Title of the standard, interpretation or amendment
IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Improvements to IFRS 2015 – 2017	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement

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

IFRS 16 – Leases

IFRS 16 introduces a uniform accounting 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 liability arising from the lease, that constitutes its obligation to make lease payments (balance sheet extension). Exemptions exist for short-term leases and leases for 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 Group applied IFRS 16 for the first time in the 2019 fiscal year, using the full retrospective method (including restatement of previous year figures). The cumulative effect in equity from the adoption of IFRS 16 is recognized as an adjustment of the opening balance sheet figures in earnings reserves as of January 1, 2018.

The first-time adoption of IFRS 16 has the following impact on earnings, financial position and performance:

IFRS 16 restated as of January 01, 2018 (in EUR thousand)	Originally reported	After restatements	Restatements
Property, plant and equipment	13,461	11,260	-2,201
Rights of use			
Buildings	0	36,182	36,182
Motor vehicles	0	5,152	5,152
Other equipment, operating and office equipment	0	4,136	4,136
Effect on total assets			**43,269**
Non-current lease liabilities	0	39,085	39,085
Other non-current financial liabilities	3,104	2,134	-970
Current lease liabilities	0	10,747	10,747
Other current financial liabilities	26,054	24,141	-1,913
Effect on total liabilities			**46,949**
Change in equity			**-3,680**
of which:			
Shareholders of the parent company			-3,207
Non-controlling shareholders			-473

IFRS 16 restated as of December 31, 2018 (in EUR thousand)	Originally reported	After restatements	Restatements
Property, plant and equipment	21,430	14,565	-6,865
Rights of use			
Buildings	0	50,140	50,140
Motor vehicles	0	4,836	4,836
Other equipment, operating and office equipment	0	8,398	8,398
Effect on total assets			**56,509**
Non-current lease liabilities	0	53,591	53,591
Other non-current financial liabilities	32,646	27,825	-4,821
Current lease liabilities	0	15,212	15,212
Other current financial liabilities	38,674	35,689	-2,985
Effect on total liabilities			**60,997**
Change in equity			**-4,488**
of which:			
Shareholders of the parent company			-3,894
Non-controlling shareholders			-594

IFRS 16 restatements Income statement (in EUR thousand)	2018	2019
Elimination of lease expenses	14,306	18,556
Depreciation of right of use assets	-12,457	-16,020
Interest expenses from lease liabilities	-2,690	-3,202
Effect on Group result	**-841**	**-666**
of which:		
Shareholders of the parent company	-713	-584
Non-controlling shareholders	-128	-82

V. 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 2019 financial year according to EU regulations:

Standard/Interpretation	Title of the standard, interpretation or amendment	First-time adoption
Endorsed by the EU		
IFRS Framework	Amendment to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 and IAS 8	Definition of Material	January 01, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	January 01, 2020
Not yet endorsed by the EU		
IAS 1	Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current	Indefinite
IFRS 17	Insurance Contracts	January 01, 2021
Amendments to IFRS 3	Definition of a Business	January 01, 2020
Amendments to IFRS 10 und IAS 28	Sales or Contributions of Assets between an Investor and its Associate or Joint Venture	Indefinite

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

IFRS Framework

Together with the revised Conceptual Framework for Financial Reporting, amendments to references to the Conceptual Framework in various IFRSs were also issued. For the first time the objectives of the Conceptual Framework were clarified and three main aspects explained. Firstly the Conceptual Framework serves to provide consistent concepts for the development of standards and interpretations by the IASB and the IFRS Interpretations Committee. At the same time, it has the purpose of assisting preparers of financial reports to develop accounting policies for transactions if there are no relevant requirements in standards and interpretations in the IFRS Framework. In addition, it simplifies the understanding and interpretation of the standards for all parties involved.

The amendments which are primarily updates are to be applied for fiscal years beginning on or after January 1, 2020. The Management Board does not anticipate that the amendments will have a material impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8

To avoid two definitions of materiality in IAS 1 and IAS 8, in the future material is defined only in IAS 1.7. IAS 8 will indicate merely that “material” is defined in IAS 1 and is to be applied in IAS 8 with the same meaning. The amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” serve the improvement of the definition of materiality by standardizing the wording in various IASB standards and frameworks and providing more precision in the terms related to the definition. The word “obscuring” is introduced and explained using examples. The amended information places the focus on the materiality of information. It is clarified that information is material if omitting, misstating and / or obscuring could reasonably be expected to influence decisions the primary users of financial statements make on the basis of these assumptions.

The amendments are to be adopted for fiscal years beginning on or after January 1, 2020 (prospective application). The Management Board anticipates that the amendments will not have a material impact on the consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7

As a result of the Amendments to IFRS 9, IAS 39 and IFRS 7, the impact on financial reporting resulting from the reform of interest rate benchmarks (the IBOR Reform) is to be mitigated. The amendments aim to allow recognized hedging relationships (hedge accounting) to continue or to remain designated despite the uncertainties related to the expected discontinuation of various interest rate benchmarks.

The amendments are effective for fiscal years beginning on or after January 1, 2020. The Management Board anticipates that the amendments will have no or no material impact on the consolidated financial statements.

Amendments to IFRS 3

Amendments to IFRS 3 “Business Combinations” serve to clarify the definition of a business. A business is still defined by the three elements: inputs, processes and output. The inputs and the processes applied should be deployed in such a manner that they contribute to the generation of output. The changed definition of output places the focus on the provision of goods and services to the customer, but also covers investment income such as dividends, interest and other income. On the other hand, cost reduction is no longer a feature of output.

The amendments clarify that a business comprises at least the acquisition of an input and a substantive process that together contribute to the ability to create output. Ultimately the existence of processes is the difference between the acquisition of a business and the acquisition of a group of assets. The examination depends on whether output is generated or not with the acquired group of activities and assets.

In addition, a transaction-relation option was introduced that permits a simplified assessment of whether an acquired set of activities and assets does not represent a business. This is the case if substantially all the fair value of the acquired gross assets is concentrated on an individual identifiable asset (or a group of comparable identifiable assets).

The amendments are applied to transactions whose acquisition date is in the 2020 fiscal year (prospective application). If relevant transactions take place in the future, the amendments in IFRS 3 may have an impact on the consolidated financial statements.

Amendments to IAS 10 and IAS 28

The amendments address a conflict between IAS 28 “Investments in Associates and Joint Ventures” and IFRS 10 “Consolidated Financial Statements”. It is clarified that in the case of transactions with associates and joint ventures, the extent of the overall gain or loss depends on whether the assets sold or contributed constitute a business in accordance with IFRS 3.

The IASB has decided to postpone the effective date of these amendments indefinitely.

VI. Principles of Consolidation

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 voting rights, 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 only significant influence 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 separate financial statements as of December 31. The Indian subsidiaries, which have the deviating reporting date of March 31, prepare interim financial statements as of December 31 for the purpose of the consolidated financial statements.

The Allgeier Group consolidates the newly acquired companies using the purchase 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 recognized in the Group. The shares of non-controlling shareholders are recognized at the level 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 finder's fees are recognized as other operating expenses through profit or loss.

The consolidation of the companies acquired by the Group occurs from the month that control is exercised. From this point in time, the expenses and revenue of the acquired companies are included in the consolidated financial statements. Receivables and liabilities, as well as revenue and expenses between the Group companies, are eliminated. Profits and losses that originate from intra-Group disposals, are likewise eliminated. Deferred taxes are recognized on consolidation procedures through profit 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 divisions are shown in the consolidated statement of comprehensive income and in the consolidated cash flow statement in discontinued operations. The previous year figures for discontinued operations are restated in order to present discontinued operations separately from continuing operations in all comparison years. For transactions between divisions of continuing operations and discontinued operations, continuation of the relationships is assumed and such relationships eliminated in the discontinued operations division.

VII. Basis of Consolidation

On December 31, 2019, the scope of consolidation of Allgeier SE consisted of 82 fully consolidated companies (previous year: 88) and one company recognized at equity (previous year: 1). Specifically, the number of companies consolidated by Allgeier SE changed as follows in the 2019 financial year:

	Fully consolidated	Consolidated at-equity	Total
Number as of December 31, 2018	**88**	**1**	**89**
Acquisitions:			
Farabi Technology Middle East LLC, Dubai, United Arab Emirates	1	0	1
Solutions 4 Mobility LLC, Dubai, Dubai, United Arab Emirates	1	0	1
Foundations:			
Nagarro Company Limited, Bangkok, Thailand	1	0	1
Nagarro Ltd., Port Louis, Mauritius	1	0	1
Mergers:			
GDE Holding GmbH, Munich	-1	0	-1
Allgeier Productivity Solutions GmbH, Düsseldorf, Germany	-1	0	-1
Goetzfried Professionals GmbH, Wiesbaden	-1	0	-1
Nagarro Testing Service GmbH, Dresden	-1	0	-1
GRC Partner GmbH, Kiel	-1	0	-1
iQuest Technologies SRL, Brasov, Romania	-1	0	-1
iQuest Solutions SRL, Sibiu, Romania	-1	0	-1
Disposals:			
Allgeier Engineering Czech s.r.o., Pilsen, Czech Republic	-1	0	-1
Liquidations:			
iQuest Tech Labs SRL, Cluj-Napoca, Romania	-1	0	-1
Nagarro Software LLC, Abu Dhabi, United Arab Emirates	-1	0	-1
Number as of December 31, 2019	**82**	**1**	**83**

The changes in the scope of consolidation 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 2019 fiscal year with the previous year, appropriate account should be taken of these changes.

With the exception of the following companies, Allgeier SE directly or indirectly holds the majority of voting rights:

- Allgeier SE holds 16.41% (previous year: 24.57%) of the voting rights in SPP Co-Investor GmbH & Co. KG. Due to the assumption of liability risks and the exercise of management duties, the company was fully included in the consolidated financial statements of Allgeier SE.
- In Farabi Technology Middle East LLC, acquired in April 2019, and in Solutions 4 Mobility LLC, also acquired in April 2019, Nagarro Holding GmbH holds 49% of the voting rights in legal terms and 100% in economic terms. Due to the right to determine the management of the company alone and to exercise a controlling influence, these company is fully included in these consolidated financial statements.

Acquisition of Farabi Technology Middle East LLC and Solutions 4 Mobility LLC

On April 1, 2019, Allgeier Nagarro Holding GmbH, Munich, signed contracts to acquire Farabi Technology Middle East LLC, Dubai, United Arab Emirates (Farabi), and Solutions 4 Mobility LLC, Dubai, United Arab Emirates (S4M). Farabi and S4M are experts in the development of mobile applications to support digital transformation. Their activities focus on computer animation, graphics work, information technology networks and computer system hardware for large customers in the banking, telecommunications and transport sectors in particular. The transaction gives Nagarro valuable access to market- and industry-leading customers in the Middle East, and strengthens its consulting and implementation expertise on local markets.

A maximum purchase price of USD 6.5 million was agreed for the acquisition of the Farabi and S4M shares. In addition, the buyer pays EUR 0.5 million for the acquisition of working capital which is not necessary for operations. The fixed component of the purchase price of USD 3.3 million (EUR 2,941 thousand) was paid in the first half of 2019. The remaining purchase price is due between 2019 and 2022, depending on the achievement of targets. USD 1.0 million of the variable purchase price is recognized as other operating expenses if the criteria are fulfilled. The other components are capitalized in full. Calculated on the basis of the exchange rate on the acquisition date, and after discounting the longer-time purchase price components, a total purchase price of EUR 5,312 thousand was capitalized. There were also costs of EUR 138 thousand which were not capitalized, but recognized under other operating expenses.

Farabi S4M and S4M were included in consolidation for the first time as of April 1, 2019. On the acquisition of the two companies, the Allgeier Group received total assets of EUR 2,554 thousand and total liabilities of EUR 662 thousand. Customer relationships and order backlogs totaling EUR 959 thousand and the assets and liabilities reported in compliance with local financial reporting standards were recognized in the company's consolidated financial statements. Goodwill of EUR 3,420 thousand resulted from the difference between the purchase price recognized and the net assets acquired. The goodwill reflects the potential arising from the merger of the two companies with the Nagarro Group.

As of April 1, 2019, the carrying amounts and fair values of the net assets of Farabi and S4M were:

(in EUR thousand)	Carrying amounts	Allocation	Fair values
Intangible assets	0	959	959
Property, plant and equipment	263	0	263
Rights of use of leases	105	0	105
Contract assets	15	0	15
Trade receivables	816	0	816
Other financial assets	164	0	164
Other assets	153	0	153
Cash	79	0	79
Acquired assets	**1,595**	**959**	**2,554**
Lease liabilities	105	0	105
Contract liabilities	81	0	81
Trade payables	115	0	115
Other financial liabilities	326	0	326
Other liabilities	35	0	35
Acquired liabilities	**662**	**0**	**662**
Net assets	**933**	**959**	**1,892**

All acquired trade receivables were paid in the 2019 fiscal year.

In the period from April to December 2019, FTME and S4M generated revenue of EUR 4,410 thousand and earnings before interest, taxes, depreciation and amortization of EUR 529 thousand. FTME and S4M were integrated into the „Technology" segment.

Disposal of Allgeier Engineering Czech s.r.o., Pilsen, Czech Republic

By way of contract dated December 9, 2019, Allgeier Engineering GmbH, Munich, sold all shares in Allgeier Engineering Czech s.r.o., Pilsen, Czech Republic. A purchase price of EUR 605 thousand was agreed for the company. The gain on the disposal of Allgeier Engineering Czechia amounted to EUR 382 thousand before income taxes. It is composed as follows:

(in EUR thousand)	
Purchase price	605
Net assets sold	-183
Recycling of currency differences	-1
Other costs	-39
Result from disposal	**382**

In the period from January to November 2019, Allgeier Engineering Czech generated revenue of EUR 1,755 thousand (January to December 2018: EUR 1,551 thousand) and earnings before interest, taxes, depreciation and amortization of EUR -155 thousand (January to December 2018: EUR 83 thousand).

Allgeier Engineering Czech was deconsolidated as of November 30, 2019. Specifically, the following assets and liabilities were disposed of:

(in EUR thousand)	November 30, 2019
Intangible assets	14
Property, plant and equipment	163
Deferred tax assets	0
Non-current assets	177
Trade receivables	336
Other current financial assets	8
Other current assets	27
Income tax receivables	11
Cash	92
Current assets	474
Total assets	652
Financial liabilities	143
Other current provisions	107
Trade payables	26
Other current financial liabilities	194
Current liabilities	469
Net assets	**183**

Pro forma result of the merged companies

If the companies acquired in the 2019 fiscal year had already been consolidated in the Allgeier Group on January 1, 2019 and the companies acquired in the 2018 fiscal year had already been consolidated in the Allgeier Group on January 1, 2018, the revenue and earnings of the Allgeier Group would have been as follows:

Revenue and earnings (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2019	2018 restated	2019	2018 restated	2019	2018 restated
Revenue	784,091	726,916	1,755	2,238	785,846	729,154
Earnings before interest, taxes, depreciation and amortization	70,413	48,345	-94	147	70,319	48,492
Earnings before taxes	30,225	15,838	-161	113	30,064	15,951

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	
	2019	2018 restated	2019	2018 restated	2019	2018 restated
Percentage rate non-controlling interests (effective)	20.00 %	20.00 %	44.00 %	44.00 %	44.00 %	44.00 %
Non-current assets	15,077	16,684	27	242	50	46
Current assets	34,276	34,704	1,677	1,299	3,185	3,324
Non-current liabilities	6,000	7,178	5	74	20	23
Current liabilities	18,221	19,924	1,349	805	2,296	2,401
Net assets	**25,133**	**24,286**	**349**	**661**	**919**	**946**
Carrying amount of non-controlling interests	**4,680**	**5,631**	**333**	**427**	**171**	**180**
Revenue	76,936	74,805	4,040	3,976	12,653	11,893
Results of operating activities	9,557	10,557	280	474	1,347	1,402
Earnings before taxes	2,321	2,365	275	461	1,321	1,369
Profit or loss for the period	**1,338**	**1,029**	**182**	**304**	**894**	**922**
Other comprehensive income	**-67**	**-41**	**0**	**0**	**0**	**0**
Total comprehensive income	**1,271**	**988**	**182**	**304**	**894**	**922**
Cash flows from operating activities	11,854	10,758	733	49	1,079	1,714
Cash flows from investing activities	-3,502	-2,980	-19	-19	-34	-18
Cash flows from financing activities	-13,347	-1,821	-498	-361	-946	-1,890
of which from dividends to non-controlling interests	-425	-661	-148	-104	-277	-557
Changes in cash and cash equivalents due to exchange rate movements	-19	-34	0	0	0	0
Net increase (decrease) in cash and cash equivalents	**-5,014**	**5,923**	**216**	**-330**	**98**	**-195**

	Oxygen		Allgeier Experts Select		Nagarro Group		AES SPP Group		iQuest Group	
	2019	2018 restated	2019	2018 restated	2019	2018 restated	2019	2018 restated	2019	2018 restated
Percentage rate non-controlling interests (effective)	10.00 %	10.00 %	20.00 %	20.00 %	16.17 %	15.57 %	5.00 %	5.00 %	31,28 %	39.18 %
Non-current assets	119	208	136	463	98,132	83,352	15,457	12,952	12,421	14,901
Current assets	583	697	427	802	107,743	81,711	18,793	20,744	18,886	16,388
Non-current liabilities	8	67	7	69	37,121	28,874	10,444	6,744	7,355	9,182
Current liabilities	84	119	3,319	2,653	154,356	78,594	21,562	27,571	7,590	7,657
Net assets	**611**	**719**	**-2,763**	**-1,458**	**14,398**	**57,596**	**2,244**	**-619**	**16,362**	**14,450**
Carrying amount of non-controlling interests	**61**	**87**	**-984**	**-723**	**13,716**	**10,702**	**374**	**-24**	**5,041**	**5,644**
Revenue	562	609	246	4,550	264,267	204,095	76,174	67,393	36,521	9,049
Results of operating activities	-53	61	-1,302	-1,503	24,645	16,488	4,464	1,992	3,784	-172
Earnings before taxes	-49	68	-1,368	-1,558	21,295	13,670	4,091	2,509	3,555	-231
Profit or loss for the period	**-41**	**45**	**-1,305**	**-1,574**	**16,838**	**7,916**	**2,863**	**1,832**	**2,170**	**-197**
Other comprehensive income	**-67**	**-224**	**0**	**0**	**354**	**1,096**	**0**	**1**	**-258**	**-351**
Total comprehensive income	**-108**	**-180**	**-1,305**	**-1,574**	**17,192**	**9,012**	**2,863**	**1,833**	**1,912**	**-548**
Cash flows from operating activities	50	124	-737	-1,274	25,767	2,366	6,865	3,813	3,790	1,874
Cash flows from investing activities	-82	-150	-189	-175	-12,554	-9,647	-3,687	-2,483	-2,366	5,605
Cash flows from financing activities	6	89	817	1,482	1,637	2,058	-4,681	727	-2,343	-83
of which from dividends to non-controlling interests	0	0	-645	-645	0	0	0	0	0	0
Changes in cash and cash equivalents due to exchange rate movements	-50	-178	0	0	7	59	1	0	-6	85
Net increase (decrease) in cash and cash equivalents	**-75**	**-115**	**-109**	**33**	**14,857**	**-5,163**	**-1,502**	**2,058**	**-924**	**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 effectively holds 56% of the shares in these two companies. The result for the period includes the result from the profit transfer.

VIII. 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 the 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 euro. The closing rates as of December 31, 2019 were used for the translation of assets and liabilities, and the annual average rates from the middle closing rates for the months January 2019 to December 2019 for revenue and expenses. For currencies for which there was no company to be consolidated with this local currency in 2019, the average exchange rates are reported from the date on which the company belonged to the Group or was founded.

Differences in components included in equity resulting from the translation at the reporting date rates of the year under review, the previous year, and from historic rates, were recognized in changes in equity not impacting profit and loss.

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

Exchange rates

		Average rate (EUR 1)		Reporting date rate (EUR 1)	
		2019	2018	December 31, 2019	December 31, 2018
Australian dollar	AUD	1.607	1.583	1.601	1.625
British pound	GBP	0.876	0.886	0.854	0.901
Chinese yuan renminbi	CNY	7.714	7.931	7.823	7.865
Danish krone	DKK	7.465	7.453	7.469	7.466
Indian rupee	INR	78.605	80.518	79.823	79.471
Japanese yen	JPY	122.081	129.987	122.160	126.180
Canadian dollar	CAD	1.480	1.535	1.463	1.559
Malaysian ringgit	MYR	4.627	4.756	4.600	4.748
Mauritius rupee	MUR	38.560	-	39.499	-
Mexican peso	MXN	21.545	22.577	21.115	22.470
Norwegian krone	NOK	9.843	9.621	9.858	9.946
Polish zloty	PLN	4.301	4.303	4.258	4.295
Romanian leu	RON	4.749	4.645	4.781	4.652
Swedish krone	SEK	10.585	10.293	10.445	10.250
Swiss franc	CHF	1.111	1.152	1.087	1.125
Singapore dollar	SGD	1.524	1.590	1.511	1.562
South African rand	ZAR	16.104	15.890	15.733	16.485
Thai baht	THB	34.528	-	33.574	-
Czech crown	CZK	25.663	25.659	25.431	25.707
Turkish lira	TRY	6.361	5.689	6.657	6.019
US dollar	USD	1.118	1.179	1.120	1.144
UAE dirham	AED	4.105	4.331	4.113	4.200
Vietnamese dong	VND	25,881.330	27,105.275	25,901.400	26,521.100

In 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, 2019 are shown in separate columns. In the statement of changes in provisions, the translation differences arising from the different closing rates between December 31, 2019 and December 31, 2018 are also shown in a separate column.

Transactions in foreign currencies in operating activities are translated at the exchange rate on the transaction date. If these postings result in exchange rate gains or losses due to payments or measurements at later points in time, these are recognized in profit or loss. Currency differences from expense and revenue consolidation are also recognized in the income statement.

IX. Balance Sheet

Intangible assets

The Allgeier Group capitalizes at fair value order backlog, customer lists, websites, and products acquired as part of business combinations. Amortization of the orders backlog occurs concurrently with revenue recognition of the orders. The acquired products are amortized on a straight-line basis over four years. The customer lists are amortized over a term of five years.

Internally generated developments are recognized as intangible assets, if the development costs can be measured reliably, and from which an economic benefit from a sale of the services anticipated in the future is probable. Capitalized costs for internally generated developments are measured at cost less accumulated amortization and impairment. Internally generated developments are amortized for the first time from the month of completion on a straight-line basis with a term of four years. If required, impairment is taken on internally generated developments.

Purchased software, licenses and rights are measured at cost. Brands and domains are amortized on a straight-line basis over a term of 15 years. Otherwise software, licenses and rights are subject to amortization on a straight-line basis over three to six years. Software, licenses and rights are capitalized if it is probable that the company will obtain a future economic benefit from the asset and the acquisition or production cost of the assets can be reliably measured.

At each reporting date, the Group tests assets for impairment. Interest on borrowing 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 on an ad hoc basis 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 internally generated assets, cost of production includes costs that can be directly allocated, pro-rata overhead costs and depreciation. Interest on borrowing is also included in the cost of production for buildings. Repair and maintenance costs are recognized as expense 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 using the 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 three to 15 years.

Leases

From the 2019 fiscal year, the Group applies the IFRS 16 standard for lease accounting. For comparative purposes, the transition uses the full retrospective method. The Group assesses each individual lease contract as to whether it constitutes a lease in accordance with IFRS 16.

On the day of the inception of the lease, the Group recognizes an asset for the right of use in this contract and a lease liability for the present value of future lease payments. The right of use corresponds to the present value at lease inception, adjusted for the payments made before the commencement date, plus direct costs and costs to restore the asset. The right of use is depreciated on a straight-line basis over the useful life of the underlying asset, adjusted if required by further necessary write-downs. The useful life of the right of use is determined by the expected use of the individual asset taking account of the lease term.

The lease liability is measured at the present value of the lease payments that are not yet paid. As interest rate the interest rate underlying the lease is used and if this is not available the Group's incremental borrowing rate. The incremental borrowing rate is the interest rate based on the Group's borrowing costs.

Assets are not recognized for leases with a useful life of less than twelve months and leases where the respective acquisition cost does not exceed EUR 5 thousand. Expenses for these leases are recognized in other operating expenses in the statement of comprehensive income.

Investments accounted for using the equity method

Investments in joint ventures and associated companies are recognized according to the equity method. According to the 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 offset against the carrying amount of the investment, and any additional amounts against the loans granted to the at-equity investment. Goodwill related to associates is not amortized, but is part of the carrying amounts of the at-equity investments.

Deferred taxes

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 probability.

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 tax assets and liabilities are calculated on the 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 phases). The country-specific tax rates are as follows:

Country		Tax rate
	2019	2018
Germany	31.00 %	31.00 %
Austria	25.00 %	25.00 %
India	25.17 %*	34.00 %
USA	27.00 %	27.00 %
Sweden	21.40 %	21.40 %
Australia	30.00 %	30.00 %
Turkey	22.00 %	22.00 %
Romania	16.00 %	16.00 %
Denmark	22.00 %	22.00 %
Malaysia	24.00 %	-
Malta	-	35.00 %
Switzerland (Zürich)	-	21.10 %

* Taxes for the Indian companies are restated as of April 1, 2019

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 revenue. They are measured at direct costs plus proportionate production overheads. Capitalized costs are recognized as an expense when 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 revenue less expenses still to be incurred is 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 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.

Contract assets and liabilities

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

Contract assets and contract liabilities include customer-specific construction contracts that are accounted for using the percentage-of-completion method (PoC) in accordance with IFRS 15. Revenue is recognized in line with the stage of completion on the reporting date. The stage of completion corresponds to the proportion of contract costs incurred for work performed to date and the estimated total contract costs as of the reporting date. After deduction of the partial payments received, they are recognized under contract assets and services if the contract balance is positive, and under contract 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 expected credit losses using 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 value adjustments. 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 risks and rewards 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 nominal values.

Cash

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

Treasury shares

Treasury shares are reported as negative values in equity. The purchase or sale of treasury shares is recognized directly in equity. All consideration received or paid is recognized directly in equity.

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. The present value of defined benefit obligations is measured by a recognized actuary using the projected unit credit method under consideration of future wage, salary and pension trends. The calculation according to actuarial principles in line with the Heubeck mortality tables (Richttafeln 2018 G) is based on the individual pension commitments and, as a rule, the following general parameters:

	December 31, 2019	December 31, 2018
Calculated interest rate for those with vested pensions	1.20 %	1.90 %
Calculated interest rate retired persons	0.95 %	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 income on the net obligation (pension obligations less present value of the plan assets) are reported on the income statement. To determine interest income on plan assets – regardless of whether this is subsequently offset against 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 present value of defined benefit obligations at the start of the year is permitted.

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 present value of defined benefit obligations at year-end and the effects of changes in the measurement parameters.

Obligations for defined contribution plans are recognized directly as an expense after the related employee service.

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 measured using actuarial methods. Calculating the present value of defined benefit obligations is based on country-specific mortality tables for India and the following general parameters:

	December 31, 2019	December 31, 2018
Calculated interest rate	6.45 %	7.30 %
Salary increase p.a.	10.00 %	10.00 %
Rate of staff turnover p.a.	20.00 %	20.00 %
Average expected length of service	5.0 years	5.0 years

Other provisions

Other provisions are recognized when a legal or constructive 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 experience. 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 recognized as an expense directly in the period in which they are incurred.

Trade payables

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

Other financial liabilities

Other financial liabilities are initially recognized at settlement amount. Subsequently they are measured at amortized cost. 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 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, financial assets are allocated to the categories „financial assets measured at fair value“, „financial assets not measured at fair value“.

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 with changes in fair value through profit or loss (FVTPL)“. The classification of a financial instrument into one of these categories depends on the company‘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 solely interest and principal payments on the principal amount outstanding.

A financial asset is measured at amortized cost using the effective interest method if it is held within a business model whose objective is to collect the contractual cash flows and the terms of the contract result solely in interest and principal payments on the outstanding principal amount on specified dates. Changes in value are recognized through 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 solely in interest and principal payments on the outstanding principal on specified dates. 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 through 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 reporting date whether there is evidence of credit impairment and whether the default risk has thereby increased significantly. Both quantitative and qualitative information and analyses such as the length of time past due, 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 due more than 90 days is considered objective evidence that the credit quality of an asset is impaired. If the asset is credit-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 credit impairment or default exists, the expected credit losses 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 an amount equal to the share of the expected credit losses that are possible within twelve months of the reporting date or are expected to be incurred within the remaining term. The expected loss model of IFRS 9 requires discretionary decisions in forecasting the development of future economic conditions. However, the assumptions made are subject to uncertainties.

Financial liabilities
Financial liabilities include amounts due to financial institutions, trade payables, liabilities under finance leases and other financial liabilities.

Based on their characteristics, financial liabilities are allocated to the categories „financial liabilities measured at fair value“, „financial liabilities not measured at fair value“.

Financial assets measured 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. 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 allocation to this category. Effects from the remeasurement of contingent purchase price liabilities are recognized through profit or loss.

X. 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 obtain substantially the remaining benefits. This requires 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. Revenue corresponds to the transaction price that Allgeier is expected to be entitled to. Revenue is reduced by rebates, customer discounts and bonuses granted to customers. Variable consideration (performance bonuses) is included in the transaction price when it is highly probable that there will be no significant reversal of revenue when the uncertainty related to the variable consideration no longer exists.

If a contract comprises several goods or services which are distinct, the transaction price is allocated to the performance obligations on the basis of the relative stand-alone selling prices. For each performance obligation, revenue is recognized either at a point in time or over a period of time.

Revenue from products is recognized as soon as control of the products sold has been passed on to the buyer along with the associated rewards and risks. This is usually the case upon delivery of the product. Service revenue is 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 revenue is recognized based on the percentage of order completion and under consideration of realized partial performance. In addition, revenue from user fees (licenses) is recognized on an accrual basis in accordance with the commercial substance of the underlying contract.

As remuneration 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 vesting 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, vesting conditions that are not market 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 through profit or loss as staff costs in line with the agreed vesting over a specified vesting period pro rata and when vested immediately. The offsetting entry is made directly in equity (capital reserves). At the end of each reporting period, the number of options that can be exercised based on vesting conditions that are not market 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 received, less transaction costs that can be directly allocated, is recognized in subscribed capital (nominal amount) and capital reserves.

Operating expenses are recognized at the time of performance.

Borrowing costs are recognized 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.

XI. Estimates and Assumptions

When preparing the consolidated financial statements estimates and assumptions were made that affect the amount and recognition of the reported assets and liabilities, as well as the recognition of revenue and expenses. Even though these estimates and assumptions were made to the best of our knowledge, the actual values can deviate. The estimates and assumptions are reviewed on an ongoing basis. 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 a material adjustment could be necessary in the 2019 fiscal year, reference is made to this 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 fiscal year.

B. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Intangible assets

Intangible assets changed as follows:

Intangible assets (in EUR thousand)

	Order backlog	Customer lists	Products	Website	Software, licenses and rights	Internally generated develop-ments	Goodwill	Total
Carrying amount as of January 1, 2018, restated	**110**	**7,243**	**505**	**46**	**3,064**	**5,650**	**99,884**	**116,502**
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
Depreciation: continuing operations	-526	-3,217	-274	-9	-1,976	-1,135	0	-7,137
Depreciation: discontinued operations	0	0	0	0	-7	0	0	-7
Disposals from scope of consolidation	0	0	0	0	-14	0	0	-14
Impairment	0	-235	0	0	0	0	-9	-244
Carrying amount as of December 31, 2018, restated	**450**	**9,820**	**1,422**	**27**	**2,489**	**6,713**	**166,046**	**186,967**
Changes 2019:								
Additions to the scope of consolidation	97	862	0	0	0	0	3,420	4,379
Additions	0	93	30	0	1,855	2,558	0	4,536
Disposals at carrying amounts	-6	0	0	0	-18	0	0	-24
Currency differences	0	55	12	0	9	2	1,580	1,658
Depreciation: continuing operations	-541	-3,556	-399	-3	-1,026	-1,578	0	-7,103
Depreciation: discontinued operations	0	0	0	0	-8	0	0	-8
Disposals from scope of consolidation	0	0	0	0	-14	0	0	-14
Impairment	0	-27	-30		0	0	0	-57
Carrying amount as of December 31, 2019	**0**	**7,247**	**1,035**	**24**	**3,287**	**7,695**	**171,046**	**190,334**

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 „internally generated developments“, all intangible assets were purchased.

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

In the 2019 fiscal year, an order backlog of EUR 97 thousand (previous year: EUR 866 thousand) was received as part of business combinations. The order backlog was measured at its expected net amount determined as the order value for the orders less full costs. Orders on hand are derecognized when the order backlog is realized and invoiced.

In the 2019 fiscal year, customer lists of EUR 862 thousand (previous year: EUR 5,930 thousand) were received as part of business combinations. To value customer lists, historical revenue was examined and analyzed in accordance with the categories of regular customers and other customers, in order to determine what level of revenue can be expected to be generated in the next five years with regular customers. This revenue was recognized under customer lists at expected amounts on a full cost basis less discounts for possible declining amounts, risks resulting from the passage of time and customer dependencies, less amounts already included in orders backlog. 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 result 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.

Goodwill results from the difference between the purchase costs of interests in business combinations and the fair value of the assets, liabilities and contingent liabilities of shares in the acquired companies on the acquisition date. With the acquisition of Farabi and S4M, goodwill of EUR 3,420 thousand was acquired in the 2019 fiscal year. The translation of companies not acquired in euros increased goodwill by EUR 1,580 thousand (previous year: EUR 2,368 thousand). The currency differences were recognized in the consolidated statement of comprehensive income under other comprehensive income.

Goodwill is subject to regular annual impairment tests and, insofar as indications of impairment exist, also on an ad hoc basis. For testing impairment, the Allgeier Group uses the value-in-use method on the basis of the budget planning. If market prices exist in individual cases, these are used for measurement. For the measurement of the value-in-use, the value-in-use method is applied on the three-year planning of the cash generating unit („CGU"). For the following years, the method extrapolates the cash flows of the third detailed planning year for all other future years. In the perpetual period, cash flows are discounted using the following parameters and capitalization rates. In the planning phase after the third planning year, the interest rates are reduced by a growth discount of 1 percentage point. The interest rate takes into account debt and equity ratios derived from a peer group.

In comparison to the previous year, the composition of the peer groups was realigned and the beta factor determined on the basis of the peer groups. Separate peer groups were established for Experts, the Allgeier CORE Group and Solutions IP and for the goodwill of Nagarro, mgm, Objectiva and iQuest. The risk premium for equity was increased from 5.0% to 6.5%.

	Nagarro, mgm, Objectiva, iQuest		Solutions IP, Allgeier Core Group, Experts	
	2019	2018	2019	2018
Interest rate for 10-year bonds	0.30 %	0.97 %	0.30 %	0.97 %
Equity ratio peer group comparison	83.00 %	80.08 %	61.55 %	80.08 %
Debt ratio peer group	17.00 %	19.92 %	38.45 %	19.92 %
5-year beta factor Allgeier SE	0.7955	0.5949	0.8000	0.5949
Tax rate	30.00 %	30.00 %	30.00 %	30.00 %
Interest rate on debt	1.70 %	1.93 %	1.70 %	1.93 %
Risk premium for equity	7.50 %	5.00 %	7.50 %	5.00 %
WACC pre-tax	5.49 %	3.54 %	4.53 %	3.54 %
WACC after tax	**5.41 %**	**3.42 %**	**4.34 %**	**3.42 %**

All goodwill was considered recoverable. In the 2019 fiscal year, the Experts division was reorganized and repositioned strategically. The key focus was discontinuing low-margin revenue and reducing costs. Planning on this basis and the resulting impairment test shows high overcoverage. Goodwill changed for each of the cash generating units specifically as follows:

Goodwill (in EUR thousand)

	Group December 31, 2019	Additions	Currency differences	Group December 31, 2018
Nagarro	50,414	3,420	782	46,212
mgm	4,067	0	0	4,067
Objectiva	34,379	0	719	33,660
iQuest	17,602	0	0	17,602
Solutions IP	4,204	0	79	4,125
Allgeier CORE Group	7,592	0	0	7,592
Experts	52,788	0	0	52,788
Other	0	0	0	0
	171,046	**3,420**	**1,580**	**166,046**

Farabi and S4M, companies acquired in the 2019 fiscal year, were combined in the "Nagarro" cash generating unit.

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

	Nagarro	mgm	Objectiva	iQuest	Solutions IP	Allgeier CORE Group	Experts
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 in EUR million	**664**	**315**	**106**	**42**	**175**	**30**	**441**
Growth rates and values-in-use 2019							
Average annual revenue growth	17.9 %	10.9 %	20.4 %	8.0 %	8.8 %	26.9 %	-0.8 %
Average annual growth of underlying cash flow	9.0 %	7.0 %	15.2 %	9.9 %	-14.1 %	78.9 %	163.0 %
Value-in-use in EUR million	**718**	**207**	**68**	**69**	**75**	**43**	**357**

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	Total
Carrying amount as of January 1, 2018	**3,258**	**8,002**	**11,260**
Changes 2018:			
Additions to the scope of consolidation	0	2,040	2,040
Additions	7	6,371	6,378
Disposals at carrying amounts	0	-269	-269
Currency differences	-108	-3	-111
Depreciation: continuing operations	-184	-4,472	-4,656
Depreciation: discontinued operations	0	-23	-23
Disposals from scope of consolidation	0	-21	-21
Impairment	0	-33	-33
Carrying amount as of December 31, 2018	**2,973**	**11,592**	**14,565**
Changes 2019:			
Additions to the scope of consolidation	42	221	263
Additions	0	6,885	6,885
Disposals at carrying amounts	0	-521	-521
Currency differences	-7	-49	-56
Depreciation: continuing operations	-191	-5,215	-5,406
Depreciation: discontinued operations	0	-53	-53
Disposals from scope of consolidation	0	-173	-173
Carrying amount as of December 31, 2019	**2,817**	**12,687**	**15,504**

Assets from finance leases recognized in the previous year under property, plant and equipment were reclassified to rights of use of leases and offset against contracts to be recognized in accordance with IFRS 16. Property, plant and equipment included in the scope of consolidation in foreign currency was translated at the average exchange rates for the year.

3. Rights of use of leases

The Allgeier Group leases the property used in the Group and finances some of the vehicles and some of the operating and office equipment on the basis of operating and finance leases. With the adoption of IFRS 16, for contracts not previously recognized in finance leases, assets were determined and recognized as rights of use. The Allgeier Group adopted the standard effective for 2019 using the full retrospective method and restated the 2018 fiscal year accordingly. Rights of use from leases developed as follows:

Rights of use of leases (in EUR thousand)	Properties	Vehicles	Operating and office equipment			
	to be restated in accordance with IFRS 16	to be restated in accordance with IFRS 16	to be restated in accordance with IFRS 16	To December 31, 2018 as finance lease	Total	Total
Carrying amount as of January 1, 2018	**0**	**0**	**0**	**2,201**	**2,201**	**2,201**
Changes 2018:						
Additions from the first-time adoption of IFRS 16	36,182	5,152	1,935	0	1,935	43,269
Additions to the scope of consolidation	11,075	6	0	0	0	11,081
Additions in the fiscal year	11,729	2,687	43	6,378	6,421	20,837
Disposals at carrying amounts	0	0	0	-9	-9	-9
Currency differences	147	0	10	-82	-72	75
Depreciation: continuing operations	-8,992	-3,009	-456	-1,623	-2,079	-14,080
Carrying amount as of December 31, 2018	**50,141**	**4,836**	**1,532**	**6,865**	**8,397**	**63,374**
Changes 2019:						
Additions to the scope of consolidation	105	0	0	0	0	105
Additions in the fiscal year	36,416	1,791	502	8,117	8,619	46,826
Disposals at carrying amounts	0	0	0	-7	-7	-7
Currency differences	-251	-1	-1	-30	-31	-283
Depreciation: continuing operations	-12,481	-3,081	-458	-3,422	-3,880	-19,442
Depreciation: discontinued operations	0	0	0	0	0	0
Disposals from scope of consolidation	0	0	0	0	0	0
Impairment	-388	0	0	0	0	-388
Carrying amount as of December 31, 2019	**73,542**	**3,545**	**1,575**	**11,523**	**13,098**	**90,185**

In the fiscal year. expenses relating to leases of low-value assets totaled EUR 101 thousand (previous year EUR 50 thousand). For short-term leases, there were expenses of EUR 726 thousand in the 2019 fiscal year (previous year: EUR 1,043 thousand).

4. Investments accounted for using the equity method

The Allgeier Group accounts for Talentry GmbH, Munich („Talentry“) at equity. Allgeier SE holds 33.34% of the shares in Talentry. Talentry develops and sells cloud-based enterprise software for recruiting employees using the contacts and social networks of existing and participating employees (staff recruit staff).

The Talentry result is to be allocated as follows:

Talentry GmbH (in EUR thousand)	2019	2018
Revenue	2,095	1,381
Depreciation and amortization	-85	-86
Profit or loss for the period	-3,330	-3,242
Total comprehensive income for the period	-3,330	-3,242
Share of the Allgeier Group in the result for the period	33.34 %	33.34 %
Share of the Allgeier Group in the result for the period	-1,110	-1,081

The at-equity carrying amount of Talentry is as follows:

Talentry GmbH (in EUR thousand)	December 31, 2019	December 31, 2018	January 1, 2018
Non-current assets	101	167	176
Current assets without cash and cash equivalents	561	335	111
Cash	252	3,075	170
Other current financial liabilities	-1,938	-1,271	-582
Net assets	-1,024	2,306	-125
Group's share in net assets in %	33.34 %	33.34 %	40.81 %
Group's share in net assets	-342	769	-51
Goodwill	3,009	3,009	3,683
At-equity carrying amount	2,667	3,778	3,632

5. Other financial assets

Other financial assets break down as follows:

Other financial assets (in EUR thousand)	December 31, 2019			December 31, 2018			January 1, 2018		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Security deposits	3,320	2,885	435	3,125	2,638	487	2,476	2,138	338
Interests in "Speedinvest"	2,495	2,495	0	1,474	1,474	0	985	985	0
Receivables from employees	851	0	851	1,016	0	1,016	1,044	0	1,044
Sureties	817	60	757	748	60	688	746	60	686
Derivative financial instruments	455	0	455	1,040	0	1,040	458	0	458
Receivables from loans	303	0	303	466	0	466	455	0	455
Creditors with debit balances	201	0	201	292	0	292	958	0	958
Loans to shareholders of mgm cp Hamburg (floating rate)	80	80	0	210	210	0	400	400	0
Loans from the disposal of former Group companies	17	0	17	625	300	325	900	600	300
Loans from the sale of Terna	0	0	0	2,120	0	2,120	2,127	2,127	0
Claims to the reimbursement of training costs from the participants of the GDE Group	0	0	0	20	0	20	865	0	865
Receivables from factoring	0	0	0	5	0	5	25	0	25
Loans to shareholders of mgm cp Hamburg (fixed rate)	0	0	0	0	0	0	283	0	283
Other	1,059	389	670	1,544	787	757	1,328	622	706
	9,598	5,909	3,689	12,685	5,469	7,216	13,050	6,932	6,118

The interest in „Speedinvest“ is an investment 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, EUR 1,800 thousand (previous year: EUR 1,400 thousand) was paid in by the end of the 2019 fiscal year. According to the quarterly report of December 31, 2019, the fair value of the „total value to paid-in capital“ calculated by the venture capital company was EUR 2,495 thousand as of the end of 2019 (previous year: EUR 1,474 thousand).

Other receivables from loans are interest-bearing. For most of these loans, fixed interest rates between 3% and 5% p.a. were agreed.

The remaining debt of the floating-rate loan to non-controlling shareholders of mgm cp, Hamburg, amounted to EUR 80 thousand as of December 31, 2019 (previous year: EUR 210 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 vendor loan granted in 2014 in connection with the sale of the Benelux Group still had a residual debt of EUR 17 thousand as of December 31, 2019 (previous year: EUR 625 thousand).

The loan taken up in 2015 was repaid in full in January 2019.

6. Other assets

Other assets are composed as follows:

Other assets (in EUR thousand)	December 31, 2019			December 31, 2018			January 01, 2018		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Prepayments and accrued income	7,751	485	7,266	6,035	530	5,505	4,180	257	3,923
VAT receivables	5,522	0	5,522	5,050	0	5,050	3,401	0	3,401
	13,273	485	12,788	11,085	530	10,555	7,581	257	7,324

7. Deferred taxes

Deferred tax assets and liabilities recognized on temporary differences between values for tax and financial reporting purposes, on consolidation measures through profit and loss, and on tax loss carry-forwards apply to the following balance sheet and income statement items as follows:

Deferred taxes (in EUR thousand)	December 31, 2019			December 31, 2018		
	Deferred tax assets	Deferred tax liabilities	Income statement	Deferred tax assets	Deferred tax liabilities	Income statement
Intangible assets	1,434	5,879	-262	1,494	5,872	466
Property, plant and equipment	306	130	-71	532	285	25
Investments accounted for using the equity method	0	0	0	0	0	57
Contract costs	0	186	81	0	267	21
Contract assets and liabilities	202	487	-5	73	353	56
Miscellaneous financial assets	339	46	353	325	385	-416
Provisions for post-employment benefits	840	0	-440	1,171	0	189
Other provisions	1,871	427	452	1,045	52	-176
Other financial liabilities	61	0	-212	273	0	196
Temporary differences and consolidations recognized though profit or loss	5,053	7,155	-104	4,913	7,214	418
Loss carryforwards	8,112	0	1,920	6,192	0	2,244
Impairment of loans to Group companies	0	0	0	0	0	1,086
Offsetting	-1,924	-1,924	0	-1,618	-1,618	0
	11,241	5,231	1,816	9,487	5,596	3,748

As of December 31, 2019, the Allgeier Group had corporate income tax loss carryforwards of EUR 60,547 thousand (previous year: EUR 49,508 thousand) and trade tax loss carryforwards of EUR 37,691 thousand (previous year: EUR 31,713 thousand). The Group has deferred tax assets totaling EUR 16,532 thousand (previous year: EUR 13,769 thousand). Of the deferred tax assets, EUR 8,112 thousand (previous year: EUR 6,192 thousand) were recognized as deferred tax assets and EUR 8,420 thousand (previous year: EUR 7,577 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. In the year under review, there was no full repayment of an impaired intercompany loan and thus no reversal of deferred tax liabilities affecting income (previous year: EUR 1,086 thousand).

Of the deferred tax assets, EUR 10,095 thousand (previous year: EUR 7,803 thousand) are current and of the deferred tax liabilities, EUR 2,359 thousand (previous year: EUR 2,630 thousand) are current. Current deferred taxes are reported within non-current assets and non-current liabilities.

8. Inventories

Inventories break down as follows:

Inventories (in EUR thousand)	December 31, 2019	December 31, 2018	January 01, 2018
Raw materials and supplies	69	111	54
Merchandise	147	379	448
Other	12	22	11
	228	512	513

No impairment losses are recognized on inventories. In the 2019 financial year, the cost of purchased materials for inventories amounted to EUR 5,877 thousand (previous year: EUR 3,054 thousand).

9. Contract costs

Amortization of EUR 245 thousand (previous year: EUR 155 thousand) was recognized on capitalized contract costs in connection with customer projects. No impairment losses were recognized on capitalized contract costs.

10. Contract assets and liabilities

Contract assets and liabilities as of the reporting dates were as follows:

Contract assets and liabilities (in EUR thousand)	December 31, 2019			December 31, 2018			January 01, 2018		
	Total	of which: non-current	of which: current	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	14,030	0	14,030	6,902	0	6,902	4,448	0	4,448
Contract assets	14,030	0	14,030	6,902	0	6,902	4,448	0	4,448
Customer projects measured according to the percentage-of-completion method	5,589	0	5,589	2,410	0	2,410	2,404	0	2,404
Accruals and deferred income	5,583	129	5,454	5,046	129	4,917	5,018	191	4,827
Other timing differences between revenue recognition and customer billing	324	283	41	235	235	0	11	0	11
Contract liabilities	11,496	412	11,084	7,691	364	7,327	7,433	191	7,242

Contract assets and liabilities developed as follows:

Contract assets and liabilities (in EUR thousand)	Contract assets	Contract liabilities
As of January 01, 2018	4,448	7,433
Currency effect	62	58
Addition due to business combinations	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 business combinations	0	-532
As of December 31, 2018	6,902	7,691
Currency effect	16	22
Addition due to business combinations	15	81
Revenue recognition	14,022	-7,347
Reclassification to trade receivables	-6,925	0
Advance payments received from customers	0	11,049
Disposal due to business combinations	0	0
As of December 31, 2019	14,030	11,496

Revenue includes EUR 7,336 thousand (previous year: EUR 7,213 thousand), which was reported under contract liabilities at the beginning of the fiscal year.

11. Trade receivables

Trade receivables are composed as follows:

Trade receivables (in EUR thousand)	December 31, 2019	December 31, 2018	January 01, 2018
Customer receivables	159,066	174,054	142,245
Factoring	-20,423	-28,888	-26,743
Impairment of customer receivables	-4,565	-4,624	-3,383
	134,078	140,542	112,119

For financing customer receivables the Allgeier Group has a factoring volume of EUR 60 million (previous year: EUR 50 million). The Allgeier Group recognizes factoring „off-balance“ after the entire default risk of the sold receivables are transferred to the credit insurer where the receivables are insured, with the exception of receivables from public sector clients. 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 as a result of ongoing negative short-term interest rates.

As of December 31, 2019, EUR 32,339 thousand (previous year: EUR 45,747 thousand) of this volume had been used. Of this amount, a portion of EUR 20,423 thousand (previous year: EUR 28,888 thousand) was offset against trade receivables and the remaining portion of EUR 11,916 thousand (previous year: EUR 14,104 thousand) paid by customers was recognized under financial liabilities.

12. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

Cash and cash equivalents (in EUR thousand)	December 31, 2019	December 31, 2018	January 01, 2018
Bank balances	97,360	76,962	52,942
Cash balances	27	33	55
	97,387	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. Demand deposits are not subject to the risk of fluctuations in value, or subject to such risk only to an insignificant extent. Cash and cash equivalents are part of the funds of the Allgeier Group.

Cash and cash equivalents include bank balances of EUR 977 thousand (previous year: EUR 265 thousand) which cannot be accessed due to deposited collateral. Bank balances at the Chinese companies of EUR 1,822 thousand (previous year: EUR 1,459 thousand) are subject to transfer restrictions to Germany.

13. Subscribed capital

The subscribed capital of Allgeier SE on the reporting date of December 31, 2019 of EUR 11,289,000.00 (previous year: EUR 10,088,649.00) was divided into 11,289,000 no-par bearer shares. Each share has a notional share in the share capital of EUR 1.00. All the company‘s no-par shares are of the same class. The shares are fully paid in.

In the 2019 financial year, the subscribed capital of Allgeier SE was increased on June 13, 2019 by 997,864 shares on the basis of a capital increase against cash contributions with shareholders’ statutory pre-emptive rights disapplied and the allocation of 202,487 new registered shares from Contingent Capital 2010 (subscription shares).

In Xetra trading on the Frankfurt Stock Exchange, on December 30, 2019 the closing price of the Allgeier SE share was EUR 33.90. In the previous year, the share closed on December 28, 2018 at EUR 25.10.

Authorized capital

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 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 disapply shareholders’ statutory pre-emptive rights in the following cases:

- for a rights issue for fractional amounts resulting from the subscription ratio.
- for a capital increase against non-cash contributions to (indirectly) acquire companies, parts of companies, investments in companies or other assets if the purchase is in the interest of the company;
- a capital increase against cash 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 stock 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 contributions, disapplying the pre-emptive rights, calculated in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), must not exceed 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 utilized. Shares that fall within this restriction are shares issued or sold during the term of this authorization until the time they are utilized in direct or appropriate application of this regulation, as well as shares that must be issued or granted due to issuing convertible bonds or bonds with warrants during the term of this authorization, disapplying the pre-emptive rights in accordance with Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG).

The company increased its share capital by EUR 997,864.00 from EUR 10,088,649.00 to EUR 11,086,513.00, partially utilizing Authorized Capital 2018, by issuing 997,864 registered shares against cash contributions with shareholders' statutory pre-emptive rights disapplied. The new shares are entitled to dividends from January 1, 2019.

After partial utilization, authorized capital from June 29, 2018 (Authorized Capital 2018/I) amounted to EUR 3,991,460.00 as of December 31, 2019.

Contingent capital

By resolution of the Annual General Meeting on June 17, 2010, amended by resolutions of the Annual General Meetings on June 17, 2014 and June 28, 2017, and the issue of 312,487 new no-par value registered shares from Contingent Capital 2010 (subscription shares), as of December 31, 2019 the share capital of the company was contingently increased by up to EUR 147,513.00 (Contingent Capital 2010). Contingent Capital 2010 serves to service up to 147,513 open options to issue up to 147,513 new no-par value registered shares.

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 contingently increased by up to EUR 140,000.00 through the issue of up to 140,000 new no-par value registered shares (Contingent Capital 2014). The Contingent Capital 2014 is intended to service 140,000 options under the 2014 Stock Option Plan that can be granted by the company until June 16, 2019. The company granted 140,000 option rights in the 2017 fiscal year.

By resolution of the Annual General Meeting on June 28, 2017, the share capital of the company is contingently increased by up to EUR 3,500,000.00 through issue of up to 3,500,000 new no-par registered shares (Contingent Capital 2014). The Contingent 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.

By resolution of the Annual General Meeting on June 29, 2018, the share capital of the company is contingently increased by up to EUR 340,000.00 through issue of up to 340,000 new no-par registered shares (Contingent Capital 2018). The Contingent Capital 2018 is intended to service 340,000 options under the 2018 Stock Option Plan that can be granted by the company until June 28, 2023. The company has not yet granted any corresponding option rights.

14. Capital reserves

The Group's capital reserves changed as follows:

Capital reserves (in EUR thousand)	2019	2018
Capital reserves as of January 1	33,592	32,214
Capital increase	22,951	0
Costs of the capital increase	-472	0
Exercise of stock options	1,713	942
Valuation adjustment of stock options in accordance with IFRS	222	436
Capital reserves as of December 31	**58,006**	**33,592**

15. Earnings reserves

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

16. Treasury shares

The Annual General Meeting of Allgeier SE on June 28, 2019 authorized the Management Board to acquire treasury shares until June 28, 2023 with a volume of up to 997,864 shares (10 percent 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 percent of the share capital. However, no use was made of this authorization in the 2019 fiscal year. The number of treasury shares declined by 45,848 to 105,351 with a carrying amount of EUR 786 thousand. This occurred as a result of transferring 45,858 shares to the seller of Nagarro Inc. Until their release, the relevant shares were 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. Valuation of the portfolio at the closing price on December 31, 2019 (closing price on December 30, 2019 in Xetra trading on the Frankfurt Stock Exchange) of EUR 33.90 per share, results in a fair value of EUR 3,571 thousand and thus hidden reserves in treasury shares of EUR 2,785 thousand.

As of December 31, 2019, 0.93% (previous year: 1.50%) of the share capital consisted of treasury shares. Treasury shares are not entitled to dividends.

17. Profit carryforward

The Group's profit carried forward developed as follows:

Profit carryforward (in EUR thousand)	2019	2018 restated
Profit carried forward on January 01	65,494	68,671
Result for the previous year	5,857	1,737
Distribution to shareholders of Allgeier SE	-4,994	-4,914
Profit carried forward on December 31	**66,357**	**65,494**

The previous year's profit for the period attributable to the shareholders of Allgeier SE of EUR 5,857 thousand (previous year: EUR 1,737 thousand) was transferred to profit carried forward in line with the Annual General Meeting resolution on 28 June 2019.

On June 28, 2019, the Annual General Meeting of Allgeier SE approved a profit distribution of EUR 0.50 per share (previous year: EUR 0.50 per share). The distribution amounted to EUR 4,994 thousand (previous year: EUR 4,914 thousand). 9,979,771 shares were entitled to a dividend (previous year: 9,827,450 shares).

18. 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 (in EUR thousand)	December 31, 2019	December 31, 2018 restated	January 01, 2018 restated
Recognized as OCI in the statement of comprehensive income:			
Currency differences	8,711	7,279	5,365
Actuarial gains and losses	-1,007	-582	-530
	7,704	6,697	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 participation program	-6,722	-6,319	-6,329
Sale of shares in AES SPP GmbH as part of an employee participation program	119	119	0
Proportional acquisition of subsidiaries using treasury shares	1,960	1,960	1,960
Purchase of shares of non-controlling interests below carrying amount	696	696	696
Purchase of shares of non-controlling interests above carrying amount	-7,606	-6,316	-6,316
First-time adoption of IFRS 16	-3,207	-3,207	-3,207
	-14,760	-13,067	-13,196
	-7,056	-6,370	-8,361

19. Equity interest of non-controlling interests

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

Equity interest of non-controlling interests (in EUR thousand)	2019	2018 restated
Balance as of January 01	21,315	15,138
Sale of shares in non-controlling shareholders of AES SPP GmbH	0	12
Payment on the minority interest of AES SPP GmbH	250	0
Disposal of equity interests in SAP Group of Allgeier Group to non-controlling interests under the AES SPP program	0	-67
Sale of shares to non-controlling interests of iQuest SPP GmbH	0	10
Addition of non-controlling interests from the acquisition of iQuest Holding GmbH	0	5,732
Acquisitions of shares from non-controlling interests of iQuest Holding GmbH	-1,142	0
Change of shares of former non-controlling shareholders of Nagarro Holding GmbH	342	-28
Result for the period attributed to non-controlling shareholders	3,578	2,314
Share in exchange rate changes recognized in equity	90	123
Share of actuarial gains recognized in equity	-82	-51
Distributions to non-controlling shareholders	-1,463	-1,868
Balance on December 31	22,888	21,315

In the 2019 fiscal year, Allgeier Project Solutions GmbH acquired shares from non-controlling shareholders of iQuest SPP GmbH and iQuest Holding GmbH. Thus Allgeier Project Solutions increased its interest in iQuest SPP GmbH from 61.08% to 67.56% and in iQuest Holding GmbH from 66.67% to 73.59%, resulting in the effective interest in the iQuest Group increasing from 60.82% to 68.72%. For the shares in iQuest SPP GmbH EUR 1,620 was agreed as purchase price and for the shares in iQuest Holding GmbH EUR 2,430 thousand. With the acquisition, equity shares of the non-controlling shareholders of EUR 1,142 thousand were reclassified into changes in equity not impacting profit and loss.

Employees left the Nagarro Group's employee participation program in the 2019 fiscal year, and shares were issued to employees included in the program for the first time. This increased the interest held by employees in Nagarro Holding GmbH to 16.17% (previous year: 15.57%). Allgeier Project Solutions GmbH paid a purchase price of EUR 109 thousand for the acquisition of the shares (previous year: EUR 17 thousand). For shares issued to employees included in the program for the first time, Allgeier Project Solutions received EUR 47 thousand. As a result, the non-controlling interest in equity increased by EUR 342 thousand (previous year: decrease of EUR 28 thousand). The program stipulates that 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 425 thousand (previous year: EUR 662 thousand) of the unappropriated net profit as of December 31, 2018 to non-controlling shareholders of the Allgeier Group in the 2019 fiscal year. Under the profit and loss transfer agreement concluded in 2018, a share in profits of EUR 1,038 thousand (previous year: EUR 1,207 thousand) is allocated to the non-controlling shareholders of mgm tp Munich. These amounts are paid out in the subsequent fiscal year.

20. Financial liabilities

Financial liabilities are composed as follows:

Financial liabilities (in EUR thousand)	December 31, 2019			December 31, 2018		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Syndicated loan	145,000	145,000	0	145,000	145,000	0
Deferred one-time costs related to the syndicated loan	-1,306	-970	-336	-627	-462	-165
Borrower's note loan	5,500	5,500	0	19,000	5,500	13,500
Deferred one-time costs related to the borrower's note loan	-21	-10	-11	-49	-22	-27
Liabilities from factoring customer receivables	11,916	0	11,916	14,104	0	14,104
Overdraft facility of Nagarro Software Pvt. Ltd. and Nagarro Enterprise Services Pvt. Ltd.	3,310	0	3,310	3,449	0	3,449
Bank loans of Nagarro Software srl	245	198	47	0	0	0
Bank loans of iQuest Technologies SRL	232	0	232	582	233	349
Mortgage of Nagarro Enterprise Services Pvt. Ltd.	0	0	0	156	0	156
Car loan of Allgeier Engineering Czech s.r.o.	0	0	0	62	49	13
Other	57	46	11	0	0	0
	164,933	149,764	15,169	181,677	150,298	31,379

To finance the Allgeier Group, Allgeier SE concluded a new syndicated credit facility in the 2019 fiscal year. The credit facility, which can be deployed on a flexible basis, is for up to EUR 228 million. The term is five years and can be extended twice by one year. Unchanged to the previous year, EUR 145 million of the syndicated credit facility had been drawn down as of the end of 2019. The loan bears interest based on Euribor (floor at 0.0%) plus a margin depending on key financial ratios. The interest rate at the end of 2019 was 1.6% p.a. (previous year: 1.8% p.a.). The syndicated credit facility was issued with one-off costs of EUR 858 thousand accrued over the term of the loan.

In the 2019 fiscal year, the Allgeier SE repaid two tranches of EUR 13.5 million from the borrower's note loans. This means that as of December 31, 2019, a tranche of EUR 5.5 million remained, which is due for repayment in December 2021. This tranche has a fixed interest rate of 2.33% p.a. The syndicated facility resulted in one-off costs to be 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, 2019, these liabilities amounted to EUR 14,861 thousand (previous year: EUR 14,104 thousand). The liabilities have floating interest rates and were carried at interest of 0.87% p.a. at the end of 2019 (previous year: 0.94% p.a.).

Nagarro Software Pvt. Ltd. and Nagarro Enterprise Services Pvt. Ltd., Jaipur, India use term loans denominated in euro at a local bank to finance working capital fluctuations. As of the reporting date, these term loans denominated in euro totaled EUR 3,310 thousand (previous year: EUR 3,449 thousand). These loans will be repaid in the first six months of 2020. As of the end of 2019, the loans have an interest rate of 1.65% p.a. and 1.9% p.a.

In the 2017 fiscal year, iQuest Technologies srl, Cluj-Napoca, Romania, took out a bank loan totaling EUR 1,045 thousand. This loan is being repaid in equal monthly installments to August 2020. The loan has a floating interest rate based on 1-month Euribor plus a margin of 1.6%, with a minimum interest rate of 1.6%. As of December 31, 2019, the remaining amount from this loan was EUR 232 thousand (previous year: EUR 582 thousand).

In November 2019, Nagarro Software srl, Timisoara, Romania, concluded a bank loan to finance investments in a new office building. The loan has a duration to October 2024 and will be repaid in equal monthly installments. The loan has a floating interest rate based on 6-month Euribor plus a margin of 2.5 percentage points, with a minimum interest rate of 2.5% 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 committed themselves within the framework of loans and credit agreements were complied with.

21. Lease liabilities

Lease liabilities developed as follows:

Lease liabilities (in EUR thousand)

	December 31, 2019			December 31, 2018 restated			January 01, 2018 restated		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Properties	79,736	66,447	13,289	55,160	45,194	9,967	40,589	33,890	6,700
Motor vehicles	3,679	1,393	2,286	4,907	2,174	2,733	5,089	2,676	2,414
Operating and office equipment	13,550	10,389	3,162	8,736	6,223	2,513	4,153	2,520	1,634
	96,966	78,229	18,737	68,803	53,591	15,212	49,832	39,085	10,747

In the 2019 fiscal year, payments were made on leases amounting to EUR 21,793 thousand (previous year: EUR 15,145 thousand).

22. Provisions for post-employment benefits

To cover post-employment benefit obligations, the Allgeier Group recognized provisions of EUR 5,296 thousand as of December 31, 2019 (previous year: EUR 3,924 thousand). These amounts are reconciled as follows:

Provisions for post-employment benefits (in EUR thousand)

	2019			2018		
	Germany	India	Total	Germany	India	Total
Reconciliation of present value of the defined benefit obligation:						
Present value of the defined benefit obligation on January 01	1,046	3,171	4,217	958	2,516	3,474
Current service cost	31	803	834	28	678	706
Interest cost	19	219	238	18	161	179
Actuarial gains or losses	131	485	616	66	106	172
Benefits paid	-24	-287	-311	-24	-200	-224
Currency	0	3	3	0	-90	-90
Present value of the defined benefit obligation on December 31	1,203	4,394	5,597	1,046	3,171	4,217
Reconciliation of plan assets:						
Plan assets at fair value on January 01	293	0	293	285	0	285
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	301	0	301	293	0	293
Net obligation on December 31	902	4,394	5,296	753	3,171	3,924
of which: non-current	883	3,815	4,698	734	2,767	3,501
of which: current	19	579	598	19	404	423

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 net benefit obligations (in EUR thousand)						
			2019			2018
	Germany	India	Total	Germany	India	Total
Staff costs						
Current service cost	31	803	834	28	603	631
Past service cost	0	0	0	0	75	75
Staff costs	31	803	834	28	678	706
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
Financial expenses						
Interest cost	19	219	238	18	161	179
Income on plan assets (can be offset)	-5	0	-5	-5	0	-5
Interest and similar expenses	14	219	233	13	161	174
Recognized in profit and loss	45	1,022	1,067	41	839	880
Gain/loss from remeasurement of pension obligations						
due to changes in demographic assumptions	0	0	0	16	0	16
due to changes in financial assumptions	71	192	263	0	-24	-24
due to experience adjustments	60	293	353	49	130	179
Income/expenses on plan assets without interest income	0	0	0	0	0	0
Included in other comprehensive income	131	485	616	65	106	171

Pension obligations (Germany)

As of December 31, 2019, 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 have retired. 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 completely 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 2020 (previous year: EUR 9 thousand).

The weighted average expected term of the defined benefit pension obligations as of December 31, 2019 is as follows:

Defined benefit pension obligations			
	Active employees	Retired persons	Total
As of December 31, 2018	8.8	9.3	9.0
As of December 31, 2019	8.4	9.4	8.7

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, 2019, the average expected length of service until an employee leaves the company was 5.0 years (previous year: 5.0 years).

Sensitivity analysis

As a result of 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 high-quality corporate bonds. If the return on plan assets is lower than this interest rate, the pension plan is underfunded.
Interest rate 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 present value of defined benefit obligations and for change risks are the calculated interest rate, the expected annual salary increases for commitments linked to remuneration (salary trend), as well as for pension commitments the annual increase in current pensions (pension trend). On the assumption that the remaining parameters are constant, the present value of the defined benefit obligations on December 31, 2019 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)	-109	98	-221	245	-330	343
Wage trend (1.00% change)	0	0	221	-208	221	-208
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 21 thousand) were paid for defined contribution plans in the fiscal year under review.

23. Other financial liabilities

Other financial liabilities are composed as follows:

Other financial liabilities (in EUR thousand)

	December 31, 2019			December 31, 2018 restated			January 01, 2018 restated		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Original variable purchase price liabilities from business combinations, where the actual amount is not yet known	13,988	0	13,988	1,557	0	1,557	1,384	0	1,384
Liabilities from wages and salaries	11,119	0	11,119	8,898	0	8,898	7,438	0	7,438
Variable purchase price liabilities from business combinations, where the actual amount is not yet known	10,732	10,732	0	27,664	26,355	1,309	1,298	977	321
Leave entitlements	9,180	1,011	8,169	8,347	697	7,650	6,036	634	5,402
Outstanding incoming invoices	5,301	0	5,301	4,535	0	4,535	5,736	0	5,736
Social security liabilities	4,043	0	4,043	3,562	0	3,562	692	0	692
Working time accounts	1,147	0	1,147	1,130	0	1,130	1,016	0	1,016
Profit transfer from profit shares of non-controlling shareholders of mgm tp Munich	1,038	0	1,038	1,207	0	1,207	0	0	0
Derivative financial instruments	404	0	404	314	0	314	254	0	254
Customers with credit balances	256	0	256	224	0	224	85	0	85
Liabilities from finance leases	0	0	0	0	0	0	0	0	0
Fixed purchase price of GRC Partner GmbH acquired in December 2018	0	0	0	3,750	0	3,750	0	0	0
Purchase price liability from the call option to acquire the remaining shares of Allgeier Productivity Solutions GmbH	0	0	0	300	0	300	800	0	800
Other	1,692	1,114	578	2,026	773	1,253	1,537	524	1,013
	58,900	**12,857**	**46,043**	**63,514**	**27,825**	**35,689**	**26,276**	**2,135**	**24,141**

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 budget planning of the companies as well as the agreements concluded between the parties. In the future, if 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 expenses or revenue 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 0.58% (previous year: 1.28%) and 0.72% (previous year: 1.36%) were assumed for the measurement of liabilities as of December 31, 2019. The non-current purchase price liabilities of EUR 10,732 thousand (previous year: EUR 26,355 thousand) are based on a total nominal value of EUR 10,824 thousand (previous year: EUR 26,898 thousand). Other non-current financial liabilities have terms of between one and five years.

Obligations arising from vacation days not yet taken and granted to employees of Allgeier companies as of the reporting date are recognized as vacation obligations. Expenditure per vacation day is calculated according to the individual average salary (excluding one-time payments) of the employees in the fiscal year under review, including social security contributions. Claims for vacation days of the subsequent year were neither capitalized nor offset in liabilities.

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

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 measured at the individual average salaries of the employees, including social costs, excluding vacation, sick leave, public holidays and one-off payments.

24. Other provisions

Other provisions are composed as follows:

Other provisions (in EUR thousand)

	December 31, 2019			December 31, 2018 restated			January 01, 2018 restated		
	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current	Total	of which: non-current	of which: current
Royalties and bonuses	16,948	0	16,948	14,446	0	14,446	11,148	0	11,148
Preparation and audit of annual financial statements	1,596	0	1,596	1,360	0	1,360	1,091	0	1,091
Employers' liability insurance association	814	0	814	817	0	817	698	0	698
Restructuring, severance pay	824	0	824	615	0	615	274	0	274
Retention	401	334	67	381	317	64	371	294	77
Warranties	221	0	221	626	0	626	303	0	303
Disability levy	235	0	235	285	0	285	243	0	243
Other	1,832	236	1,595	1,408	241	1,167	1,274	0	1,274
	22,871	**571**	**22,300**	**19,938**	**558**	**19,380**	**15,402**	**294**	**15,108**

Other provisions developed as follows in the 2019 fiscal year:

Other provisions (in EUR thousand)

	As of Dec. 31, 2018	Consumption	Reversal	Disposal from the scope of consolidation	Addition	Unwinding of discount	Currency effects	As of Dec. 31, 2019
Royalties and bonuses	14.446	-18,204	-177	-105	20,988	0	0	16,948
Preparation and audit of annual financial statements	1.360	-1,050	-106	-1	1,392	0	1	1,596
Employers' liability insurance association	817	-825	-13	0	835	0	0	814
Restructuring, severance pay	615	-483	-104	0	796	0	0	824
Retention	381	-13	-3	0	36	1	0	401
Warranties	626	-304	-102	0	0	0	0	221
Disability levy	285	-279	-6	0	236	0	0	235
Other	1.408	-985	-58	0	1,474	0	-7	1,832
	19,938	**-22,143**	**-570**	**-106**	**25,757**	**1**	**-6**	**22,871**

The provision for royalties and bonuses is recognized for agreed performance-based remuneration 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 retention provision covers the cost for statutory retention 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.

Compounding non-current provisions resulted in an expense of EUR 1 thousand (previous year: expense of EUR 3 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.

25. Other liabilities

Other liabilities are composed as follows:

Other liabilities (in EUR thousand)

	December 31, 2019	December 31, 2018	January 01, 2018
Liabilities from VAT	5,632	7,352	8,506
Other	22	64	24
	5,654	**7,416**	**8,530**

26. Financial instruments

Fair values

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

Carrying amounts and fair values of financial instruments (in EUR thousand)

					Carrying amounts				Fair values
December 31, 2019	Hedging instruments	Recognized at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:									
Foreign exchange forward transactions	455	0	0	0	455	0	455	0	455
Other financial assets	0	2,495	0	0	2,495	0	2,495	0	2,495
	455	**2,495**	**0**	**0**	**2,950**	**0**	**2,950**	**0**	**2,950**
Financial assets recognized at amortized cost:									
Trade receivables	0	0	134,078	0	134,078				134,078
Other financial assets	0	0	6,648	0	6,648				6,648
Cash and cash equivalents	0	0	97,387	0	97,387				97,387
	0	**0**	**238,113**	**0**	**238,113**				**238,113**
Financial assets	**455**	**2,495**	**238,113**	**0**	**241,063**				**241,063**
Financial liabilities measured at fair value through profit or loss:									
Contingent purchase price liabilities	0	24,721	0	0	24,721	0	0	24,721	24,721
Foreign exchange forward transactions	404	0	0	0	404	0	404	0	404
	404	**24,721**	**0**	**0**	**25,125**	**0**	**404**	**24,721**	**25,125**
Financial liabilities recognized at amortized cost:									
Financial liabilities	0	0	0	164,933	164,933				164,933
Trade payables	0	0	0	35,557	35,557				35,557
Leases	0	0	0	96,966	96,966				96,966
Other financial liabilities	0	0	0	33,775	33,775				33,775
	0	**0**	**0**	**331,231**	**331,231**				**331,231**
Financial liabilities	**404**	**24,721**	**0**	**331,231**	**356,356**				**356,356**

Carrying amounts and fair values of financial instruments (in EUR thousand)

					Carrying amounts				Fair values
December 31, 2018 restated	**Hedging instruments**	**Recognized at fair value**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss:									
Foreign exchange forward transactions	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 measured 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 forward transactions	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	68,803	68,803				68,803
Other financial liabilities	0	0	0	34,559	34,559				34,559
	0	0	0	322,034	322,034				322,034
Financial liabilities	314	28,642	0	322,034	350,990				350,990

Carrying amounts and fair values of financial instruments (in EUR thousand)

					Carrying amounts				Fair values
January 01, 2018 restated	**Hedging instruments**	**Recognized at fair value**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:									
Foreign exchange forward transactions	458	0	0	0	458	0	458	0	458
Other financial assets	0	985	0	0	985	0	985	0	985
	458	985	0	0	1,443	0	1,443	0	1,443
Financial assets not measured 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	985	176,722	0	178,165				178,165
Financial liabilities measured at fair value:									
Contingent purchase price liabilities	0	2,727	0	0	2,727	0	0	2,727	2,727
Foreign exchange forward transactions	254	0	0	0	254	0	254	0	254
	254	2,727	0	0	2,981	0	254	2,727	2,981
Financial liabilities not measured 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	49,832	49,832				49,832
Other financial liabilities	0	0	0	23,294	23,294				23,294
	0	0	0	215,740	215,740				215,740
Financial liabilities	254	2,727	0	215,740	218,721				218,721

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

For determining the fair value of assets and liabilities, if 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 measurement hierarchy:

Level 1: Prices for identical assets and liabilities are used that are available in active markets.
Level 2: Other measurement 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: Measurement factors are used that are not based on observable market data

There were no reclassifications between the measurement 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:

Contingent purchase price liabilities measured at fair value (in EUR thousand)	
As of January 01, 2018	**2,727**
Additions	26,298
Fair value changes recognized as expense 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
As of December 31, 2018	**28,642**
Additions	2,446
Fair value changes recognized as expense through profit or loss	1,839
Fair value changes recognized as income through profit or loss	-7,143
Disposals due to payments	-2,045
Interest effect	502
Currency differences	480
As of December 31, 2019	**24,721**

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 2019 fiscal year, purchase price shares from the acquisition of Objectiva amounting to EUR 7 thousand were derecognized in profit and loss. EUR 1,765 thousand in expenses for purchase price components recognized in profit and loss refer to fulfilling purchase price components related to service agreements from the acquisition of secion, GRC Partner and Farabi/S4M, and EUR 75 thousand to settling the last purchase price component from the acquisition of Allgeier Engineering GmbH.

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 revenue of secion relevant to earn-out by 10% relative to plan	-10	10
Change in Farabi/SM4 contribution margin relevant to earn-out by 10% relative to plan	0	0
Change of 10% in the USD exchange rate relevant for the translation of the earn-out of Farabi and S4M	-218	179
Change of 10% in the USD exchange rate relevant for the translation of the earn-out of Objectiva	-1,786	1,461
Change in the discount rate by 1%	9	-9

Derivative financial instruments

The Allgeier Group concludes foreign exchange forward transactions to hedge foreign currency risks of future cash flows. When the contract is concluded, it is determined whether the derivative is designated as a cash flow hedge.

In the Nagarro Group, the euro (EUR) and US dollar (USD), the Swedish krone (SEK), the British pound (AUD) and the Australian dollar (AUD) are the currencies that are primarily used to invoice customers for services provided while purchasing costs (staff costs and the purchase of third-party services) are incurred in Indian rupees (INR). In each case the maturity of the foreign exchange forward transactions 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.

The foreign exchange forward transactions are as follows:

Foreign exchange forward transactions	December 31, 2019			December 31, 2018		
	Nominal amount	Assets (in EUR thousand)	Equity and liabilities (in EUR thousand)	Nominal amount	Assets (in EUR thousand)	Equity and liabilities (in EUR thousand)
INR / USD	USD 40,070 thousand	332	90	USD 25,580 thousand	375	311
INR / EUR	EUR 12,255 thousand	119	69	EUR 12,012 thousand	534	0
INR / SEK	SEK 59,475 thousand	4	193	SEK 25,860 thousand	87	3
INR / GBP	GBP 1,114 thousand	0	49	GBP 627 thousand	44	0
INR / AUD	AUD 285 thousand	0	3	0 AUD	0	0
		455	**404**		**1,040**	**314**

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

The following sensitivity analysis shows the effects of foreign exchange forward 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.

Effects of foreign exchange forward transactions (in EUR thousand)

	Income statement		Equity	
	5% increase	5% decrease	5% increase	5% decrease
INR	2,761	-2,761	2,761	-2,761
USD	-1,879	1,879	-1,879	1,879
SEK	-285	285	-285	285
GBP	-65	65	-65	65
AUD	-9	9	-9	9

Financial assets include an interest 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 through profit or loss (FVTPL)“ (previous year: „available for sale“). Of the total capital commitment of EUR 2,000 thousand, EUR 1,800 thousand (previous year: EUR 1,400 thousand) was paid in by the end of the 2019 fiscal year. According to the quarterly report as of December 31, 2019, the fair value of the „total value to paid-in capital“ calculated by the venture capital company was EUR 2,495 thousand (previous year: EUR 1,474 thousand).

Net gains and losses from financial instruments

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

Net gains and losses from financial instruments (in EUR thousand)

	2019					2018 restated				
	Other operating income	Other operating expenses	Finance income	Financial expenses	Total	Other operating income	Other operating expenses	Finance income	Financial expenses	Total
Cash in hand	0	0	119	0	119	0	0	158	0	158
Loans and receivables	1,385	-2,753	27	0	-1,341	942	-3,198	325	0	-1,931
of which impairments	0	-1,649	0		-1,649	0	-1,985	0	0	-1,985
Other financial assets	0	0	621	0	621	0	0	126	0	126
Factoring	0	0	0	-206	-206	0	0	14	-311	-297
Derivative financial instruments	0	-656	0	0	-656	547	-104	0	0	443
Securities	0	0	0	0	0	0	0	0	0	0
Leases	0	0	0	-3,335	-3,335	0	0	0	-2,811	-2,811
Financial liabilities at fair value	7,143	-1,840	0	-502	4,801	500	-149	0	-312	39
Other liabilities	0	-1,114	0	-3,370	-4,484	0	-805	0	-2,370	-3,175
Total net gain/loss from financial instruments	8,528	-6,363	767	-7,413	-4,481	1,989	-4,256	623	-5,804	-7,448

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.

27. Revenue

For customer contracts whose original duration was at least one year, revenue is / was anticipated from performance obligations yet to be fulfilled as shown in the table below:

Expected revenue from outstanding performance obligations with an original contact period > 1 year (in EUR thousand)						
as of	Total	2019	2020	2021	2022	2023
December 31, 2019	46,462	-	18,630	10,764	9,376	7,692
December 31, 2018	8,038	3,890	1,659	1,659	830	0

Revenue relates to period-related services, 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) scheduled to be completed in the following year and the amount of which is derived from the open, firmly agreed order values in accordance with the updated order planning.

28. Other operating income

Other operating income is composed as follows:

Other operating income (in EUR)		Total	Discontinued operations		Continuing operations	
	2019	2018	2019	2018	2019	2018
Income from currency translation	3,708	1,141	4	6	3,704	1,135
Reversal of provisions	570	977	0	0	570	977
Consumption and reversal of value adjustments on receivables and defaults	1,255	815	0	0	1,255	815
Income from foreign exchange forward transactions	0	547	0	0	0	547
Reversals of liabilities from business combinations	7,144	500	0	0	7,144	500
Collection of derecognized receivables	130	127	0	0	130	127
Other	2,394	3,179	18	0	2,376	3,179
	15,201	7,286	22	6	15,179	7,280

29. Cost of materials

The cost of materials is composed as follows:

Cost of materials (in EUR)		Total	Discontinued operations		Continuing operations	
	2019	2018	2019	2018	2019	2018
Raw materials and supplies	19,443	21,048	3	199	19,440	20,849
Purchased services	200,854	197,947	133	171	200,721	197,776
	220,297	218,995	136	370	220,161	218,625

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

30. Staff costs

Staff costs are composed as follows:

Staff costs (in EUR)		Total	Discontinued operations		Continuing operations	
	2019	2018	2019	2018	2019	2018
Salaries and wages	356,185	291,035	867	1,013	355,318	290,022
Royalties and bonuses	29,518	24,199	127	34	29,391	24,165
Social insurance contributions	47,579	42,845	330	270	47,249	42,575
Taxation of employee remuneration in kind	-3,460	-3,372	0	-15	-3,460	-3,357
	429,822	354,707	1,324	1,302	428,498	353,405

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

Number of employees in the Allgeier Group by area of activity		Total	Discontinued operations		Continuing operations	
	2019	2018	2019	2018	2019	2018
Average:						
Working for customer orders	8,609	7,070	32	28	8,577	7,042
Working in other areas	1,515	1,464	2	2	1,513	1,462
	10,124	8,534	34	30	10,090	8,504
Reporting date:						
Working for customer orders	9,150	7,832	0	23	9,150	7,809
Working in other areas	1,439	1,605	0	3	1,439	1,602
	10,589	9,437	0	26	10,589	9,411

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 scope of consolidation in the month of disposal was included in the calculation in addition to the quarterly reporting dates.

Staff costs of EUR 556 thousand (previous year: EUR 612 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 aim to provide additional motivation to executives with remuneration 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, the share capital was contingently increased by EUR 1.00 per option right.

The originally issued stock options and the authorizations granted to the Management Board and the Supervisory Board to issue stock options are shown as follows:

Stock options	Contingent capital at issue	Options issued	Issue date
Stock Option Plan 2010	460000 EUR thousand	460,000	November 19, 2012
Stock Option Plan 2014	140000 EUR thousand	140,000	November 29, 2017
Stock Option Plan 2018	340000 EUR thousand	0	possible until June 28, 2023

According to the conditions of the two stock option plans the exercise price of the previously issued options corresponds to a premium of 10% on the average share price in the last five days before the options were granted. The options granted can be exercised no sooner than four years after they were issued (holding period). Subsequently exercising the options is generally limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures. The options are also subject to a 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 distributions 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 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 ongoing interest-bearing share return. 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	December 31, 2019	December 31, 2018	Issue date
Exercise price per share	EUR 9.46	EUR 9.51	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 2019 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 6 thousand in the 2019 financial year (previous year: EUR 24 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:

Parameters of the binomial model	December 31, 2019	December 31, 2018	Issue date
Exercise price per share	EUR 24.17	EUR 24.22	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 distributions resolved in the Annual General Meetings in the 2018 and 2019 fiscal years resulted in adjustments 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 824 thousand (previous year: EUR 822 thousand). Non-linear distribution over the four-year vesting period results in staff costs of EUR 216 thousand in the 2019 fiscal year (previous year: EUR 411 thousand).

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

Number of stock options	Stock Option Plan 2010		Stock Option Plan 2014	
	2019	2018	2019	2018
Balance as of January 1	350,000	460,000	140,000	140,000
Options granted	0	0	0	0
Options exercised	-202,487	-110,000	0	0
Options expired	0	0	0	0
Balance on December 31	147,513	350,000	140,000	140,000

The weighted average share price on the exercise date was EUR 25.63 for the stock options exercised in 2019 (previous year: EUR 30.30).

As of December 31, 2019, the stock option rights still outstanding 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 consisting of 340,000 option rights.

31. Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses (in EUR thousand)	Total		Discontinued operations		Continuing operations	
	2019	2018 restated	2019	2018	2019	2018 restated
Travel expenses	16,882	16,184	51	86	16,831	16,098
Vehicle costs	7,491	6,655	82	93	7,409	6,562
IT costs	6,125	4,014	51	23	6,074	3,991
Land and building costs	6,089	6,219	29	45	6,060	6,174
Other staff costs	5,737	5,765	48	41	5,689	5,724
Advertising expenses	4,497	4,081	24	33	4,473	4,048
Services	3,584	3,273	21	14	3,563	3,259
Communication expenses	3,444	2,844	14	15	3,430	2,829
Legal and consulting fees	3,242	4,767	0	1	3,242	4,766
Insurance, contributions	2,571	2,298	3	9	2,568	2,289
Maintenance	1,968	1,961	0	0	1,968	1,961
Exchange losses on payment transactions and reporting date translation	1,645	1,544	11	9	1,634	1,535
Costs for the annual financial statements	1,574	1,203	0	1	1,574	1,202
Entertainment expenses	1,262	892	0	2	1,262	890
Office supplies	1,171	1,005	48	25	1,123	980
Direct selling expenses	1,147	1,326		0	1,147	1,326
Finance charges	1,114	805	0	0	1,114	805
Supervisory Board remuneration	736	434	0	0	736	434
Expenses for foreign exchange forward transactions	656	104	0	0	656	104
Expenses from acquisition activities	308	1,628	0	0	308	1,628
Other	7,798	8,899	29	28	7,769	8,871
	79,041	75,901	411	425	78,630	75,476

Other operating expenses include fees for the auditor of the consolidated financial statements as of December 31, 2019 as follows:

Other operating expenses (in EUR thousand)	Total		Discontinued operations		Continuing operations	
	2019	2018	2019	2018	2019	2018
Audits of the annual financial statements	596	595	0	0	596	595
Tax consultancy services	88	151	0	0	88	151
Other services	112	134	0	0	112	134
Other assurance or valuation services	17	6	0	0	17	6
	813	886	0	0	813	886

32. Depreciation, amortization and impairment

Depreciation, amortization and impairment losses are composed as follows:

Depreciation, amortization and impairment (in EUR thousand)	Total		Discontinued operations		Continuing operations	
	2019	2018 restated	2019	2018	2019	2018 restated
Depreciation and amortization						
Rights of use of leases	19,441	14,080	0	0	19,441	14,080
Other equipment, operating and office equipment	5,268	4,495	53	23	5,215	4,472
Acquired customer relationships and customer lists	3,556	3,217	0	0	3,556	3,217
Internally generated intangible assets	1,577	1,135	0	0	1,577	1,135
Acquired software, licenses and rights	1,034	1,983	8	7	1,026	1,976
Acquired order backlogs	541	526	0	0	541	526
Acquired marketable products	400	274	0	0	400	274
Land and buildings	191	184	0	0	191	184
Acquired websites	3	9	0	0	3	9
	32,011	25,903	61	30	31,950	25,873
Impairment						
Rights of use of leases	388	0	0	0	388	0
Acquired software, licenses and rights	57	0	0	0	57	0
Acquired customer relationships and customer lists	0	235	0	0	0	235
Other equipment, operating and office equipment	0	33	0	0	0	33
Goodwill	0	9	0	0	0	9
	445	277	0	0	445	277
	32,456	26,180	61	30	32,395	26,150

33. Finance income

Finance income is composed as follows:

Finance income (in EUR thousand)	Total		Discontinued operations		Continuing operations	
	2019	2018	2019	2018	2019	2018
Interest income on security deposits	0	178	0	0	0	178
Interest income on bank balances	119	158	0	0	119	158
Income from Speedinvest shares	621	122	0	0	621	122
Interest income from vendor loans	27	146	0	0	27	146
Other finance income	53	126	-5	-4	59	130
	820	730	-5	-4	826	734

34. Financial expenses

Finance expenses are composed as follows:

Financial expenses (in EUR thousand)	Total		Discontinued operations		Continuing operations	
	2019	2018 restated	2019	2018	2019	2018 restated
Interest on bank loans and borrower's note loans	3,370	2,370	0	0	3,370	2,370
Factoring interest	206	311	0	0	206	311
Interest on finance leases	3,335	2,811	0	0	3,335	2,811
Compounded interest on non-current liabilities from business combinations	502	312	0	0	502	312
Interest portion of additions to pension provisions	14	13	0	0	14	13
Other interest expenses	56	51	0	0	56	51
	7,483	5,868	0	0	7,483	5,868

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

35. Net income from investments accounted for using the equity method

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

At-equity investments (in EUR thousand)	Total		Discontinued operations		Continuing operations	
	2019	2018	2019	2018	2019	2018
Pro rata annual result of Talentry	-1,110	-1,181	0	0	-1,110	-1,181
Goodwill adjustment due to dilution of Group interest in Talentry from 40.81% to 33.34%	0	-674	0	0	0	-674
Effect from lower participation in Talentry's capital increase	0	1,457	0	0	0	1,457
	-1,110	-398	0	0	-1,110	-398

36. Net income taxes

The income tax expense is composed as follows:

Net income taxes (in EUR thousand)	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
Current tax result	-13,274	-10,139	0	-48	-13,274	-10,187
Deferred tax result	1,816	3,750	0	-2	1,816	3,748
	-11,458	-6,389	0	-50	-11,458	-6,439

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	
	2019	2018	2019	2018	2019	2018
Earnings before income taxes	30,003	12,749	-161	113	29,842	12,862
Corporate tax rate	30.00 %	30.00 %	30.00 %	30.00 %	30.00 %	30.00 %
Expected income tax result	-9,001	-3,825	48	-34	-8,953	-3,859
Deviations due to tax rates	901	43	0	22	901	65
Changes in tax rates	-542	29	0	0	-542	29
Tax effects of non-deductible expenses	-916	-732	0	-38	-916	-770
Tax-free subsidiaries	790	500	0	0	790	500
Other tax-free income	66	23	0	0	66	23
Losses for which deferred tax assets were not recognized	-2,606	-2,702	-48	0	-2,654	-2,702
Use of loss carry-forwards for which deferred tax assets were not recognized	297	1,291	0	0	297	1,291
Reversal of impairments on deferred tax assets	3,055	51	0	0	3,055	51
Value adjustments on deferred tax assets	-1,980	-29	0	0	-1,980	-29
Impairment of goodwill	0	-3	0	0	0	-3
Adjustment of earn-out liabilities	1,262	-74	0	0	1,262	-74
Incidental acquisition costs not deductible for tax purposes	-55	-352	0	0	-55	-352
Internal Group restructuring	-876	-93	0	0	-876	-93
Internal Group distribution	-113	-22	0	0	-113	-22
Subsequent taxation of spin-off gains	-800	0	0	0	-800	0
Earnings impact of IFRS 16	-196	-252	0	0	-196	-252
Expenses for share-based payments (stock options)	-67	-131	0	0	-67	-131
At-equity valuation	-333	-102	0	0	-333	-102
Taxes applicable to other periods	-347	-69	0	0	-347	-69
Other deviations	3	60	0	0	3	60
Actual income tax result	-11,458	-6,389	0	-50	-11,458	-6,439
	38.2 %	50.1 %	0.0 %	44.2 %	38.4 %	50.1 %

On the income from the sale of Allgeier Engineering Czech s.r.o. amounting to EUR 327 thousand (gain from disposal previous year: EUR 1,747 thousand) there are no income taxes.

37. Earnings per share

The Allgeier Group achieved basic earnings per share of EUR 1.44 (previous year restated: EUR 0.59) in the 2019 fiscal year. EUR 1.42 of the result (previous year: EUR 0.41) is attributable to continuing operations and EUR 0.02 (previous year: EUR 0.18) 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 10,529,961 (previous year: 9,877,280).

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 25.04 (previous year: EUR 29.02). Dilution exists if the value of the 147,513 shares which have not been exercised under the Stock Option Program 2010 exceeds the value of the consideration (exercise price) of EUR 9.46 (previous year: EUR 9.51) 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 24.17 per share. This is calculated on the basis of the issue of 199,697 bonus shares (previous year: 298,883 shares).

The number of shares is composed as follows:

Number of shares		
	December 31, 2018	December 31, 2019
Shares outstanding	9,937.450	11,183.649
Treasury shares	151,199	105,351
	10,088.649	11,289.000

The Management Board regards dividend continuity as an important objective. The 2019 fiscal year was very successful for the Allgeier Group, so that in principle proposing a dividend at the level of the previous year is possible. However, in view of the current developments as a result of the global spread of the SARS-CoV2 virus, the Management Board is exercising caution and is proposing carrying forward the unappropriated net income for 2019. The overriding objective must be to secure liquidity and the jobs in the company. Due to the limited predictability of the development, the Management Board will re-evaluate this decision directly before convening the Annual General Meeting, before making a final recommendation.

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 added, and consist of independent companies. The accounting and valuation methods of the Group apply to the segments. With the Allgeier CORE Group, Allgeier Education GmbH, Allgeier Experts Medical GmbH 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 digitalization of training in virtual classrooms and the HR management consultancy business.

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 provider for personnel – supplemented by strong project expertise – the segment offers clients a varied portfolio for the most rigorous demands. 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) and provision of permanently employed IT professionals, experts and executives (personnel leasing).

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 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.

Group segment reporting for the period January 1, 2019 to December 31, 2019 (in EUR thousand)

	Enterprise Services Segment		Experts Segment		Technology Segment		New Business Areas Segment		Other		Continuing operations		Discontinued operations		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
External revenue	115,865	110,848	259,286	277,499	400,930	294,758	6,599	3,813	3	41	782,683	686,959	1,526	1,019	784,209	687,978
Revenue with other segments	6,702	2,702	2,057	1,096	1,229	3,475	1,155	1,506	-11,371	-9,998	-229	-1,219	229	1,219	0	0
Cost of materials	28,576	29,306	154,010	158,363	43,283	38,160	2,449	1,336	-8,158	-8,540	220,161	218,625	136	370	220,297	218,995
Staff costs	64,658	60,488	92,159	103,575	258,387	182,336	6,583	2,586	6,711	4,419	428,498	353,405	1,324	1,302	429,822	354,707
Depreciation and amortization	9,302	7,162	4,249	4,834	16,936	13,385	1,164	450	687	41	32,338	25,872	61	30	32,399	25,902
Impairment losses	0	236	27	0	30	3	0	33	0	6	57	278	0	0	57	278
Segment results from operating activities	**7,274**	**4,866**	**-737**	**-1,160**	**47,785**	**26,486**	**-3,842**	**-2,390**	**-12,710**	**-9,521**	**37,770**	**18,281**	**-155**	**118**	**37,615**	**18,398**
Finance income	289	359	284	242	251	451	-10	11	12	-329	827	734	-7	-5	820	730
Financial expenses	1,528	1,411	2,154	2,093	4,865	4,174	962	661	-2,025	-2,471	7,483	5,868	0	0	7,483	5,868
Net income from investments accounted for using the equity method	0	0	0	0	0	0	-1,110	-398	0	0	-1,110	-398	0	0	-1,110	-398
Segment earnings before income taxes	**6,035**	**3,815**	**-2,607**	**-3,011**	**43,171**	**22,762**	**-5,924**	**-3,438**	**-10,673**	**-7,379**	**30,003**	**12,749**	**-161**	**113**	**29,842**	**12,862**
Net income taxes	-2,216	-1,455	-354	-293	-6,881	-7,831	450	79	-2,457	3,110	-11,458	-6,389	0	-50	-11,458	-6,439
Segment results before profit transfer	**3,820**	**2,360**	**-2,960**	**-3,304**	**36,290**	**14,932**	**-5,475**	**-3,359**	**-13,130**	**-4,269**	**18,545**	**6,360**	**-161**	**63**	**18,384**	**6,423**
Other non-cash expenses (+) and income (-)	-2,811	-1,438	-1,431	-1,672	-8,612	-2,795	374	-114	5,071	3,631	-7,410	-2,388	-3	-5	-7,413	-2,392
Segment assets	144,554	76,960	125,636	123,810	351,822	309,062	20,805	22,925	-55,371	3,645	586,982	535,938	0	0	586,982	535,938
Segment liabilities	142,659	75,078	104,797	102,200	264,308	188,215	39,602	36,435	-130,318	5,310	421,048	407,238	0	0	421,048	407,238
Additions to property, plant and equipment and intangible assets	12,152	23,532	4,772	9,872	24,227	120,018	906	10,848	20,786	40	62,843	164,310	151	141	62,994	164,452
Cash flows from operating activities	13,047	15,185	11,182	-1,496	45,963	14,856	-60	574	-10,833	-12,538	59,300	16,581	-144	420	59,156	17,001
Cash flows from investing activities	-5,824	-1,595	-4,084	-4,060	-20,198	-46,181	-4,695	-6,970	-939	717	-35,738	-58,090	-221	-868	-35,960	-58,958
Cash flows from financing activities	-3,860	-8,090	1,565	1,028	-12,998	42,241	4,765	7,731	9,301	16,179	-1,228	59,089	219	62	-1,009	59,151

Notes to the Consolidated Financial Statements ALLGEIER

External revenue of the segments by country and product as well as the order backlog positions break down as follows:

External revenue of the segments (in EUR thousand)

	Enterprise Services Segment		Experts Segment		Technology Segment		New Business Areas Segment		Other		Continuing operations	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue by country:												
Germany	88,093	89,865	254,849	272,150	135,687	115,260	5,783	3,193	3	41	484,415	480,509
USA	338	92	0	128	134,306	79,725	0	0	0	0	134,644	79,945
Austria	601	464	0	159	33,365	29,728	39	1	0	0	34,005	30,351
Switzerland	9,591	7,433	3,624	3,313	5,900	1,301	191	18	0	0	19,305	12,065
Sweden	31	54	117	122	11,614	11,234	0	0	0	0	11,763	11,410
Finland	109	111	0	0	7,695	9,311	0	0	0	0	7,804	9,422
UK	990	1,392	364	739	9,881	6,846	0	1	0	0	11,235	8,978
Norway	67	153	0	0	6,693	6,456	0	0	0	0	6,760	6,609
India	0	0	0	0	15,370	5,131	0	1	0	0	15,370	5,132
France	6,417	4,637	0	0	864	81	4	0	0	0	7,285	4,718
South Africa	0	0	0	0	7,236	4,642	0	0	0	0	7,236	4,642
Denmark	6,813	3,275	0	0	887	1,215	3	18	0	0	7,703	4,508
Spain	73	133	121	121	1,985	2,928	0	0	0	0	2,178	3,181
Netherlands	1,421	1,971	0	0	2,319	127	0	0	0	0	3,741	2,098
Australia	0	0	0	0	2,742	2,013	5	-2	0	0	2,747	2,011
Other	1,321	1,269	210	768	24,387	18,759	574	583	0	0	26,492	21,379
Total international	**27,772**	**20,983**	**4,436**	**5,349**	**265,243**	**179,498**	**816**	**620**	**0**	**0**	**298,267**	**206,450**
Total	**115,865**	**110,848**	**259,286**	**277,499**	**400,930**	**294,758**	**6,599**	**3,813**	**3**	**41**	**782,683**	**686,959**
Revenue by product												
Services	92,358	87,896	259,286	277,499	379,849	290,543	3,276	3,365	3	41	734,772	659,344
Products	5,479	10,228	0	0	499	472	0	56	0	0	5,978	10,756
Licenses	18,028	12,725	0	0	20,582	3,744	3,323	391	0	0	41,933	16,860
Total	**115,865**	**110,848**	**259,286**	**277,499**	**400,930**	**294,758**	**6,599**	**3,813**	**3**	**41**	**782,683**	**686,959**

The allocation of external revenue is based on the registered office of the recipient company. The Allgeier Group generated revenue of EUR 33.7 million (previous year: EUR 28.5 million) with its largest single customer in the 2019 fiscal year. The share of revenue generated with the largest customer was thus 4.3% (previous year: 3.8%). The order backlog at the Allgeier Group as of December 31, 2019 amounts to EUR 353 million (previous year: EUR 285 million). The consideration is expected to be received within the next twelve months. Based on 2019 revenue, the order backlog has a calculated range of 5.4 months (previous year: 5.8 months).

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

Non-current assets of the segments (in EUR thousand)

	Enterprise Services Segment		Experts Segment		Technology Segment		New Business Areas Segment		Other		Continuing operations	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Germany	33,297	31,968	61,202	60,724	115,537	109,850	14,453	16,251	24,953	4,795	249,441	223,588
India	0	0	0	0	25,553	22,245	0	0	0	0	25,553	22,245
Austria	0	0	0	0	12,258	8,948	0	0	0	0	12,258	8,948
Romania	0	0	0	0	11,586	11,752	0	0	0	0	11,586	11,752
USA	0	0	0	0	5,301	6,148	0	0	0	0	5,301	6,148
China	0	0	0	0	2,672	2,965	0	0	0	0	2,672	2,965
Norway	0	0	0	0	1,755	2,056	0	0	0	0	1,755	2,056
Denmark	863	878	0	0	207	0	0	0	0	0	1,070	878
UAE	0	0	0	0	973	0	0	0	0	0	973	0
Czech Republic	0	0	0	114	796	895	0	0	0	0	796	1,009
Switzerland	696	681	0	0	98	294	0	0	0	0	794	975
Other	588	-35	0	0	3,750	3,987	119	208	0	0	4,458	4,160
Total international	**2,148**	**1,525**	**0**	**114**	**64,950**	**59,289**	**119**	**208**	**0**	**0**	**67,217**	**61,136**
	35,445	**33,492**	**61,202**	**60,838**	**180,486**	**169,140**	**14,572**	**16,459**	**24,953**	**4,795**	**316,658**	**284,724**

Non-current assets of the segments shown 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 1,110 thousand in 2019 (previous year: pro rata loss: EUR 398 thousand).

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. Payments for leases to be capitalized in accordance with IFRS 16 are recognized in cash flow from investing activities. As a result of the retrospective adoption of IFRS 16 the previous year figures are restated. Interest paid and received is included under cash flow from financing activities.

In 2019, the Allgeier Group acquired Farabi and S4M. Cash of EUR 2,862 thousand was used for the acquisition of the two companies in the 2019 fiscal year. The purchase price and cash flows from the business combinations are as follows:

(in EUR thousand)	Farabi +S4M
Acquisition cost	5,312
Non cash share in 2019	-2,371
Purchase price paid in cash in 2019	2,941
Acquired cash and cash equivalents	-79
Outflow of cash and cash equivalents	2,862

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

(in EUR thousand)	Farabi +S4M
Intangible assets	959
Property, plant and equipment	263
Rights of use of leases	105
Contract assets	15
Trade receivables	816
Other financial assets	164
Other assets	153
Cash	79
Acquired assets	**2,554**
Lease liabilities	105
Contract liabilities	81
Trade payables	115
Other financial liabilities	326
Other liabilities	35
Acquired liabilities	**662**
Net assets	**1,892**

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

(in EUR thousand)	2019	2018
Allgeier Medical IT GmbH, Freiburg	-55	2,870
Terna Holding GmbH, Innsbruck	2,130	20
Allgeier Benelux Group	625	306
Allgeier Engineering Czech	641	0
	3,341	**3,196**

With the disposal of Allgeier Engineering Czech s.r.o., cash and cash equivalents decreased by EUR 91 thousand.

Financial and lease liabilities developed as follows:

Financial and lease liabilities (in EUR thousand)					Non-cash				
	Balance on Dec. 31, 2018, restated	Cash 2019	Additions from business combinations 2019	Disposals from business combinations 2019	Additions 2019	Currency differences 2019	Fair value measurement 2019	Interest cost 2019	As of Dec. 31, 2019
Non-current financial liabilities	150,298	18	0	-50	0	-6	-496	0	149,764
Current financial liabilities	13,826	-13,719	0	-12	0	-8	-155	0	-68
Current financial liabilities, cash and cash equivalents	17,553	-2,316	0	0	0	0	0	0	15,237
	181,677	**-16,017**	**0**	**-62**	**0**	**-14**	**-651**	**0**	**164,933**
Liabilities from finance leases, restated	68,803	-21,793	105	0	46,825	-309	0	3,335	96,966
	250,480	**-37,810**	**105**	**-62**	**46,825**	**-323**	**-651**	**3,335**	**261,899**

Financial and lease liabilities (in EUR thousand)					Non-cash					
	Balance on Jan. 01, 2018, restated	Cash 2018	Additions from business combinations 2018	Disposals from business combinations 2018	Additions 2018	Currency differences 2018	Fair value measurement 2018	Interest cost 2018	Reclassifications 2018	Balance on Dec. 31, 2018, restated
Non-current financial liabilities	95,473	68,062	672	0	0	-3	192	0	-14,098	150,298
Current financial liabilities	1,680	-1,979	0	0	0	13	14	0	14,098	13,826
Current financial liabilities, cash and cash equivalents	11,647	6,633	0	-727	0	0	0	0	0	17,553
	108,800	**72,716**	**672**	**-727**	**0**	**10**	**206**	**0**	**0**	**181,677**
Liabilities from finance leases, restated	49,832	-15,145	11,081	0	20,837	-613	0	2,811	0	68,803
	158,632	**57,571**	**11,753**	**-727**	**20,837**	**-603**	**206**	**2,811**	**0**	**250,480**

Cash and cash equivalents are composed as follows:

Cash and cash equivalents (in EUR thousand)	December 31, 2019	December 31, 2018	January 01, 2018
Cash and cash equivalents	97,387	76,995	52,997
Payment overhang from factoring	-11,916	-14,104	-11,030
Use of overdraft facilities	-3,321	-3,449	-617
	82,150	59,442	41,350

Cash and cash equivalents include blocked credit balances in favor of third parties amounting to EUR 977 thousand (previous year EUR 265 thousand).

F. OTHER DISCLOSURES

I. Non-capitalized leases

The minimum obligations and remaining terms of the leases which have not been capitalized and which cannot be canceled are as follows:

Minimum obligations and remaining terms of the leases (in EUR thousand)	December 31, 2019
Due within a year	420
Due between one and five years	546
Due after more than five years	329
	1,295
Present value	1,204

As in the previous year, a discount rate of 3.0% was applied to determine present values. After the fixed lease term, extensions are often utilized.

II. Operating leases as lessor

The Allgeier Group leases technology under operating leases to cities and municipalities for the mobile recording of administrative offenses. As a result in the 2019 fiscal year the Allgeier Group generated revenue of EUR 129 thousand (previous year: EUR 185 thousand). The following revenue is expected in the coming years:

Operating leases as lessor (in EUR thousand)	December 31, 2019	December 31, 2018
Due within a year	129	169
Due between one and five years	183	163
	312	332

III. Other contingent liabilities

As in the previous year, Allgeier SE is liable up to a maximum of EUR 4.1 million for loans granted by the bank to participants in the Allgeier Experts Medical GmbH training program. 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. Allgeier SE anticipates that there will be claims of up to EUR 78 thousand resulting from the declaration of liability. The Allgeier Group has established a provision at this level.

IV. Capital management

Allgeier SE ensures that in the Allgeier Group there is sufficient liquidity at all times and that the capital structure has a good balance. Allgeier SE and the Group companies achieve these objectives 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 impact 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, 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. Capital management is the responsibility of Allgeier SE. The capital management objectives, processes and methods remain unchanged from the previous year.

The key figures of net debt and net debt divided by adjusted EBITDA are used for capital management. In the 2019 fiscal year, the key indicators developed as follows:

Key figures of net debt (in EUR thousand)

	2019	2018 restated
Cash and cash equivalents	97,387	76,995
Financial liabilities without lease liabilities	164,933	181,677
Liabilities from finance leases	96,966	68,803
Net debt	**164,512**	**173,485**
Adjusted EBITDA	73,400	54,901
Leverage (net debt to EBITDA)	**2.2**	**3.2**
Total assets	586,982	535,938
Equity	165,934	128,701
Equity as a % of total assets	**28.3 %**	**24.0 %**

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 implements safeguards and concludes hedges for the avoidance, early identification and minimization of risks arising from financial instruments.

Liquidity risks

Liquidity risk is the risk that the Allgeier Group may not be able to meet obligations associated with its financial liabilities. To ensure that adequate liquidity is available at all times, 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, 2019, the financial liabilities of the Allgeier Group amounted to EUR 356,356 thousand (previous year after adjustment: EUR 350,990 thousand), of which EUR 115,506 thousand (previous year after adjustment: EUR 119,276 thousand) are due within one year. All current financial liabilities were covered by current financial assets amounting to EUR 235,154 thousand (previous year after adjustment: EUR 224,753 thousand).

Of the new syndicated credit facility of up to EUR 228 million concluded in the 2019 fiscal year (previous year: up to EUR 180 million), EUR 145 million had been drawn as of the reporting date (previous year: EUR 145 million). In addition, the Allgeier Group has access to further credit facilities of up to EUR 19.8 million (previous year: EUR 12.5 million), EUR 7.4 million of which were drawn down (previous year: EUR 3.6 million) as of December 31, 2019. Unutilized credit facilities provides the Allgeier Group with further liquidity of EUR 95.4 million (previous year: EUR 43.9 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 loans having to be repaid early. In particular, the Allgeier Group has undertaken to maintain minimum equity of EUR 125 million and not exceed a debt coverage ratio of 3.5. The debt coverage ratio is calculated from the financial liabilities, including lease liabilities in accordance with IFRS 16, less cash and cash equivalents divided by EBITDA adjusted for extraordinary expenses and income. If the covenants are not complied with, the lenders may terminate the loans with immediate effect. In this case, it is possible that sufficient free cash and cash equivalents would not be available at short notice to fully repay the loans. Moreover, the syndicated loan and the borrower's note loan require a minimum result and minimum revenue 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. Not complying with this covenant also gives the lenders a right to extraordinary termination. In the 2019 fiscal year, all key figures required in the loan agreements were complied with.

For factoring customer receivables, the Allgeier Group has a facility of EUR 60 million (previous year: EUR 50 million). A total of EUR 32.3 million of the factoring facility was utilized as of December 31, 2019 (previous year: EUR 43.0 million).

Financial liabilities include interest-bearing financial liabilities totaling EUR 164,933 thousand (previous year: EUR 181,677 thousand). Of this amount, EUR 15,169 thousand (previous year: EUR 31,379 thousand) is to be repaid in fiscal year 2020 and EUR 149,764 thousand (previous year: EUR 150,298 thousand) in subsequent years. Future cash flows associated with financial liabilities are as follows:

Cash flows (in EUR thousand)

	Dec. 31, 2019	Cash flows 2020		Cash flows 2021		Cash flows 2022		Cash flows > 2022	
	Carrying amount	Re-payment	Interest	Re-payment	Interest	Re-payment	Interest	Re-payment	Interest
Syndicated loan	145,000	0	3,770	0	3,770	0	3,770	145,000	7,540
Borrower's note loan	5,500	0	128	5,500	128	0	0	0	0
Liabilities from factoring customer receivables	11,916	11,916	0	0	0	0	0	0	0
Overdraft facility of Nagarro Software Pvt. Ltd. and Nagarro Enterprise Services Pvt. Ltd.	3,310	3,310	14	0	0	0	0	0	0
Bank loans of Nagarro Software SRL	245	52	8	52	6	52	4	90	3
Bank loans of iQuest Technologies SRL	232	232	2	0	0	0	0	0	0
Other	57	11	0	0	0	0	0	46	0
Financial liabilities	166,260	15,521	3,922	5,552	134	52	3,774	145,136	7,543

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 238.1 million (previous year: EUR 227.7 million). Value adjustments of EUR 4,964 thousand (previous year: EUR 5,062 thousand) were recognized on the gross amount of total loans and receivables as of December 31, 2019. The impairment ratio on the gross amount of loans and receivables was 2.1% (previous year: 2.2%).

The specific default risks are as follows:

Contract assets and trade receivables

The Allgeier Group has a broad-based customer structure which minimizes larger individual risks. The largest individual customer generated approximately 4.3% of revenue of the Allgeier Group in the 2019 fiscal year (previous year: 3.8%). 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 defaults. Wherever possible, trade receivables are subject to retention of title which expires only 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.

Under the simplified approach in accordance with IFRS 9. trade receivables are calculated as expected credit losses on the basis of calculated loss rates derived from historical and forecast data and taking into account the respective customer and the economic environment of the region.

Receivables covered by default insurance are written down by a maximum of the deductible. In the 2019 fiscal year, impaired customer receivables whose contractual conditions were renegotiated, and on which otherwise an impairment would have to have been made, were EUR 0 thousand (previous year: EUR 95 thousand). The impaired receivables are derecognized and the relevant value adjustment taken if there is no prospect of a payment. Trade receivables do not bear interest.

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

Past due structure of contract assets and trade receivables (in EUR thousand)

	As of Dec. 31, 2019	Not past due	Past due in days					
			<30	30-60	61-90	91-180	181-360	>360
Contract assets	14,030	14,030	0	0	0	0	0	0
Customer receivables not impaired	132,603	89,522	24,034	6,741	5,544	3,241	1,745	1,776
Gross amount of the value-adjusted customer receivables	6,040	325	0	0	121	1,273	886	3,436
Impairment	-4,565	-303	0	0	-28	-585	-433	-3,216
Carrying amount	**148,108**	**103,574**	**24,034**	**6,741**	**5,637**	**3,929**	**2,198**	**1,996**
Expected probability of default		-0.34 %	0.00 %	0.00 %	-0.50 %	-12.96 %	-16.44 %	-61.71 %

Past due structure of contract assets and trade receivables (in EUR thousand)

	As of Dec. 31, 2018	Not past due	Past due in days					
			<30	30-60	61-90	91-180	181-360	>360
Contract 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 customer 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 probability of default		-0.09 %	-0.18 %	-0.20 %	-1.35 %	-6.86 %	-38.36 %	-62.27 %

Impairments of trade receivables changed as follows:

Impairments of trade receivables (in EUR thousand)

	2019	2018
Balance as of January 01	4,625	3,383
Additions to the scope of consolidation	0	281
Allocation to expenses	1,196	1,778
Consumption and reversal	-1,255	-815
Currency differences	-1	-2
Balance on December 31	**4,565**	**4,625**

The theoretical maximum default risk for trade receivables corresponds to the recognized amount of customer receivables of EUR 134,078 thousand (previous year: EUR 140,541 thousand). This risk is reduced by collateral, credit insurance and other credit rating improvements. Credit insurance covers 20% (previous year: 31%) of gross customer receivables.

Other financial assets

The gross carrying amounts before impairment losses and net carrying amounts of other financial assets are shown in the following table:

Gross carrying amounts before impairment losses and net carrying amounts of other financial assets (in EUR thousand)

December 31, 2019	FVTPL	At amortized cost			
		Expected 12-month credit loss	Lifetime expected credit loss – not credit-impaired	Lifetime expected credit loss – credit-impaired	Total
Gross value before value adjustment		6,591	456	0	7,047
Value adjustments		0	-399	0	-399
Residual carrying amount	**2,950**	**6,591**	**57**	**0**	**6,648**

Gross carrying amounts before impairment losses and net carrying amounts of other financial assets (in EUR thousand)

December 31, 2018	FVTPL	At amortized cost			
		Expected 12-month credit loss	Lifetime expected credit loss – not credit-impaired	Lifetime expected credit loss – credit-impaired	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 is as follows:

Reconciliation of impairments of other financial assets (in EUR thousand)

	At amortized cost			
	Expected 12-month credit loss	Lifetime expected credit loss – not credit-impaired	Lifetime expected credit loss – credit-impaired	Total
As of January 1, 2018	**0**	**-379**	**0**	**-379**
Net revaluation of value adjustments	0	0	0	0
Reclassification to lifetime expected credit loss – not credit-impaired	0	0	0	0
Reclassification to lifetime expected credit loss – credit-impaired	0	0	0	0
Additions from business combinations	0	0	-59	-59
As of December 31, 2018	**0**	**-379**	**-59**	**-438**
Net revaluation of value adjustments	0	-20	59	39
Reclassification to lifetime expected credit loss – not credit-impaired	0	0	0	0
Reclassification to lifetime expected credit loss – credit-impaired	0	0	0	0
Additions from business combinations	0	0	0	0
As of December 31, 2019	**0**	**-399**	**0**	**-399**

Derivative assets

Derivatives are entered into with banks and financial institutions where investments are considered financially sound. To diversify the risk business relationships are maintained with various banks. As of December 31, 2019, there were asset balances of foreign exchange forward transactions of EUR 455 thousand (previous year: EUR 1,040 thousand).

Cash and cash equivalents

As of December 31, 2019, the Group had cash and cash equivalents of EUR 97,387 thousand (previous year: EUR 76,995 thousand). Cash and cash equivalents are deposited with banks and financial institutions that have a first-class rating. To diversify the risk business relationships are maintained with various banks. 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 have floating interest rates and are subject to the risk that interest rates can change and thereby influence the results of the Allgeier Group.

As of December 31, 2019, the Allgeier Group's floating-rate financial liabilities totaled EUR 157,394 thousand (previous year: EUR 163,292 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 1,453 thousand p.a. for the 2019 fiscal result (previous year: EUR 1,006 thousand p.a.). In this case and applying a tax rate of 30%, equity would increase or decrease by EUR 1,017 thousand (previous year: EUR 704 thousand). However, it should be noted 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 change of 100 basis points would not impact fully.

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 increases in 2020. Our central finance department closely monitors developments on 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.

Currency risks

At 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 revenue of these companies are subject to risks arising from currency fluctuations.

The Allgeier Group hedges some of the cash flows from intra-Group disposals and acquisitions to reduce its currency risks. As of December 31, 2019, the US dollar was hedged against the Indian rupee in the amount of USD 40.1 million (previous year: USD 25.6 million) and the euro against the Indian rupee in the amount of EUR 12.3 million (previous year: EUR 12.0 million), the Swedish krone against the Indian rupee in the amount of SEK 59.5 million (previous year: SEK 25.9 million), the British pound against the Indian rupee in the amount of GBP 1.1 million (previous year: GBP 0.6 million) and the Australian dollar in the amount of AUD 0.3 million (previous year: AUD 0).

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 arise 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 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 1,327 thousand (previous year: EUR 1,019 thousand) and including deferred taxes by EUR 1,146 thousand (previous year: restated EUR 644 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 2019 were as follows:

Members of the Allgeier SE Supervisory Board

Name	Profession	Residence	Membership on statutorily constituted Supervisory Boards	Membership in comparable domestic or foreign control bodies in commercial enterprises
Detlef Dinsel MBA (Chairman)	Managing Partner of IK Investment Partners GmbH and IK Investment Partners Ltd.	Hamburg		· Alanta Health Group, Hamburg (Chairman) · Klingel Medical Group, Pforzheim · Aposan GmbH, Köln · Schock GmbH, Regen (Deputy Chairman) · IK Investment Partners Ltd., London, UK · IK Investment Partners S.A.R.L., Luxemburg, Luxemburg
Thies Eggers (Deputy Chairman)	Independent auditor	Pullach im Isartal	· Bayerische Gewerbebau AG, Munich (Chairman) · Plenum AG, Frankfurt am Main · SBF AG, Leipzig	
Christian Eggenberger	President and CEO of CHE Consulting GmbH	Binningen, Switzerland	· Focus Beteiligungen AG, Basel, Switzerland (President of the Board of Directors) · Doc.coach AG, Basel, Switzerland (member of the Board of Directors) · Focus Discount AG, Basel, Switzerland (President of the Board of Directors) · Truvis AG, Basel, Switzerland (member of the Board of Directors) · Arvis Solution AG, Ried b. Kerzers, Switzer-land (Member of the Board of Directors)	

Total remuneration of the members of the Supervisory Board in the 2019 fiscal year was EUR 717 thousand (previous year: EUR 426 thousand). The remuneration includes a provision for variable remuneration of EUR 600 thousand (previous year: EUR 318 thousand), which will be paid out in the 2020 fiscal year. Further details about remuneration are provided in the remuneration report in the Group management report under Section 6.

Management Board

The members of the Allgeier SE Management Board in 2019 were as follows:

Carl Georg Dürschmidt (Chairman)
Manas Fuloria (PhD)
Dr. Marcus Goedsche
Hubert Rohrer

Total remuneration of the members of the Management Board in the 2019 fiscal year was EUR 3,975 thousand (previous year: EUR 2,648 thousand). The remuneration includes 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 2020. 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 28, 2019, the disclosure of individual Management Board remuneration will not be made until December 31, 2023. Further details about remuneration are provided in the remuneration report in the Group management report under Section 6.

VIII. Related party transactions

Related parties are defined as persons or enterprises that can influence or be influenced by the company.

In the reporting period, the Allgeier Group purchased services of EUR 18 thousand from Talentry GmbH, the subsidiary accounted for at equity (previous year: EUR 18 thousand).

Business relationships between all companies included in the consolidated financial statements within the scope of full consolidation were completely 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 16, 2020.

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, Munich
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. Events after the Balance Sheet Date

Targeted spin-off and independent stock exchange listing of the global technology and software development business

In an ad hoc notification on November 5, 2019, Allgeier SE reported that it is aiming to spin off its global technology and software development business. With the approval of the Supervisory Board, the Management Board resolved the creation of an innovative full-service provider and global player for software engineering and technology solutions with its own listing. The new business unit is to be developed on the basis of the Nagarro business organization model, under which Nagarro has integrated six acquisitions in six countries.

With the Nagarro division at its core, the business unit is to consist of the following other Allgeier companies that are driven by the global trend towards digitization not dependent on any one industry: the iQuest Group, operating in Romania, Switzerland, Germany and Poland; the Objectiva Group, operating in the US and China, as well as the SAP business of Allgeier Enterprise Services, operating in Germany, France and Denmark. These units currently have more than 7,000 staff working on projects for customers in 25 countries.

Allgeier intends to propose a resolution to this effect to Allgeier's shareholders in 2020, with the business unit to be spun off and floated independently in the second half of 2020. If there is a positive resolution in the Annual General Meeting taking place in June 2020, the technology and software development business will be recognized in accordance with IFRS as "discontinued operations".

If the Allgeier Group in split into the business which it is planned to spin off and the business remaining at Allgeier SE, revenue and results are divided as follows:

(in EUR thousand)	Business remaining at Allgeier SE		Business planned for spin-off		Other		Continuing operations	
	2019	2018	2019	2018	2019	2018	2019	2018
External revenue	385,432	403,363	397,248	283,556	3	41	782,683	686,959
Internal revenue	5,960	1,410	5,183	4,538	-11,371	-7,167	-229	-1,219
Own work capitalized	1,043	779	906	512	626	823	2,574	2,115
Gross revenue	392,435	405,552	403,336	288,606	-10,743	-6,303	785,028	687,855
Value added	103,238	105,375	128,877	89,940	-2,371	-504	229,743	194,810
Operating EBITDA	28,956	29,343	55,245	33,939	-10,717	-8,534	73,484	54,748
EBITDA	27,794	25,256	54,394	32,153	-12,023	-12,979	70,165	44,431
EBIT	14,481	8,659	35,999	19,143	-12,710	-9,521	37,770	18,281

By purchase agreement dated December 17, 2019, Allgeier Midmarket Services GmbH acquired from GES Systemhaus GmbH Co. KG, Wiesbaden, the GES public sector consulting and development services in the SAP area ("GES"). On the basis of its own software suite, GES provides software solutions for municipal applications. The division employs 32 staff. In fiscal year 2019, GES generated revenue of approximately EUR 5 million. EUR 3.5 million was agreed as provisional purchase price for the assumed assets and customer agreements. This was due in February 2020. In respect to the employee provisions, the purchase price is still provisional. The transfer of assets and employees was effective as of January 1, 2020. GES will thus be consolidated for the first time on January 1, 2020.

The corona pandemic (Sars-CoV-2) in the spring of 2020 and what have in some cases been drastic measures to contain the infection in numerous countries, is a considerable risk factor for the future development of global markets, individual markets, industries and companies. It is to be expected that the current global spread of the coronavirus (Sars-CoV-2) and the lockdowns will have not inconsiderable repercussions on many economies, including in particular the core markets of the Allgeier Group. In the wake of the corona crisis, there have been widespread restrictions on public life and commercial activities right up to closing factories. In addition, the international movement of persons, goods and services has been strongly negatively impacted and both production and domestic demand in important economies have in some cases been severely restricted. There is also considerable human suffering. Governments are attempting to limit the damage with high investments in the economy as well as social and health care systems, thus mitigating the consequences of the crisis. The short and at least medium-term development of the economy both at global and national level in the core markets will depend significantly on the effectiveness of these political measures and how quickly and comprehensively the pandemic can be controlled. Even if the medium-term and long-term repercussions of the corona virus cannot be specifically estimated when this report was prepared, at least a downturn across the economic environment right up to a severe recession in important economies must be regarded as very probable. Should the markets relevant for Allgeier be impacted by a recession – as the ifo Institute is assuming in its Spring Forecast for Germany dated March 19, 2020 – or there is a huge demand downturn in specific industries, in all probability this will also impact the short- and medium-term development and the further growth of our Group.

Munich, April 6, 2020
Allgeier SE

Carl Georg Dürschmidt Management Board	Manas Fuloria (PhD) Management Board	Dr. Marcus Goedsche Management Board	Hubert Rohrer 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 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. For this, 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 fiscal year and the staff costs incurred during the fiscal year. Please refer to the remarks in Section 30. Staff costs in Section C. Notes to the consolidated income statement.

Section 314 (1) No. 6 in conjunction with (2) Sentence 2 HGB:

For the members of the Management Board, a Supervisory Board, an advisory board or a similar body of the parent company, in each case for each group of persons, the total remuneration granted for performing their tasks in the parent company and the subsidiaries in the fiscal year under review. In addition to the remuneration for the fiscal year, other remuneration granted in the fiscal year but not yet disclosed in any consolidated financial statements must be disclosed. See the information under 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 2019 fiscal year, broken down into

a. Audit services,
b. Other assurance or valuation services,
c. Tax consultancy services
d. Other services

must be disclosed. The required information is given under Note 31 Other operating expenses in Section C. Notes to the consolidated income statement.

List of Group companies

List of Group companies

No.	Company	IFRS share of capital Dec. 31, 2019	Equity Dec. 31, 2019 Foreign currency		Equity Dec. 31, 2019 EUR	Net profit/loss Jan. 1, 2019 - Dec. 31, 2019 Foreign currency		Net profit/loss Jan. 1, 2019 - Dec. 31, 2019 EUR		Profit and loss transfer agreement with	Segment	Disclosure
1.	Allgeier SE, Munich		198,106,751		198,106,751	54,689,199		54,689,199			Other	Separate and consolidated annual financial statements in the Federal Gazette (Bundesanzeiger)
	Direct investments of Allgeier SE:											
2.	Allgeier Management AG, Munich	100.00 %	4,449,458		4,449,458	8,847		8,847			Other	Federal Gazette
3.	Allgeier Connect AG, Munich	100.00 %	50,675		50,675	-797		-797			Other	Federal Gazette
4.	Allgeier Middle East Ltd., Dubai, United Arab Emirates	100.00 %	10,000	AED	2,432	0	AED	0			Other	
5.	Allgeier Enterprise Services AG, Bremen	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	0		0	(1)	1.	Experts	
7.	Allgeier Project Solutions GmbH, Munich	100.00 %	89,887,426		89,887,426	0		0		1.	Technology	
8.	Allgeier CORE Group GmbH, Munich (until Jan. 25, 2019: Allgeier One AG)	100.00 %	-1,140,149		-1,140,149	-444,731		-444,731			New Business Areas	Federal Gazette
9.	Allgeier Beteiligungen GmbH, Munich	100.00 %	-214,266		-214,266	-183,150		-183,150			New Business Areas	Federal Gazette
	Indirect investments via dependent subsidiaries:											
10.	Allgeier IT Solutions GmbH, Bremen	100.00 %	5,266,907		5,266,907	1,422,403		1,422,403			Enterprise Services	
11.	BSH IT Solutions GmbH, Bremen	100.00 %	121,590		121,590	0		0	(1)	10.	Enterprise Services	
12.	Allgeier (Schweiz) AG, Thalwil, Switzerland	100.00 %	3,093,760	CHF	2,845,020	446,612	CHF	401,995			Enterprise Services	
13.	Allgeier Consulting Services GmbH, Kronberg im Taunus	95.00 %	704,512		704,512	654,512		654,512	(1)		Enterprise Services	
14.	Allgeier Midmarket Services GmbH, Bremen	95.00 %	446,392		446,392	1,856,111		1,856,111			Enterprise Services	
15.	Allgeier ES France SAS, Entzheim, France	95.00 %	1,216,634		1,216,634	641,742		641,742			Enterprise Services	
16.	Allgeier Enterprise Services Denmark A/S, Bröndby, Denmark	95.00 %	-212,119	DKK	-28,398	1,039,979	DKK	139,311			Enterprise Services	
17.	AES SPP GmbH, Munich	50.00 %	1,024,044		1,024,044	10,396		10,396			Enterprise Services	Federal Gazette
18.	Allgeier Experts Go GmbH (until Jan. 31, 2019: Goetzfried AG)	100.00 %	13,701,398		13,701,398	3,769,162		3,769,162			Experts	Federal Gazette
19.	Allgeier Experts Pro GmbH, Munich	100.00 %	0		0	0		0	(1)	6.	Experts	
20.	Allgeier Experts Services GmbH, Wiesbaden	100.00 %	5,272,589		5,272,589	0		0		6.	Experts	
21.	Allgeier Engineering GmbH, Munich	100.00 %	3,303,901		3,303,901	0		0	(1)	6.	Experts	
22.	Allgeier Experts Select GmbH, Düsseldorf	80.00 %	-2,762,291		-2,762,291	-1,225,336		-1,225,336			Experts	Federal Gazette
23.	U.N.P.-Software GmbH, Düsseldorf	100.00 %	3,056,391		3,056,391	0		0	(1)	6.	Experts	
24.	U.N.P.-HRSolutions GmbH, Düsseldorf	100.00 %	25,000		25,000	0		0	(1)	23.	Experts	
25.	Allgeier Fünfte Beteiligungs GmbH, Munich	100.00 %	25,000		25,000	0		0	(1)	6.	Experts	
26.	Objectiva Software Solutions, Inc., San Diego, USA	100.00 %	-17,983,965	USD	-16,059,119	1,019,075	USD	911,687			Technology	
27.	Objectiva Software Solutions (Beijing) Co. Ltd., Beijing, China	100.00 %	14,550,742	CNY	1,859,926	18,262,211	CNY	2,367,292			Technology	
28.	Objectiva Software Solutions (Xi'an) Co. Ltd., Xi'an, China	100.00 %	4,899,078	CNY	626,217	-1,316,534	CNY	-170,660			Technology	
29.	mgm technology partners GmbH, Munich	80.00 %	17,979,208		17,979,208	0		0	(1)	7.	Technology	Federal Gazette
30.	mgm technology partners eurl, Grenoble, France	80.00 %	2,202,850		2,202,850	242,541		242,541			Technology	
31.	mgm technology partners s.r.o., Prague, Czech Republic	80.00 %	17,459,219	CZK	686,536	3,418,978	CZK	133,227			Technology	
32.	mgm technology partners Vietnam Co. Ltd., Da Nang, Vietnam	80.00 %	11,939,358,068	VND	460,954	5,219,032,354	VND	201,652			Technology	
33.	mgm technology partners schweiz AG, Boswil, Switzerland	80.00 %	612,072		612,072	222,143		222,143			Technology	
34.	mgm technology partners USA Corp., Arlington, USA	80.00 %	-79,082	USD	-70,618	124,136	USD	111,055			Technology	
35.	mgm security partners GmbH, Munich	56.00 %	349,434		349,434	323,868		323,868			Technology	Federal Gazette
36.	MGM Consulting Partners GmbH, Hamburg	55.997 %	919,203		919,203	894,203		894,203			Technology	Federal Gazette
37.	Allgeier Nagarro Holding GmbH, Munich	83.83 %	9,857,120		9,857,120	-2,836,353		-2,836,353			Technology	Federal Gazette
38.	Allgeier Global Services Asia Pte. Ltd., Singapore	83.83 %	1,958,868	SGD	1,209,326	-57,295	SGD	-37,593			Technology	
39.	Nagarro Enterprise Services Pvt. Ltd., Jaipur, India	83.83 %	661,472,894	INR	8,286,746	169,844,438	INR	2,160,725	(2)		Technology	
40.	Nagarro Ltd. (Malta), Valetta, Malta	83.83 %	60,144		60,144	100,504		100,504			Technology	
41.	Nagarro (Pty.) Ltd., Pretoria, South Africa	83.83 %	-9,731	ZAR	-619	-86,258	ZAR	-5,356			Technology	
42.	Nagarro Inc., Toronto, Canada	83.83 %	-9,370	CAD	-6,404	-21,214	CAD	-14,329			Technology	

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List of Group companies

List of Group companies

No.	Company	IFRS share of capital Dec. 31, 2019	Equity Dec. 31, 2019 Foreign currency		Equity Dec. 31, 2019 EUR	Net profit/loss Foreign currency		Net profit/loss EUR		Profit and loss transfer agreement with	Segment	Disclosure
	Indirect investments via dependent subsidiaries:											
43.	Farabi Technology Middle East LLC, Dubai, United Arab Emirates	83.83 %	4,346,573	AED	1,056,887	2,632,148	AED	639,800			Technology	
44.	Solutions 4 Mobility LLC, Dubai, United Arab Emirates	83.83 %	1,129,815	AED	274,719	-83,336	AED	-21,341			Technology	
45.	NAGARRO SDN. BHD., Kuala Lumpur, Malaysia	83.83 %	1,692,984	MYR	368,075	304,377	MYR	65,777			Technology	
46.	Nagarro Company Limited, Bangkok, Thailand	83.83 %	3,684,344	THB	109,738	-625,656	THB	-18,120			Technology	
47.	Nagarro K.K., Tokyo, Japan	83.83 %	70,685,187	JPY	578,622	39,485,322	JPY	323,436			Technology	
48.	Nagarro Inc., San Jose, USA	83.83 %	26,004,846	USD	23,309,704	6,353,526	USD	5,684,006			Technology	
49.	Mokriya, Inc., Cupertino, USA	83.83 %	4,382,348	USD	3,913,300	3,514,259	USD	3,143,935			Technology	
50.	Nagarro Software Pvt. Ltd., Gurgaon, India	83.83 %	2,980,831,916	INR	37,343,020	506,868,261	INR	6,448,270	(2)		Technology	
51.	Nagarro Software S.A., Monterrey, Mexico	83.83 %	-27,771,900	MXN	-1,315,244	-11,368,546	MXN	-527,668			Technology	
52.	Nagarro Software GmbH, Frankfurt	83.83 %	2,507,866		2,507,866	55,740		55,740			Technology	Federal Gazette
53.	Nagarro Software AB, Stockholm, Sweden	83.83 %	6,640,546	SEK	635,769	-280,278	SEK	-26,478			Technology	
54.	Nagarro Software A/S, Copenhagen, Denmark	83.83 %	-6,556,649	DKK	-877,805	284,773	DKK	38,147			Technology	
55.	Nagarro Software Ltd., London, UK	83.83 %	1,603,321	GBP	1,878,107	793,118	GBP	905,469			Technology	
56.	Nagarro AS, Oslo, Norway	83.83 %	2,833,169	NOK	287,391	-12,808,351	NOK	-1,301,294			Technology	
57.	Nagarro Software SAS, Paris, France	83.83 %	-806,063		-806,063	-70,001		-70,001			Technology	
58.	Nagarro Oy, Espoo, Finland	83.83 %	532,868		532,868	209,896		209,896			Technology	
59.	Nagarro Pty. Ltd., Sydney, Australia	83.83 %	161,101	AUD	100,624	260,544	AUD	162,104			Technology	
60.	Nagarro GmbH, Vienna, Austria	83.83 %	2,024,175		2,024,175	-1,016,031		-1,016,031			Technology	
61.	Nagarro GmbH, Munich	83.83 %	11,107,904		11,107,904	0		0	(1)	37.	Technology	Federal Gazette
62.	Nagarro Software srl, Timisoara, Romania	83.83 %	5,570,732	RON	1,165,213	392,634	RON	82,678			Technology	
63.	Nagarro Ltd., Port Louis, Mauritius	83.83 %	-1,333,878	MUR	-33,770	-1,678,038	MUR	-43,461			Technology	
64.	iQuest Holding GmbH, Karlsruhe	68.72 %	3,802,462		3,802,462	469,133		469,133			Technology	Federal Gazette
65.	iQuest Technologies GmbH & Co. KG, Bad Homburg	68.72 %	51,129		51,129	0		0			Technology	Federal Gazette
66.	iQuest Verwaltungs GmbH, Bad Homburg	68.72 %	35,486		35,486	231		231			Technology	Federal Gazette
67.	iQuest Technologies SRL, Cluj-Napoca, Romania	68.72 %	50,428,253	RON	10,545,392	8,432,791	RON	1,775,724			Technology	
68.	iQuest Schweiz AG, Zürich, Switzerland	68.72 %	516,021	CHF	474,533	423,026	CHF	380,765			Technology	
69.	iQuest SPZOO (Poland), Warsaw, Poland	68.72 %	520,158	PLN	122,173	223,790	PLN	52,035			Technology	
70.	Allgeier Nagarro Beteiligungs GmbH, Munic	50.01 %	3,437,135		3,437,135	-167,045		-167,045			Technology	Federal Gazette
71.	SPP Co-Investor Verwaltungs GmbH, Munich	100.00 %	24,053		24,053	-373		-373			Technology	Federal Gazette
72.	SPP Co-Investor GmbH & Co. KG, Munich	16.41 %	289,429		289,429	-10,882		-10,882			Technology	Federal Gazette
73.	Nagarro SPP GmbH, Munich	59.04 %	80,639		80,639	-197,344		-197,344			Technology	Federal Gazette
74.	Allgeier Project MBO GmbH, Munich	100.00 %	23,348		23,348	0		0	(1)	7.	Technology	Federal Gazette
75.	iQuest SPP GmbH, Munich	67.56 %	-209,535		-209,535	-182,817		-182,817			Technology	Federal Gazette
76.	Allgeier Dritte Beteiligungs GmbH, Munich	100.00 %	-167,010		-167,010	-101,840		-101,840			New Business Areas	Federal Gazette
77.	Oxygen Consultancy, Istanbul, Turkey	90.00 %	3,957,487	TRY	594,495	-218,116	TRY	-34,289			New Business Areas	
78.	Allgeier Education GmbH, Düsseldorf (until Jan. 14, 2019: GPE Academy GmbH)	100.00 %	-1,399,746		-1,399,746	-595,828		-595,828			New Business Areas	Federal Gazette
79.	Allgeier Experts Medical GmbH, Düsseldorf (registered office until Mar. 5, 2019: Duisburg)	100.00 %	-11,648,445		-11,648,445	-658,083		-658,083			New Business Areas	Federal Gazette
80.	Allgeier Neo GmbH, Düsseldorf (until Jan. 15, 2019: MedPool GmbH, Stuttgart)	100.00 %	-170,756		-170,756	-168,072		-168,072			New Business Areas	Federal Gazette
81.	Allgeier CORE GmbH, Kronberg im Taunus (registered office until Jan. 22, 2019: Offenburg)	100.00 %	27,988		27,988	-278,042		-278,042			New Business Areas	Federal Gazette
82.	secion GmbH, Hamburg	100.00 %	281,576		281,576	-45,997		-45,997			New Business Areas	Federal Gazette
	Company consolidated at equity:											
83.	Talentry GmbH, Munich	33.34 %	-1,023,580		-1,023,580	-3,329,578		-3,329,578			New Business Areas	Federal Gazette

(1) After profit transfer or loss assumption
(2) Pro forma net profit/loss for the fiscal year from January 1, 2019 to December 31, 2019

Glossary

Allgeier CORE Group	Allgeier One AG, Munich (since Jan. 25, 2019: Allgeier CORE Group GmbH) Allgeier CORE GmbH, Offenburg (formerly: consectra GmbH) secion GmbH, Hamburg GRC Partner GmbH, Kiel
Allgeier Experts Select	Allgeier Experts Select GmbH, Düsseldorf
Farabi	Farabi Technology Middle East LLC, Dubai, United Arab Emirates
S4M	Solutions 4 Mobility LLC, Dubai, United Arab Emirates
GRC Partner	GRC Partner GmbH, Kiel
iQuest	iQuest Holding GmbH, Karlsruhe
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 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	**mgm**
Allgeier Nagarro Holding GmbH, Munich	**Nagarro**
Objectiva Software Solutions, Inc. mit Sitz in San Diego, California, USA	**Objectiva**
Oksijen İnsan Kaynakları Seçme ve Değerlendirme Hizmetleri Anonim Şirketi, Istanbul, Turkey	**Oxygen**
Allgeier Consulting Services GmbH, Munich Allgeier Midmarket Services GmbH, Bremen Allgeier ES France SAS, Entzheim, France Allgeier Enterprise Services Denmark A/S, Bröndby, Denmark	**AES SPP Group**
secion GmbH, Hamburg	**secion**
Speedinvest II EuVECA GmbH & Co. KG, Vienna, Austria	**Speedinvest**
Talentry GmbH, Munich	**Talentry**

Statement by the Management Board of Allgeier SE

The Management Board of Allgeier SE affirms to the best of its knowledge that, 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 Group management report presents the course of business, including the business results and the situation of the Group, in such a way that a true and fair view is given and the significant opportunities and risks of the Group's anticipated development are described.

Munich, April 06, 2020

Carl Georg Dürschmidt Management Board	Manas Fuloria (PhD) Management Board	Dr. Marcus Goedsche Management Board	Hubert Rohrer Management Board

Independent 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 of December 31, 2019, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from January 1, 2019 to December 31, 2019, 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 2019 fiscal 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 accompanying 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, liabilities and financial position as of December 31, 2019, and of its results of operations for the fiscal year from January 1, 2019 to December 31, 2019, and
- the accompanying 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 "Other Information" segment of the auditor's report.

Pursuant to Section 322 (3) Sentence 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 fiscal year from January 1, 2019 to December 31, 2019. 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 generates revenue primarily from providing IT services, from IT project contracts, from the sale of software products and from granting licenses to software products. Product revenue is recognized when the rewards 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 revenue is 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 revenue is recognized based on the percentage of order completion and under consideration of realized partial performance. Furthermore, licensing revenue is recognized in the applicable period according to contract provisions.

In respect to revenue recognition, there is the risk of inaccuracies or transgressions in connection with achieving performance targets and forecasts which could serve as an incentive that on the one hand revenue is recognized before the respective reward and risks are transferred to the buyer and other the other hand that fictive revenue is recognized. At Allgeier SE some extensive agreements are concluded with customers. The recognition of these agreements (e.g. fixed price contracts) 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 revenue volume and the materiality of revenue for the consolidated financial statements and in connection with the fact that revenue for Allgeier SE, Munich is a performance indicator for corporate management and forecasts, we determined revenue recognition as a key audit matter.

Our Audit Approach

In the context of our audit, we reviewed 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 revenue including revenue reductions and the correct accrual basis, as part of the audit we relied on 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 receipts, 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 revenue reductions against the underlying contracts and business documents.

With regard to the 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 total costs 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 in the notes to the consolidated financial statements.

Our Conclusions

From our audit procedures, there were no reservations in relation to revenue recognition. Allgeier SE, Munich, has implemented appropriate regulations for the recognition of revenue and took account of them in preparing the consolidated financial statements. We verified the appropriateness of processes and controls for revenue recognition established across the Group.

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 contract assets and liabilities, in Section A.X. „Income Statement", in Section B.11. "Trade Receivables", and in the notes on revenue in Section C.27 in the notes to the consolidated financial statements.

Impact of the First-time Adoption of IFRS 16 on Lease Accounting

Reasons for Determination as Key Audit Matter

In the company's consolidated financial statements rights of use from leases of approximately EUR 90 million and lease liabilities of approximately EUR 97 million were recognized. The lease liabilities thus make up approximately 16.5% of the balance sheet total.

In the fiscal year, particularly for Allgeier SE as lessee the first-time adoption of the new accounting standard on leases "International Financial Reporting Standard 16 – Leases" (IFRS 16), resulted in material effects on the opening balance figures and the update in the fiscal year. The transition to IFRS 16 uses the retrospective method. The comparative figures for the prior-year period were restated. Due to the high volume of leases and the resulting transactions, the company established processes and controls across the Group for the complete and correct recording of leases.

In addition, the first-time adoption required the implementation of IT systems to map leases. In certain areas the new IFRS 16 accounting standard requires estimates and discretionary decisions of the legal representatives, the appropriateness of which was to be assessed in the context of our audit. This relates particularly to assessments on exercising options impacting the duration of the lease and the determination of the payments to be accounted for in measuring lease liabilities. In this context, and due to the complexity of the new requirements of IFRS 16, accounting the leases of Allgeier SE as lessee was of particular significance for our audit.

Our Audit Approach

As part of our audit, we also assessed the appropriateness and effectiveness of the processes and controls established by the Group to record leases. This also applies to the implementation of the IT systems to map leases and the necessary adjustments to existing systems to process the transactions.

In addition, in our audit we assessed the impact from the initial adaption of IFRS 16. We examined the implementation work and the design of the processes established to map the transactions in line with IFRS 16 and the IT systems to support and implement the new requirements. On a test basis, we examined lease contracts, assessed the identification of leasing and non-leasing components and the determination of the leasing payments to be considered in measuring lease liabilities and evaluated whether they were completely and accurately recorded in the new systems implemented to map lease liabilities. Here we assessed in particular the assessments on exercising options impacting the duration of the lease by interviewing employees of the company and by examining suitable documentation. On the basis of consistent audit activities in the course of auditing the subsidiaries, we ensured appropriate reaction to the complexity of implementing IFRS 16.

Our Conclusions

We verified that the systems and processes adjusted for IFRS 16 and for updating as well as the controls established are appropriate. In addition, we were able to satisfy ourselves that the estimates and assumptions made by the legal representatives were substantiated and adequately documented in order to ensure the appropriate accounting of leases in the case of the first-time adoption of IFRS 16.

Reference to Associated Disclosures

Information of the company on accounting for leases in accordance with IFRS 16 are provided in the notes to the consolidated financial statements in relation to accounting policies in Section "A.II. Accounting and Valuation Principles".

Detailed information on the impact of the initial adoption of IFRS 16 is shown in Section "A.IV. Accounting Regulations to be Applied for the First Time in the Fiscal Year Under Review".

In addition, in "B. Notes to the Consolidated Balance Sheet" under "3. Rights of Use of Leases" the recognized assets are shown and explained. In Note "21. Lease Liabilities", the recognized liabilities are shown and broken down by maturity.

In Section "C. Notes to the Consolidated Income Statement" under Note "32. Depreciation, Amortization and Impairment", the depreciation and amortization of rights of use from leases is shown.

Appropriate Consideration of Accounting Policies in View of the Planned Spin-off (IFRS 5)

Reasons for Determination as Key Audit Matter

In an ad hoc notification on November 5, 2019, Allgeier SE reported that it is aiming to spin off its global technology and software development business. In doing so, the Management Board, with the approval of the Supervisory Board, has resolved to create an innovative full-service provider and global player for software engineering and technology solutions with a separate stock exchange listing. The new business unit is to be developed on the basis of the Nagarro business organization model, under which Nagarro will integrate three acquisitions in six countries.

With the Nagarro division as the core within the Technology segment, the business unit is to emerge from approximately 43 current Group companies driven by the global trend to digitalization across industry boundaries. This new group (subsequently also called the Nagarro+Group) covers approximately 51% (EUR 397.3 million) in revenue, approximately 56% (EUR 128.9 million) of the value added, approximately 77.5% (EUR 54.4 million) of EBITDA and approximately 95.3% (EUR 36.0 million) of EBIT in relation to the Group figures in the 2019 consolidated financial statements.

Our Audit Approach

As part of our audit of the accounting and measurement requirements in the context of the planned spin-off, we initially informed ourselves in detail about the status of preparations, the measures still required and the planned schedule. In this connection, we inspected the process planning, examined Management Board and Supervisory Board minutes, obtained supplementary explanations and information from corporate bodies and surveyed employees in the Allgeier project team. Furthermore, we participated in some of the ongoing coordination meetings of the Allgeier project team with the consultants involved (banks, lawyers, transaction and tax consultants). On the basis of evaluating the documents and contracts which have already or are still to be prepared and the relevant schedules, we obtained an understanding of the planned spin-off.

In respect to the special accounting and measurement requirements, the particular issue was whether it was necessary to include a consideration of the business planned for spin-off in the consolidated financial statements as of December 31, 2019. In this case, particular account would need to be taken of the regulations of IFRS 5.

Our Conclusions

In our opinion, the presentation in the consolidated financial statements of the planned spin-off, particularly in the form of the information on the scope of the Nagarro+Group which it is planned to spin off, in the notes to the consolidated financial statements and the information in the Group management report is accurate and appropriate. The legal structure of the new Nagarro+Group was not placed in a final form which would make a spin-off possible, either on the December 31, 2019 reporting date, or when the consolidated financial statements were prepared. In addition, further implementation requirements were not met at the time the financial statements were prepared nor were they sufficiently prepared. Due to the impact of the corona pandemic which was spreading in March 2020, it became increasingly clear that it would be possible to retain the original schedule only with great difficulty, as the necessary preparatory measures were somewhat slowed and for this reason some measures had to be postponed. The decision of the Management Board not to present the Nagarro+Group (which is planned to be spun-off) with reference to the regulations of IFRS 5 separately in the financial statements and taking account of the special measurement requirements of IFRS 5 is in line with our audit findings. The recognition in the financial statements is appropriate and is consistent with the IFRS accounting and measurement policies to be applied. The key assumptions and statements are appropriate as is the presentation in the notes to the consolidated financial statements and the Group management report.

Reference to Associated Disclosures

The information on the planned spin-off is described in particular in Section XI. "Events After the Balance Sheet Date" of the notes to the consolidated financial statements and in Section 2.2. "Business Performance 2019" relating to the "Technology" segment in the directly following description of the Group management report.

Other Information

The legal representatives are responsible for the other information. Other information comprises:

- the Corporate Governance Declaration statement pursuant to Sections 289f, 315d HGB (information in the Group management report on the Corporate Governance Declaration in the Corporate Governance Report),
- the Corporate Governance Report in line the German Corporate Governance Code,
- the responsibility statement pursuant to Section 297 (2) Sentence 4 HGB on the consolidated financial statements and the responsibility statement pursuant to Section 315 (1) Sentence 5 HGB on 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.

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

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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 there is no realistic alternative.

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 there is material uncertainty 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. There is a considerable, unavoidable risk 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 28, 2019. We were engaged by the Supervisory Board on December 9, 2019. We have been the auditor of the consolidated financial statements of Allgeier SE, Munich, without interruption since the 2001 fiscal 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 Walter Fabisch.

Düsseldorf, April 8, 2020
LOHR + COMPANY GmbH
Wirtschaftsprüfungsgesellschaft

Walter Fabisch
German Public Auditor

Group Non-Financial Statement pursuant to Section 315b HGB

1.1 Management approach, values and guiding principles

Allgeier SE is one of the leading technology companies for digital transformation. Allgeier guides its customers through the challenges of digital transformation to ensure their future success. Allgeier helps global corporations and leading companies from various industries and markets to make the breakthrough to new digital business models, defines strategic priorities and implements trailblazing projects with high flexibility and traction in order to shape agile and intelligent organizations for the digital age. In doing so, we create added value for customers, employees and shareholders. The structure of our Group and our management approach are based on the principle of sustainable and responsible business conduct at all levels of the organization, from the Group holding company to our divisions to the individual operating units. Allgeier owes its position in the market today to the business strength of its Group companies. This strength is founded on innovation, flexibility and humanity. As a corporate citizen that operates globally, we see ourselves as an active and responsible member of society. Entrepreneurial responsibility and sustainable conduct on behalf of our companies, shareholders, the environment and society begins with our employees. They form the basis for our business success, both now 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. The way we work together is characterized by a sense of responsibility, respect and mutual esteem. We have defined our core values as follows:

Innovative strength:
For us, innovative strength means permanently striving for improvement and using intelligent and sustainable solutions and technologies for our customers' business models.

Enterprise:
For us, enterprise means taking full responsibility for our actions at all levels of the company while also being a reliable partner to our employees and being willing to go the extra mile when required.

Humanity:
For us, humanity means that we deal with each other fairly and cooperatively even in the face of tough competition, and that our relationships are based on tolerance and a cosmopolitan outlook. We reject and do not tolerate any form of discrimination.

Integrity:
One important element of our working culture is that we stand by each other. This applies to mistakes in everyday working life as well as to providing mutual support in emergencies. Trust forms the basis for our teamwork.
It goes without saying that we respect the law and ensure compliance across the board. Hard-and-fast rules and regulations for individual situations and circumstances in the working environment are clearly formulated and communicated in the form of Group guidelines and directives as well as specific agreements. These apply to all our actions and are binding.

1.2 Management principles and compliance management system

The Allgeier Group is synonymous with integrity, ethical action, and absolute compliance with the law. This is extremely important in our cooperation with partners and customers, but especially internally with regard to our employees and when it comes to upholding our excellent reputation on the market. Our management principles and our compliance management system serve to ensure 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 of our markets. These specifications, which are systematically aligned with our common values of innovative strength, enterprise, humanity and integrity, represent important foundations for our current and future performance and our continued growth.

Human rights

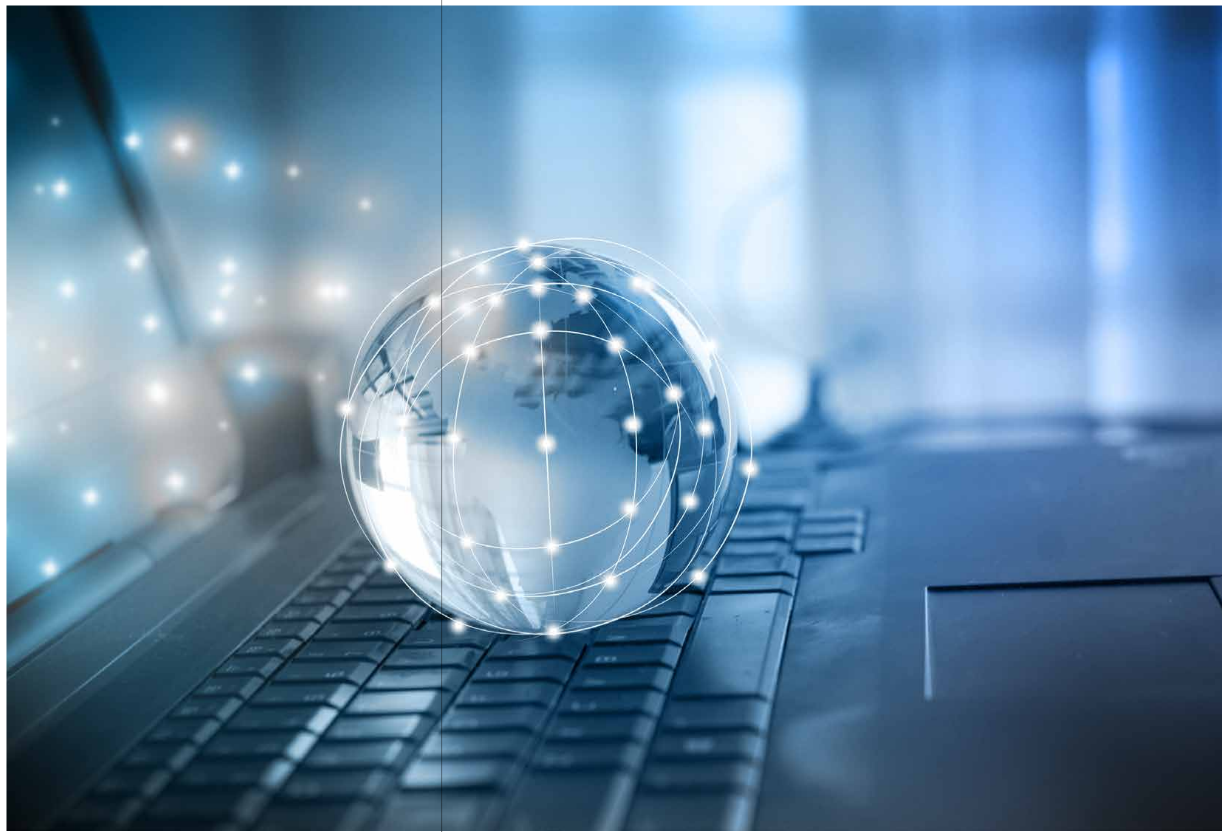
We respect internationally recognized human rights and support their observance. We ensure that we are not complicit in any human rights abuses.

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 at the very minimum. We defend the right of association and the effective recognition of the right to collective bargaining.

Equal treatment and non-discrimination

A culture of equal opportunity, trust and mutual respect is extremely important to us. We promote equal opportunities and prevent discrimination when appointing new staff, making promotions and granting training and further education measures and in our daily dealings with each other. We treat all employees equally irrespective of gender, age, skin color, culture, ethnic background, political persuasion, sexual identity/orientation, disabilities, religious affiliation or ideology.



Anti-corruption and fair competition

The systematic observance of our high compliance standards is essential for our business operations and our general conduct at a national and international level if we are to achieve sustained success. For this reason, compliance in the Allgeier Group is a key focal point of the Management Board and the Supervisory Board. 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 strength, a customer-centric approach, and motivated staff who act responsibly. This forms the basis for our strong reputation and the Group's sustained business success in national and international competition. We believe that corruption represents a threat to these guarantors of success. Accordingly, we adopt a zero-tolerance approach to such behavior. Bribes and anti-trust agreements do not constitute appropriate means of obtaining orders. We would prefer to lose out on a piece of business or on achieving internal targets than break the law.

Avoidance of conflicts of interest

At Allgeier SE, business decisions are taken exclusively in the best interests of the company. In this way, we seek to prevent any conflicts of interest with private concerns or economic or other activities, including with regard to relatives or other related parties or organizations. If any such conflicts nevertheless arise, they must be resolved taking due account of the law and the applicable Group guidelines. One essential prerequisite is the transparent disclosure of the respective conflict. This is guaranteed by our systems.

Prevention of money laundering

Allgeier SE meets its statutory obligations with regard to the prevention of money laundering and does not participate in any money laundering activities. Every employee of our Group is required to have any unusual financial transactions that might give rise to the suspicion of money laundering investigated by the responsible financial, legal or compliance department in case of doubt. This applies in particular to unusual financial transactions involving cash sums.

Political lobbying

We conduct political lobbying centrally, openly and transparently. In so doing, we observe the legal provisions on lobbying and avoid exercising any undue influence on politicians and legislators under any circumstances.

Public demeanor and communication

In our activities around the world, we respect the right to freedom of speech as well as the protection of personality rights and privacy. Through our regulations and guidelines, we also endeavor to raise awareness among all employees that they may also be perceived as members and representatives of the Allgeier Group, even in their private lives. As such, we request that every employee uphold the image and reputation of the company through their conduct and public demeanor, particularly with regard to the media.
With regard to private opinions, we make sure not to associate the employee's particular function or job at the Allgeier Group with their private statements.

1.3 Standards and systems

It is essential 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, offices with a workforce in excess of 10,500 and more than 3,000 customers around the world, we are required to deal with many different stakeholders and their individual and specific expectations. This goes hand in hand with a plethora of different legal provisions that must be observed.

Observance of laws and regulations

For us, the observance of laws and regulations is a fundamental principle of responsible financial conduct.
We observe the applicable legal prohibitions and obligations at all times even if doing so results in short-term financial disadvantages or difficulties for the company or individuals. If national laws set out more restrictive regulations than the applicable rules at Allgeier SE, national law takes precedence.

Corporate Governance

The principles of our corporate governance can be found in the Corporate Governance section of the above Group management report.

Strategic management of opportunities and risks

Details of the strategic management of opportunities and risks, the early detection and monitoring of risks as well as the operational management of opportunities and risks can be found in Section 5.2.1 of the above Group management report.

2. Employees

2.1 Strategic personnel management

Our employees constitute our main competitive advantage. In 2010, we still had fewer than 1,000 employees in our continuing operations. Allgeier now employs more than 11,800 permanent employees and freelance experts in 28 countries. We created over 1,300 new jobs in the past fiscal year alone. We have more than 120 facilities located across five continents. This internationalization is also reflected in our employee structure: Almost two-thirds of our workforce of more than 10,500 permanent employees now work outside Germany. Our employees include numerous different nationalities, and their average age is almost 34. Altogether, our Group employs over 9,000 highly qualified IT developers, including more than 7,000 of them at our facilities abroad. 27 percent our employees are female – a high figure compared with other companies in our sector, and one which we have been able to steadily increase in the last few years. Many of our Group's employees work hard every day to identify and attract outstanding specialists and the best talents and to retain them for the long term.

As a fast-growing company in a demanding and highly agile competitive environment, we firmly believe that employee training, job satisfaction and a feeling of belonging are crucial for our long-term financial success. These factors allow us to provide customers with the flexibility and innovation they need and expect from us, while at the same time offering them groundbreaking products and disruptive technology services that are always at the cutting edge of development. Our aim is to shape the digital transformation for our customers as a powerful and reliable partner. Our employees work on business-critical processes and important interfaces that are central to the future success of our customers. In this responsible position, a solid set of values is indispensable. Our common values of innovative strength, enterprise, humanity and integrity form the basis for our employees' performance. And our commitment to our employees throughout the Group serves as the foundation for consistently encouraging essential qualities such as initiative, responsibility, and flexibility. We pursue various programs and different measures to ensure that Allgeier is and remains an attractive, inspiring employer for its employees, offering not only a range of varied responsibilities and interesting customer projects, but also outstanding individual opportunities and prospects. At the same time, we are playing an active role in countering the shortage of skilled workers and reinforcing 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 pursue a range 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 development, training and further education

As part of our personnel development program, we design employee-friendly guidelines and programs that give employees freedom and flexibility in their individual development process. We set great store by a culture in which employees are able to acquire new skills based on a self-directed culture of learning that is aligned with our corporate goals but also focused on their individual opportunities, needs and preferences. As a matter of principle, we are committed to developing all of the employees in our team in line with their individual potential. Elements of strategic personnel development at the Group companies include a clear onboarding process with feedback interviews and an interview at the end of the trial period, as well as a continuous performance and development dialog with the respective manager in the form of quarterly and annual meetings. Targeted personal training measures are agreed and defined on the basis of these interviews. Further measures forming part of personnel development at our Group companies include:

- management of further training, such as through skills portals
- a training catalog with internal and external opportunities for further education and individual t raining options
- management training
- trainee and induction programs, as well as an onboarding and training concept for different divisions
- mentors and mentor models
- promotion of part-time degree courses and dual study programs
- identification of top talents and promotion/retention of talented individuals
- reward and recognition program
- flexibility of roles: freedom to select different career paths and development opportunities on an individual basis

2.2.1 Vocational training and dual study programs

Allgeier offers training in a wide variety of lines of work and professions at many facilities and supports a range of dual study programs at various universities. Students are informed of opportunities for study and career prospects through corresponding programs and are also approached directly. Comprehensive training management is in place to ensure that students obtain the right qualifications, receive the right support, and make the ideal start to their careers. Interns, bachelor's degree students, master's degree students, working students and career starters also undergo a comprehensive integration program with designated mentors. Further measures within the Group include the promotion of part-time study courses for employees.

2.2.2 Hiring and career start

With the aid of carefully designed, tried-and-tested 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 market for specialists, we are thereby not only bringing through qualified young professionals, but also actively counteracting the growing shortage of skilled workers that is affecting our industry around the world. In addition to our own training in various professions and the use of dual study programs, we offer further training, e.g. as an IT specialist, with subsequent hiring 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 in addition to our commitment to universities in other areas, many of our companies also offer positions for working students and 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 begin their IT careers with our iQuest business unit for many years. Students are given the opportunity to work on software development projects during a longer introductory process while also being provided with excellent practitioners as mentors. In addition to technical expertise and practical project experience, we teach soft skills that are relevant to professional practice.

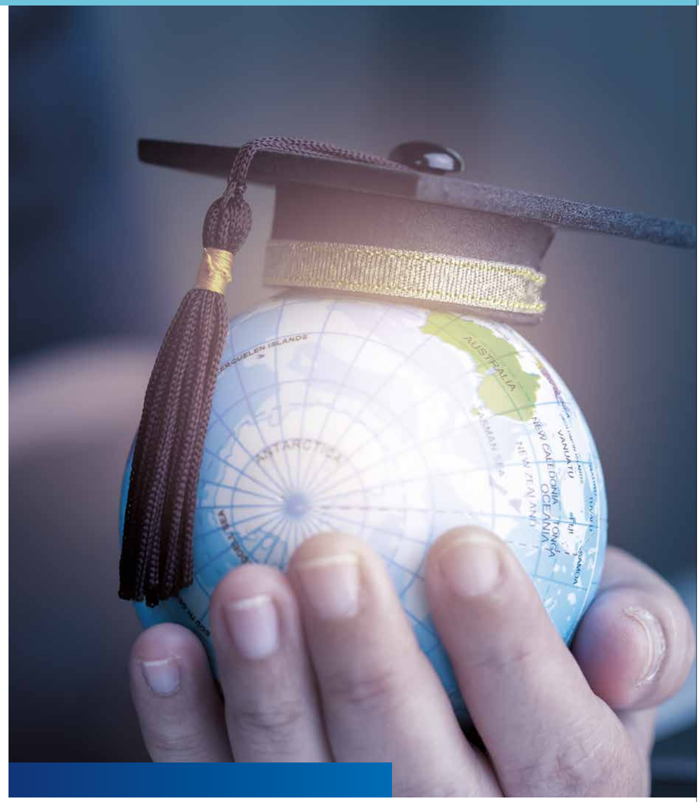
The hiring drives in our Nagarro division constitute a further measure for ensuring an ideal career start. In our "pool campus drives", we identify a partner university with which to organize the respective drive. Further universities are then selected and invited to join the program. This model allows a large number of students to familiarize themselves with relevant areas of work while also getting to know us as a company and how it is to work at our facilities. We also visit university campuses in order to talk to 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 at different companies with the aim of ensuring a structured, thorough induction, efficient learning on the job and in further relevant situations, and a smooth introduction to new responsibilities and positions. For example, the Allgeier Experts division has a six-month onboarding program with structured induction plans, fixed milestones and feedback meetings, followed by a transition interview to ensure a professional start with 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 place great importance on long-term cooperation and the development of each individual employee, and our targeted, confidential mentoring program gives new employees the opportunity to grow on a personal and professional level within the company
- support for bachelor's and master's theses and, where possible, the hiring and further development of working students following completion of their studies
- targeted appointment and on-the-job training for lateral entrants
- Campus Learning Program: The Campus Learning Program is a model in the Nagarro division that we use to widen the pool of highly talented specialists in conjunction with universities. The program focuses 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 employees: We offer s pecific support to new entrants with accompanying soft skills 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 toward a happy life. Consequently, we aim to help our employees to learn something new and better themselves a little every single day. Wherever possible, we also take into account the individual needs and requirements of our employees and their personal preferences, goals and opportunities. We believe that our further training management and a range of concerted individual measures can enhance and permanently reinforce the motivation, commitment and dedication of our employees while also expanding the knowledge, expertise and performance that are essential if we are to offer our customers excellent services and products. In many areas, our commitment as a Group also extends beyond our company in order to improve people's access to education and enhance the quality of education, particularly with a view to counteracting the shortage of skilled workers and giving young people the ideal preparation for a career in IT. The measures taken by Group companies as part of our further training management include:

- internal further training 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 to enable a professional dialog with colleagues
- training from external trainers and enabling employees to take part in external seminars and attend trade fairs/symposiums/organized debates for their further professional development
- exchange program between German and Indian facilities for working students and trainees

2.2.5 Performance and recognition

A culture of appreciation and recognition for performance, commitment and ideas is extremely important to us. Rewarding and awarding particular dedication and excellent performance in day-to-day work and recognizing well-deserving team members play an important part in this process. There are also reward programs for recommending 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 include a monthly cheerboard, Excellence Awards and "Idea-yahs". There are also employee incentive plans including interviewer incentives, target-linked incentives, sales referrals and an employee referral program (employee recruitment and recommendation programs via the Talentry personnel recommendation tool). We generally offer variable remuneration models in many areas of our Group (some including SMART goal categories) that are linked to profits, margins, or service revenues. Additional incentives are also established at individual companies via special bonuses (e.g. for service anniversaries, on hitting certain development and further education goals or certifications, for 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, the best ideas for improving the company (e.g. process and workflow optimizations, cost reductions, new employee benefits, new business opportunities, etc.) are rewarded with a bonus, for example.

2.2.6 Employee loyalty

Effectively achieving employee loyalty and low employee turnover are important aspects if a business operation is to be successful in 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 at our Group companies with a particular view to increasing the loyalty and motivation of specialists and securing valuable expertise. These include:

- career planning and attractive development opportunities: We use salary models, gratuities and individual career opportunities to reward commitment and excellence, motivate employees and retain them within the Group for the long term
- regular personnel and feedback interviews
- training, continuous further training and development: We offer our employees a wide range of individual development programs and personal advisory opportunities to help them design and pursue their own learning and development path
- work-life balance: We use employee-friendly programs, flexible working time models and a range of additional measures for reconciling family life and career (see below) to help us understand the needs of our employees and enable them to achieve an optimum work-life balance
- regular employee surveys and reporting in order to measure employee engagement and satisfaction and adapt personnel development, marketing and communication strategies on the basis of the results. This also allows us to identify optimization possibilities in different organizational areas, thereby enhancing employee satisfaction and loyalty
- employee advantage program via external service providers
- regular team meetings, parties and joint activities and events, introductory days and welcome days for all new employees 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 Management development

The continuous development of our managers plays a significant role for us, and not only as part of our staff development and further education management. We also firmly believe that good management is an essential factor in good performance on the part of our Group and providing groundbreaking services and products for our customers. We offer special promotion programs, development programs, career models and incentives, bonuses and participation models for managers. With further education, training and coaching sessions, we ensure that managers at our Group companies are provided with continuous training and we prepare employees for leadership roles and taking on responsibility.

2.3 Recruitment and support for sciences

Research and development and the support and promotion of universities, sciences and young talent are of great importance for our Group. We know that we need to harness the best minds all around the world if we are to offer our customers the best solutions and maintain the strong growth of our company, both today and tomorrow. Allgeier therefore maintains numerous collaborations with universities and research facilities, supports partner universities and projects financially and is also represented at various 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 with practical experience to accompany their theoretical knowledge. 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 at our Group companies through measures including:

- lecture series, technology training courses, workshops, webinars 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 specific further training before they are sent a PPO (pre-placement offer)
- student excursions to facilities at Group companies
- promotion of the Germany Scholarship at various universities (both centrally via Allgeier SE as well as on a decentralized basis via the divisions)
- regular participation in scientific surveys and studies, especially for bachelor's and master's theses as well as dissertation projects
- regular hackathons for students

2.4 Information and transparency

To ensure a regular exchange of interests as well as a consistent flow of information and communication from the top down and the bottom up, Allgeier SE has established 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 (including via the intranet) in order to enable employees to share in the information from 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, webinars, 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. In addition, Nagarro has established an Internal Complaints Committee (ICC) to protect employees' rights (including against discrimination and sexual harassment) and feedback mailboxes for anonymous feedback as required. At Group level, whistleblowing is possible via the compliance officer.

2.5 Social affairs

2.5.1 Reconciling family and career

Our Group is firmly committed to enabling employees to reconcile their family and their career in order to achieve a healthy work-life balance. This is achieved through measures including flexible job and working time models. We believe that this makes an important contribution to ensuring our employees' commitment, motivation and willingness to learn, thereby leading to higher productivity, greater efficiency and better products and services that are also beneficial in terms of economic sustainability. Measures within our Group companies that help employees to reconcile their career and their family life include:

- flexible arrangements for working from home, including on a project-specific basis as applicable, and setting up satellite office locations to reduce travel time and costs
- flexible (parental) part-time arrangements to meet individual employee requests
- establishment of maternity leave (exceeding the statutory arrangements in certain countries)
- continuous information and involvement of employees on parental leave and targeted reintegration measures following family leave phases
- family-friendly holiday arrangements
- special support measures for parents/families (e.g. childcare)
- working time arrangements with recommended core working hours and restricted flextime models or trust-based working time
- local family festivals
- provision of family-friendly, efficient company cars for large family groups at our facilities in Germany and India
- partial deactivation of mail forwarding to company mobile phones during longer vacation periods

2.5.2 Occupational health management, health and safety protection

The maintenance and promotion of our employees' health is important to us. This is why we ensure a humane and healthy working environment for our employees. These measures are not only socially justifiable, but also sustainable from an economic perspective. As well as generating a greater sense of well-being, satisfaction and motivation within our units, occupational health management helps us to achieve high performance from our employees in the long term, increases employee loyalty, and ensures low sickness rates and low staff turnover. We also consider health and safety protection to be extremely important. 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 to continuously improve occupational safety and health protection. Employees are also responsible for protecting people and the environment within their area of work. All the applicable laws and regulations must be adhered to. Managers are obliged to instruct and support their employees in fulfilling this responsibility. We also seek to ensure safety and prevent injury among employees at our worldwide facilities with a variety of measures. Examples of measures to promote workplace health and safety within our divisions include:

- training safety officers
- safety briefings for new employees and 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
- risk assessments for psychological stress and working from home
- use of ergonomically tested office furniture, such as desks with electrical height adjustment and office chairs that meet 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 and running events and tournaments)
- fitness and personal training as well as some in-house fitness rooms with instructors, Zumba and yoga classes, as well as mental training and stress management
- provision of showers and bicycle stands
- provision of health discussion rounds, workshops and seminars
- establishment of common areas and quiet areas
- support for health protection in the workplace through a subsidy for workplace spectacles
- stress management programs

2.5.3 Remuneration

We seek to maintain the dedication and commitment of our staff, motivate them going forward and reward excellence with the aid of intelligent and forward-looking evaluation models and variable remuneration and incentivization schemes. Within the Group companies, this is based on regular feedback discussions and target-oriented interviews, SMART goal agreements aligned with the level of expertise and responsibility of the respective employee, and a multi-channel performance analysis system. These are supplemented by measures such as a feedback-oriented interview system that focuses on professional development and personal progress as well as a target-based bonus system. Employees also receive additional gratuities (depending on their area of responsibility and position).

2.5.4 Diversity

Diversity is an enrichment for our Group. At the Allgeier companies, people from a wide range of different origins, cultures and religions work together on five continents. Our Allgeier Experts division has signed up to the Diversity Charter, meaning it is committed to preserving and implementing values that promote diversity and equal rights in the workplace and cultivating diversity as a company wherever it is able to do so. The Allgeier Group believes in the right to equality and the dignity of all people. All 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, their marital status or family situation, 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 characterized by intercultural collaboration in cross-border mixed teams across our facilities. We are especially committed to gender diversity and firmly believe that this can also make an important contribution to combating the shortage of skilled workers. We also promote diversity in the workplace by supporting projects such as the non-profit programming school ReDI School of Digital Integration, which also represents a contribution to 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 as our Group becomes progressively more international. In addition to cross-border collaboration in mixed teams and dialog within the Group with companies and units in the various countries (see above), the individual divisions take various additional steps to enhance intercultural understanding within our Group, including:

- dispatching employees for induction in project teams at other facilities
- staging information events across different facilities and ensuring multilingual internal communication
- internal, global social media platforms for communication, the exchange of knowledge and the transfer of expertise
- weekly webinars on corporate culture, management policy and future growth
- 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 an extensive commitment to our employees as we firmly believe that establishing good relationships with one another at a professional and personal level and a good working atmosphere are important factors in our shared success. In particular, there are a wide range of measures aimed at supporting the reconciliation of family life and careers (see above). We believe it is especially important for us to take responsibility for our employees and their families at our international facilities in Asia, and we go far beyond the legal minimum in this respect. This is particularly crucial in countries where 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 and other special risks, as well as making Group life insurance policies available to them. We also offer financial support to help overcome any financial crises caused directly by unforeseen events in the lives of employees or their family members. In addition to the measures listed above as part of our commitment to our employees, we also have a range of special programs and services available within the Group for employees and their families. In particular, these are aimed at providing effective support as an employer in exceptional life situations, such as:

- special leave for births, weddings or deaths
- special leave and/or financial support in emergencies or financial crises
- subsidies toward 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
- the option of unpaid leave

3. Environment

Protection of the natural environment, the responsible handling of resources and awareness of our responsibility toward future generations in the sense of intergenerational fairness form the essential foundations of our business operations and actions. For us, sustainable environmental awareness means continuously reducing our consumption of energy and resources and making an active, comprehensive contribution to the protection of the natural environment. We use operational environmental management systems to create the framework for recording activities with relevance to the environment, pursue environmental targets and continually improve our environmental performance.

3.1 Environmental strategy and environmental management

We take the protection of our environment and the responsible, sustainable handling of resources into account in fulfilling our responsibilities for our own company and in performing our services. Accordingly, we demand and promote environmental protection. It goes without saying that we observe the applicable legal regulations in the various countries. Our Group companies also implement specific environmental strategies and management systems in their respective markets, some of which are certified in accordance with or based on DIN EN ISO 14001.

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 we regularly identify opportunities to reduce the consumption of natural resources and energy and shape our further growth in a resource-efficient manner as part of our commitment to ecological sustainability. In addition to the use of renewable energies, environmental management also plays an important role in the selection of products (hardware and office equipment). In this area alone, we have identified potential savings of up to 60 percent in certain divisions, which we intend to leverage by making continuous improvements.
The building of our iQuest business unit in Cluj (Romania), which is home one of our major European development centers, is a particular example of this. The office building has been classified as Romania's most environmentally friendly 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 the project is to install around 2,100 solar-powered lights in the village.

3.3 Water

Within the Group, we pay particular attention to reducing water consumption and the volume of waste water generated. This is particularly important at our facilities in India where water is in short supply. We make our employees aware of the need to use water resources sparingly while also making an active contribution toward saving resources through steps such as using self-closing taps, collecting rainwater to replenish the water table, and recycling waste water for horticultural and other purposes.

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 carbon footprint and emissions of pollutants. An intelligent mobility policy allows us as a company and our employees to make a contribution toward 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. For example, our Nagarro division has established a fleet of electric vehicles for employees at the Gurugram and Jaipur facilities to use to commute to work. This is intended to promote employee awareness of electric vehicles that use green energy while reducing the facility's carbon footprint. An electric charging station has also been installed to allow employees to charge their vehicles for free.

3.5 Materials and recycling

Recycling and a careful approach to materials and waste are important topics for us. We separate waste at our facilities and we have disposal systems for various materials and pollutants. With regard to printer toner, we pay attention to environmental aspects when selecting equipment. Empty cartridges are typically picked up by the manufacturer and recycled. Special sparkling water taps are being piloted in some new offices as a means of providing employees with drinking water. This reduces 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 eliminated and employees are being trained to stop using plastics altogether.

3.6 Raising awareness among employees

As part of our commitment to sustainability, we raise employees' awareness of the strategic measures at our Group companies and encourage a responsible attitude toward the environment and natural resources. Internal channels of communication are used for this purpose. Regular discussions on further sensible measures also take place at a local level at many facilities. It is important for us to ensure that employees are able to contribute their own ideas and suggestions. We firmly believe that this is the best way of implementing and embracing ecological sustainability, both internally and externally. Examples of suggestions and steps implemented within the Group include turning off standby mode on all electronic devices overnight, switching off lights, and adjusting the air conditioning and temperature of rooms not in use.

3.7 Green IT

Our Group companies have been following the debate on green IT since its inception with the aim of making a proactive contribution toward the provision of sustainable IT solutions. It is our conviction that information and communication technology (ICT) has a significant role to play when it comes to reducing energy consumption and raising energy efficiency in industry. For the sake 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 needs to monitor its own energy consumption and realize efficiency improvements. Wherever the green IT approach can be pursued, advanced or realized in the customer environment, at data centers, when setting up IT infrastructure, when our employees are deployed on projects or in our own IT, we support its implementation with a view to sustainability, realizing savings potential and enhancing cost-effectiveness. Measures for achieving these goals include designing the IT infrastructure along energy-efficient lines, designing cooling systems and the energy supply in accordance with green IT approaches, and consolidating data centers. In addition, we rely on the highest possible degree of system virtualization at our existing data centers in order to reduce the hardware needed. This results in savings in terms of the resources and electricity used in directly supplying the systems, as well as air conditioning.
Our Nagarro division has long been a partner of the non-governmental organization AfB (Arbeit für Menschen mit Behinderung), which supports people with disabilities in Austria. As part of this arrangement, Nagarro donates all IT hardware it has taken out of service. AfB takes care of certified data destruction, cleans up the devices, reconditions the hardware, installs current software and re-markets the devices. The proceeds go toward supporting the organization's work. In addition, AfB employs people with disabilities to recondition the hardware. In the past year, our Allgeier Experts division also worked with AfB to decommission a total of 1.2 metric tons of IT and mobile equipment. Like every year, monitors, notebooks, PCs and printers from Allgeier Experts offices were loaded onto a truck bearing the "AfB – social & green IT" logo in 2019. Thanks to the partnership, Allgeier Experts saved the equivalent of 7,180 kg of iron, 16,052 kWh of energy and the equivalent of 4,854 kg of CO_2 in the past year. The partnership also resulted in one person with disability being hired. Allgeier Experts replaces its hardware on a regular basis in order to keep up with the pace of digitization and to optimize work processes. The partnership with AfB means the decommissioned devices are reused for a social and ecological purpose.

3.8 Legal obligations

We observe the legal obligations pertaining to environmental protection throughout the Group and frequently go beyond the respective national regulations. Since December 5, 2015, for example, an energy audit is required to be conducted in accordance with DIN EN 16247-1 (with regular follow-up audits). We have implemented this within the Group.

4. Company

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. As our Group and our business continue to become more international, the number of our stakeholders is also increasing. As a consequence, a growing number of different expectations are placed upon us as a company. By taking active responsibility, we firmly believe that we can make an important contribution toward protecting the environment, improving people's lives around the world and increasing education opportunities. Making an active contribution and working for the public good and society are essential elements of our corporate culture and how we see ourselves as a company in the context of our values. To meet both our own aspirations and the expectations and demands of our stakeholders, the central measures that have been implemented are therefore accompanied by a large number of initiatives at the level of the divisions, individual companies and units or at individual facilities. In a world in constant flux, we want our commitment to sustainability to generate a meaningful benefit, whether large or small, and we seek to continually refine and improve our measures and their effectiveness.

4.1 Corporate citizenship.

As a corporate citizen, the Allgeier Group works on behalf of society and its citizens in various different forms. At 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 campaigns and actively support them in many areas. In addition to our commitment at the level 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 through their social or ecological commitment, for example. 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.

4.2 Stakeholder dialog

In order to ensure a regular and authentic stakeholder dialog and open, transparent communication, we conduct broad and systematic public relations work (including on social media) on all topics of relevance to the various stakeholders. At a divisional level, an ongoing exchange with relevant stakeholder groups is frequently implemented at the level of top management. This is supplemented by targeted direct communication with stakeholder groups in the form of mail-shots, newsletters, information letters, etc. We also participate in trade events and fairs in order to engage in personal dialog and exchange views, and we organize or play an active role in regular get-togethers for employees on external assignment and arrange 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. We are also involved in educational, social and charitable projects as sponsors and donors – not only at Group level, but especially also at the level of our divisions and companies and locally at our facilities. We also support fundraising campaigns by our employees.

Many of our initiatives can be 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 of the extraordinary commitment of our employees is our staff member Brigid Wefelnberg, who works at a German facility of our Nagarro division. Brigid is a professional-level ultramarathon 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 raise money for these issues and support social projects, allowing us to give something back to society and assist people in need. This and similar projects enable us to support local communities at our facilities directly or indirectly, particularly at our offices in India. In turn, this allows us to sustainably improve the quality of life and economic prosperity of local people.

Further examples from our divisions illustrate the breadth and depth of the activities and measures taken by us and our dedicated employees:

Nagarro division:

- Developing Anath Road into a world-class model street: Anath Road in Gurugram (India) is home to three Nagarro offices. Nagarro's biggest development center is also currently being constructed there. Anath Road is an important thoroughfare for the city, linking National Highway 48 to the Old Delhi Road. The road is home to numerous multinational companies and a large number of Indian companies, including Siemens, Ameriprise, PwC, Tupperware, Regus, Munjal Showa, Lumax, Motherson Sumi, Safexpress and more. The city's Passport Seva Kendra (passport office) is also located on Anath Road.
- Nagarro is actively supporting the Raahgiri Foundation NGO in planning and redesigning Anath Road and developing it into a world-class model street. The plan is to create a fully integrative street for employees of the neighboring offices and factories and the people who live in the nearby sectors and villages. The project has three main objectives: (a) safe movement for pedestrians and cyclists; (b) an integrative street with space for motorized and non-motorized vehicles, parking lanes, bus stops, etc. and the provision of safe, open and accessible public space for the residents of Gurugram; (c) the planting of 2,000 trees and the preservation of the existing 270 maturetrees, and the creation of an attractive environment along the entire 2.4km length of the road with suitable street furniture and solar lamps
- Haryana Vision Zero initiative: The road infrastructure in Indian cities is generally geared toward automobiles even though they are only used by a small proportion of road users. This prioritization is the main reason why the road users neglected as a result – pedestrians, cyclists and motorcyclists – account for three out of every four traffic fatalities. Around the world, cities have adopted a holistic approach when it comes to designing an infrastructure that meets the needs of all road users. In order to find solutions for these problems, the "Vision Zero" initiative has been adopted by cities worldwide. The global movement, which originated in Sweden, aims at changing the infrastructure in order to achieve zero traffic fatalities while acknowledging that even a systematic approach to safety cannot prevent human error on the roads. The Haryana Vision Zero program was launched in Gurugram on May 2, 2017 by Chief Minister of the Indian state of Haryana. Haryana is the first Indian state to officially adopt the "Vision Zero" approach. The "Vision Zero" approach has been adopted in many parts of the developed world in order to reduce the number of road traffic fatalities to zero by focusing on a "tolerant" infrastructure, safe roads, a coordinated strategy, and joint efforts on the part of all stakeholders. In Haryana, the program has been running successfully for the past two years with the vision of minimizing the number of traffic fatalities throughout the state through a #SafetyFirst approach.
  Project successes to date:
  - 6,500 km of roads examined, 2,400 km improved
  - FIR data for three years analyzed and geocoded
  - 488 black spots identified, 185 corrected
  - 1,300+ accidents investigated

  Estimated impact of the project to date:
  - More than 400 lives saved
  - Over 1,000 serious injuries prevented
  - GDP saving in excess of EUR 600 million
  - 900 percent return on investment
- Comprehensive CSR education initiative for underprivileged children: As part of the CSR initiative for schools, we have built an entirely new wing at a school for the underprivileged. This has allowed the school to accommodate more pupils. Nagarro has set itself the goal of improving the infrastructure at some 150 schools in agricultural regions 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 around 30,000 to 40,000 school children. We have already successfully implemented the measures at a total of 17 schools, positively influencing the lives of 4,045 pupils. 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 offer scholarships for gifted pupils who are shortlisted as part of the "Nagarro Talent Search". We provided monthly scholarships for 120 pupils in the past year. We have improved the infrastructure at 17 schools by installing washrooms, solar panels, LEDs and ventilators. We have provided sporting equipment for child development at village schools. To support the digital transformation and online learning for these underprivileged school children, we are planning to build computer labs with the necessary equipment for delivering online courses. Our colleagues will also offer evening and weekend classes.
- In the field of local environmental protection, we have launched a new initiative for the revitalization of 1.5 acres of dried-up pond area in the Palwal district of Haryana (India) with the help of a well-known Indian environmentalist
- 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)
- Organization of visits to various selected non-governmental organizations (NGOs), which we support directly with food, clothing and stationery for disadvantaged children, underprivileged people, victims of violence or crime, and people with disabilities
- Own blood donation camps in Gurugram and Jaipur: The donation camp is repeated every quarter; an average of 80 people donate blood. Our commitment was recognized by the Rotary Club with a "significant contribution" award
- Construction of a library: In January 2019 our Gurugram site built a library in the village of Bahin, Manpur, for residents and schoolchildren
- Search for stem cell donors: Recently, two of our colleagues from Gurugram were identified as matches 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 that supports children in active education to ensure a minimum level of learning). Thanks to this commitment, more classrooms can be created to enable even more students to attend school
- Job opportunities for people with visual impairments and physical disabilities

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- Assistance for career discussions for pupils together with various NGOs, such as Teach for India and the Love Care Foundation, and communication of career prospects in the form of advisory sessions with our employees
- Promotion of child education: The Saksham program was introduced to enable Nagarro employees to sponsor a child's education by converting a portion of their monthly salary. The Love Care Foundation uses these funds to pay the school fees of the respective children and other expenses in connection with their education
- Smile donation drives, which have allowed us to make significant donations on behalf of our employees in the form of clothing, toys and other useful items in cooperation with NGOs such as the Ruri Foundation
- Flood assistance program with "Feeding India" in the form of a humorous volunteering campaign for food packaging. Employees helped to package 1,202 meals, feeding up to 4,800 people in the flood-hit regions of Assam and Bihar
- With air pollution in the Gurugram and Delhi regions increasing continuously, a large number of Nagarro employees got involved in the "Seene mai jalan, badlo ab chalan" campaign (freely translated: "discomfort due to air pollution, change your behavior") in order to show their support and make our voice heard with the respective authorities so as to initiate a wave of change

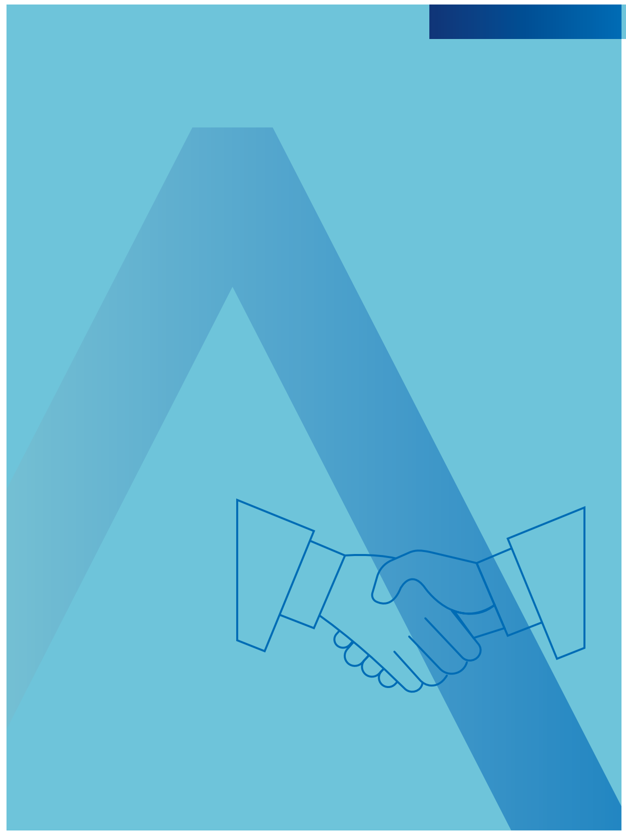
Allgeier Experts division:
- Participation in the "Deckel gegen Polio" collection campaign, the first main project of the "Deckel drauf" association. Through the collection of lids made from high-quality plastics (HDPE and PP) and the subsequent sales proceeds, the "End Polio Now" program is supported by a worldwide project to prevent children from contracting polio
- Admission of EU citizens to the pool of experts through the active support of German courses and coaching with the aim of facilitating entry into the German labor market
- Participation in company runs such as the B2RUN series
- Donations in kind to the Tafel association and child care facilities
- Active participation in the City Cycling Initiative with a team of employees
- Participation in Earth Hour

mgm technology partners division:
- Local environmental protection to conserve resources and reduce emissions through mobility measures, such as the introduction of "job tickets" to promote the use of public transport and traveling by rail to reduce the number of domestic flights taken
- Christmas donation campaign by mgm consulting partners for the "Mitternachtsbus", which helps homeless people in Hamburg
- Christmas donation campaign for an orphanage in Đà Nẵng, Vietnam
- Financing of the education of twelve children with disabilities from disadvantaged families by mgm technology partners Vietnam

Enterprise Services division:
- Christmas donation campaign "Donate instead of giving" for regional associations and organizations with the involvement of employees
- "Charitree" Christmas card campaign to support Plant for the Planet, resulting in 2,000 trees being planted
- 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 vehicles, bicycle leasing offers, etc.
- Campaign to donate monitors to schools

iQuest Business Unit:
- iQuest's sponsorship commitment to society reflects the company's culture:
  iQuest aims to give something back to society – even if the measures taken cannot solve the world's problems, the important thing is that they help make the world a better place
- Education and personal development: The commitment ranges from support for gifted and outstanding researchers through to volunteering and supporting programming projects for children, such as the Adopt a School program or Coder Dojos, where iQuest employees help children to learn the Scratch programming language. Additional measures include supporting high school pupils with the "Develop your passion in IT" program and partnerships with various educational initiatives, including the Rada Mihalcea Award for young researchers in the natural sciences and engineering, sponsorship of programming competitions, and technology events for university students.
- Support and sponsorship of humanitarian programs and charities such as Yuppi Camps, a project that provides experience therapy for children with chronic and serious illnesses such as cancer, diabetes or adolescent arthritis in order to assist their treatment and healing; iQuest also sponsored an organization that helps children with cancer and an association that supports the social/professional integration of people with disabilities
- Support for software developers: Sponsorship of events in the IT community; iQuest is extremely proud of its software developers and supports this group and corresponding initiatives within the technology industry
- Organization of blood donation camps at the office in Cluj-Napoca at least twice a year and encouraging employees to adopt healthy lifestyles; sponsorship of the sports festival in Cluj-Napoca; partnerships with local initiatives such as Food Waste Combat for preventing and eliminating food waste

Objectiva Business Unit:
- Annual donation to the China Disabled Persons' Federation fund for people with disabilities
- Partnership with universities in Xi'an to develop practical courses with software architects and chief developers for delivering lectures, attracting students as interns and arranging regular public seminars on technical topics
- Donations of money and clothing to support child education in isolated mountain regions by the China Social Welfare Foundation
- Sponsorship of the construction of a medical and nursing room for the school for migrant children
- Donations of money and books to support the equipment of classrooms and mini-libraries by the schools for children living in poverty
- Support for the purchase of books in Braille for visually impaired children
- Donations of money and everyday items to help older people living alone and in poverty
- Donation to support single mothers living in poverty
- Annual donation to World Vision International to support children and families living in poverty
- Donation to the United Palestinian Appeal to support education for girls and young women in the form of scholarships
- Monthly sponsorship of two children via Plan International
- Monthly donation to the Hong Kong society for children with autism to support early intervention programs
- Donation to the Alliance for Global Justice to support projects in the areas of the economy, social justice and human rights
- Annual donation to Orbis International to support the treatment and prevention of blindness, visual impairment and eye diseases in developing countries
- Sponsorship of House of Palestine, Balboa Park, San Diego to promote and foster Palestinian culture and heritage
- Donation to Just Peace in the Middle East to support campaigns for the rights of Palestinians in the USA
- Donation to the Institute for Middle East Understanding
- Donation to Rights Forum in the Netherlands
- Donation to the American Civil Liberties Union Foundation to support Americans' personal rights and freedoms
- Donation to the Aswat Film Festival, Haifa (Israel)
- Sponsorship of the Chicago Patrolmen's Police Family Charity to help families that have lost loved ones in the course of their police service
- Donation to PAWs in Chicago, a non-profit animal shelter for homeless cats and dogs with a no-kill mission
- Donation to a sanctuary for stray dogs to reduce animal cruelty in China
- Sponsorship of a tree-planting program to plant 100 trees in Jiuquan, Gansu Province (China)



4.4 Sponsorship activities

In addition to the social commitment described above, we also get involved as sponsors at Group level and at the level of our divisions, companies and local facilities. Examples of our sponsorship activities include:

- Sponsorship of the annual cancer research run in Vienna
- Sponsorship of two volleyball teams (Munich and Wiesbaden)
- Sponsorship of grass roots sport,
  e.g. sponsorship of football shirts for the F Youth Team of Dresdner Sportclub 1898, Bentstreeker SV,
  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
- Sponsorship of participation and running shirts of employees in B2RUN company runs
- Sponsorship of an app development project at the University of Bremen for the early recognition of the signs of dengue fever (bachelor's project)
- Sponsorship of a LAN party with over 140 young people Sponsoring at Schulzentrum Utbremen

5. Customers and suppliers

The Allgeier Group has a broadly diversified customer portfolio with numerous large and smaller customers in nearly every sector of industry. Around the world, we work for global corporations, market and sector leaders and a large number of demanding mid-sized customers as well as for public sector customers in many different markets. Our aim is to be an agile, vigorous, but above all reliable and long-term partner to our customers, one that understands the wide-ranging requirements and needs of its customers, recognizes their challenges, and tackles and successfully solves them. As such, dealing responsibly with customers and suppliers in the spirit of fairness and integrity are crucial for our business and our sustained financial success. Our relationships with customers and suppliers are therefore 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 constitute prerequisites for our future viability and continued growth.

5.1 Quality management system

Ensuring the consistently high quality of our services and products is of major importance to our financial success. We strive to give all-round satisfaction to our customers and to always offer them the best possible solutions using state-of-the-art technology. Consistent quality management forms an essential basis for satisfying this aspiration. As such, we have implemented quality management systems at our companies, and individual companies are certified in accordance with 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 have obtained corresponding certification in some cases.

5.2 Customer satisfaction

We aim to be a reliable, efficient, flexible and long-term partner for our customers. In many cases, we play a direct and active role in helping to shape the digital transformation at critical points of their business, thereby making a vital contribution to accompanying them into the digital future. In accordance with our high quality aspirations, we primarily define the success of our work in terms of the satisfaction of our customers and our contribution to the success of their business. Within the Group, we have established binding evaluation systems and processes in various areas. Their purpose is to measure the success of our work, regularly record and evaluate customer satisfaction, and derive continuous improvements to our products and services on the basis of the results. These processes are designed differently in our divisions depending on the services and products concerned.

In our Nagarro division, we conduct a customer satisfaction survey for all customers at least once every quarter. The feedback is summarized on the basis of the evaluation results for different segments and customers and based on the list of questions in the survey. An analysis is then conducted to identify the emerging trends, customers that have a positive or negative inclination, the areas in which we can improve further, and any areas with imminent risks. The results are shared with management for further reflection and the performance of corrective measures (as applicable).

We pursue an evolutionary innovation strategy in our mgm technology partners division. A project must deliver verifiable results in cycles of no more than six months, otherwise the objective must be changed or the project must be halted altogether. This serves to prevent irresponsible project risks. Together with our customers, we gain important insights with each small step and use these to review and adjust the objectives for the next steps. After each project is concluded, a joint retrospective is held with the customer and a customer reference is prepared where possible.

In our iQuest business unit, customer satisfaction is measured half-yearly 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 provide the greatest possible transparency with regard to the company's performance. In addition, particular attention is paid to personal feedback from customers. To this end, a process based on qualitative methods has been established in which verbal and/or written feedback is obtained from customer representatives. The results are used to improve service and performance as well as to optimize internal processes and are directly linked to the executives' key performance indicators.

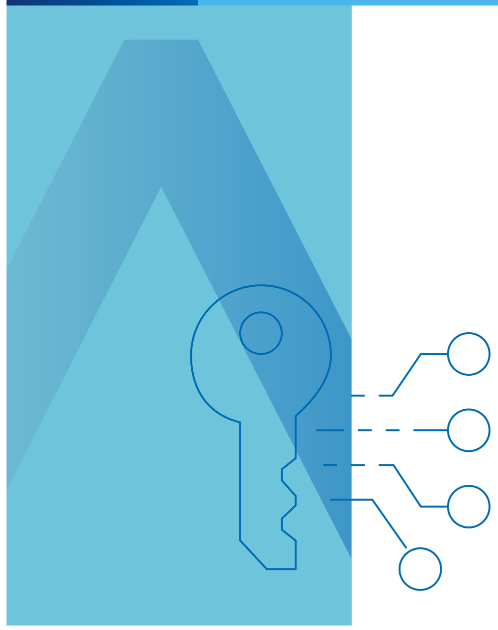
In our Allgeier Enterprise Services division, the measurement, maintenance and continuous improvement of customer satisfaction are essential elements of the quality management system and the IT Service Management System based on ITIL (IT Infrastructure Library).

In our Allgeier Experts division, the increasing demands made by customers require the permanent optimization of processes and the continued development of our expertise. Close customer contact delivers information on customer satisfaction in the form of personal customer surveys, which are conducted on the basis of a standardized discussion guide. Along with other data, these discussions constitute an important source of information for improving our services. Additional important quality-related content from customer interviews and feedback is also exhaustively documented. This process is followed systematically. As part of the internal process audit, suggested changes from the organization are reviewed and assessed for implementation. In addition, all employees are encouraged to contribute suggestions for improvements, particularly with a view to the continuous expansion of the service portfolio and the optimization of service processes taking into account the entire quality management system. Data from the satisfaction analysis and any customer complaints received is evaluated, and appropriate steps are taken if problems are recognized or potential improvements identified. The results are fed into the management review.

5.3 UN Global Compact and corporate culture

Long-term supplier relationships based on partnership and characterized by openness, trust and mutual reliability are a key element of our business strategy. We adhere strictly to our corporate values in our wide-ranging relationships with our suppliers and business partners around the world. This includes keeping our employees informed and aware, as well as carefully monitoring the consistent application of our specifications. We avoid business relationships with suppliers that are commonly known to be in breach of the principles underlying the UN Global Compact. We also advocate the further enforcement of the UN Global Compact in our business relationships.

It is important that our corporate culture based on responsibility and sustainability criteria is understood and embraced across the board. Accordingly, we use introductory days and welcome days at our Group companies to communicate our culture. At these events, the most important task owners and contact persons introduce themselves and provide information on common values and practical knowledge for working within our Group. Our aim is for every employee to be approachable for their customers, partners and colleagues, and for our communication to be content-driven.



5.4 Fair competition and anti-corruption policy

As a Group, we subscribe to the principle of fair and transparent competition. Accordingly, the compliance commitment made by the Management Board of Allgeier SE forms the basis for all our actions. The strong reputation we enjoy with our customers, suppliers and other stakeholders and our financial success are founded on strict adherence to our values and rules. Corruption threatens these cornerstones of our success and our good reputation. Bribes and anti-trust agreements do not constitute appropriate means of obtaining orders 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. There is a zero-tolerance approach to infringements, which result in sanctions against the persons concerned when they do occur. All managers and employees must be aware of the extraordinary risks that any case of corruption can entail for the Allgeier Group and for them personally. As such, employees must actively cooperate in putting the Group-wide program into practice within their sphere of responsibility. We provide employees with access to all of our compliance regulations via internal platforms. We also regularly inform and train our managers on our requirements and all relevant changes and new features.

6. Sustainable products and solutions

In our operating business, we rely on the use of state-of-the-art technology based on the principles of sustainability. Data protection, confidentiality, integrity and customer proximity are essential cornerstones – but it is just as important to us to make the IT lifecycle as environmentally friendly and resource-efficient as possible. With our sustainable products and solutions, we aim to optimize the energy footprint of our internal systems and our customers, minimize the consumption of natural resources and hence 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. We therefore place the highest demands on IT security in our internal processes and structures and in our collaboration with customers and partners. We firmly believe 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 and observe the contractual confidentiality obligations entered into with third parties and the provisions of data protection law. The data protection regulations in place at the Group comply with the EU GDPR and their consistent implementation is ensured by corresponding TOM (technical and organizational measures) and guidelines that are continuously refined. The observance of data protection and confidentiality obligations is governed in detail at the level of the individual subsidiaries. In addition to an obligation of confidentiality, employment contracts require employees to familiarize themselves with the rules on data protection and to maintain data protection. Data protection officers are also appointed at our companies in order to monitor observance and implementation and clarify all related questions. Numerous individual measures also contribute to data protection at our companies. For example, we provide technical facilities at our offices for destroying documents and CDs through the use of shredders and 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 complying with and ensuring security in all processes involving information processing. Throughout the Group, we are guided by the specifications of ISO/IEC 27001 and have obtained numerous certifications ensuring that our quality management system complies with the latest data protection standards as well as our internal guidelines and specifications regarding confidentiality and information security, such as:

- a documented and institutionalized ISMS (information security management system); compliance with and the effectiveness of ISO 27001 standards are reviewed annually by a certified auditor
- an 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 employee awareness of applicable external and internal guidelines and specifications
- a secure network with a 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), including at our facilities outside the European Union

6.3 Product responsibility

Our solutions and forensic services, such as julia mailoffice and DocSetMinder®, are synonymous with IT security made in Germany. For example, our e-mail security solution julia mailoffice is used by numerous federal and state authorities and prestigious companies. julia mailoffice is also the virtual post office of the German 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. In addition, our product portfolio includes a range of secure, tried-and-tested software solutions from leading manufacturers which are used in different industries and areas of business. All our products perform central functions for their particular area of application and can be individually tailored to our customers' requirements. As part of our customized software development, we develop highly scalable, integrable and secure online applications for business-critical company processes. Interdisciplinary teams within our organization ensure that IT security issues that are relevant to the development of products and services, such as web and application security, are taken fully into account and integrated into project implementation from the outset. We also rely on coordinated and proven procedures across all projects that 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 range of additional aspects that can affect the environment and the consumption of natural resources.

6.4 Ecological aspects of production and services

Protecting the natural environment and conserving resources are taken fully into account when it comes to fulfilling our responsibilities for our own company and in our services for our customers. The responsible and sustainable use of resources is a necessary condition. As part of our commitment to sustainability, we discuss possibilities for protecting the environment and enhancing resource efficiency with employees at our companies and frequently implement their ideas and suggestions alongside our own specifications. In this way, our Group companies demand and promote environmental protection in production and services through a range of individual measures and innovations, including:

- the environmentally friendly, resource-efficient use of information and communication technologies throughout their entire lifecycle
- minimizing the consumption of resources during the manufacture, operation and disposal of devices
- reducing business travel 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-efficient shuttle buses are provided for collective transport
- optimizing route planning when appointments are made and car pooling
- a car fleet with reduced emissions and lower noise levels (mainly vehicles with lower CO_2 emissions and 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 (green electricity)
- installing solar panels at individual facilities
- recycling programs for electronic and IT consumables
- reduction in water consumption and waste water through intelligent systems for saving water, collection and use of rainwater and waste water at individual facilities
- reduction in paper consumption, e.g. replacing plastic cups with ceramic mugs, internal applications with paperless transactions, monitoring paper consumption for document printing

Report of the Supervisory Board of Allgeier SE for Fiscal 2019

The Supervisory Board submits the following report on its activities in fiscal 2019:

The Supervisory Board performed all of the tasks incumbent on it in accordance with the law and the company's Articles of Association and monitored the management of the company by the Management Board on a regular basis, as well as acting in an advisory capacity. In addition to topics dealt with continuously, such as the current course of business, the company's financial and liquidity position, the acquisition pipeline, risk management and compliance, the Supervisory Board principally focused on the following activities in 2019:

- the continued reorganization and integration of the Allgeier Enterprise Services and Allgeier Experts divisions,
- the restructuring of Group financing through the conclusion of a long-term credit facility with a volume of EUR 228 million and the termination of various prior financing arrangements, as well as the successful completion of a capital increase to finance additional growth investments, and
- the strategic orientation of the Allgeier Group with the creation of an innovative full-service provider and global player for software engineering and technology solutions by way of a spin-off from Allgeier SE to form a separate company with its own listing. The business unit is to be developed on the basis of Nagarro's corporate organizational model. The aim is to propose a resolution for the spin-off of the business unit to Allgeier's shareholders so that it can be floated independently.

The Supervisory Board held seven meetings in fiscal 2019. 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 of the meetings of the Supervisory Board. When discussing and adopting resolutions on individual topics, 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 by way of 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 therefore complied with its reporting and information duties toward the Supervisory Board in the past fiscal year in full and kept the Supervisory Board continuously and fully updated on the course of the business, the position of the company and the Group companies and all major business transactions, both at meetings of the Supervisory Board and outside such meetings. The Supervisory Board did not form any committees on account of its size.

Key topics with which the Supervisory Board concerned itself during its work in and outside meetings included in particular:

- the current course of business in the individual divisions and the performance of the Group compared with the approved Group budget,
- the ongoing financial and liquidity position,
- the performance of the Group and individual areas with deviating performance, particularly the Experts and Enterprise Services segments that are being restructured,
- the Group's financing and capital structure,
- approval of the Group budget,
- individual acquisition projects and disposals of parts of companies,
- questions relating to the Group's strategic positioning,
- corporate governance and integration within the Group,
- risk management and compliance,
- issues in connection with the auditing of the financial statements and non-audit services, as well as
- Management Board matters.

In the discussions between the Management Board and Supervisory Board and thanks to the ongoing information provided by the Management Board, the Supervisory Board satisfied itself that the Management Board managed the business of the company properly and in compliance with the law in fiscal 2019. The Management Board continued to refine the organization of the Allgeier Group in the past fiscal year in line with the growth of the Group. The Supervisory Board discussed the risk management system used at 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 corresponding submission from the Management Board in good time, and the necessary approval was issued. The Supervisory Board therefore confirms 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 satisfied itself that the management of the company by the Management Board complied with the statutory requirements in all regards and did 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 for the year ended December 31, 2019 as well as the management reports for Allgeier SE and the Group, and issued an unqualified audit opinion in each case. The aforementioned documents and the audit reports from LOHR + COMPANY GmbH were made 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 16, 2020. The Supervisory Board examined the sustainability report. It discussed the annual financial statements and consolidated financial statements as well as the audit reports in detail in the presence of the auditors at its meeting on April 16, 2020. At this meeting, the auditors reported on the main findings of their audit and confirmed that there were no major weaknesses in the internal control system or the risk management system. The Supervisory Board therefore 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 applicable rules in place for the respective statements, and that they give a true and fair view of the financial position and results of operations of Allgeier SE and the Group. The review of the audit reports and the discussion with the auditors did not lead to any complaints or objections on the part of the Supervisory Board. Following a detailed review, the Supervisory Board agrees with the conclusion of the auditors and approves the annual financial statements and consolidated financial statements for fiscal 2019 as prepared by the Management Board. The annual financial statements are therefore adopted.

The Supervisory Board also reviewed the proposal by the Management Board for the appropriation of the net retained profits of Allgeier SE for fiscal 2019. The Management Board considers the continuity of dividend payments to be a key objective. As fiscal 2019 was an extremely successful year for the Allgeier Group, a dividend proposal in the same amount as last year would be possible as a matter of principle. In light of current developments with regard to the global spread of the SARS-CoV-2 virus, however, it is proposed that the net retained profits for 2019 be carried forward to new account.

After carefully weighing up the interests, particularly the interests of the company in funding its business operations and securing liquidity and jobs at the Allgeier Group on the one hand and the interests of shareholders in receiving a dividend payment on the other, the Supervisory Board agrees with and endorses the proposed resolution.

The Supervisory Board would like to thank the management of the company and all employees of the Allgeier Group for their performance in fiscal 2019.

Munich, April 16, 2020
Supervisory Board of Allgeier SE

Detlef Dinsel
Chairman of the Supervisory Board

Financial Calendar 2020

Important dates and events	
Publication of the 2019 consolidated/annual financial statements	April 20, 2020
Publication of voluntary interim information as of March 31, 2020	May 15, 2020
Annual General Meeting in Munich	June 30, 2020
Publication of 2020 half-yearly financial report	August 14, 2020
Publication of voluntary interim information as of September 30, 2020	November 13, 2020

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

Current financial information can be found in the Investor Relations section of Allgeier's website at: www.allgeier.com/en/investor-relations

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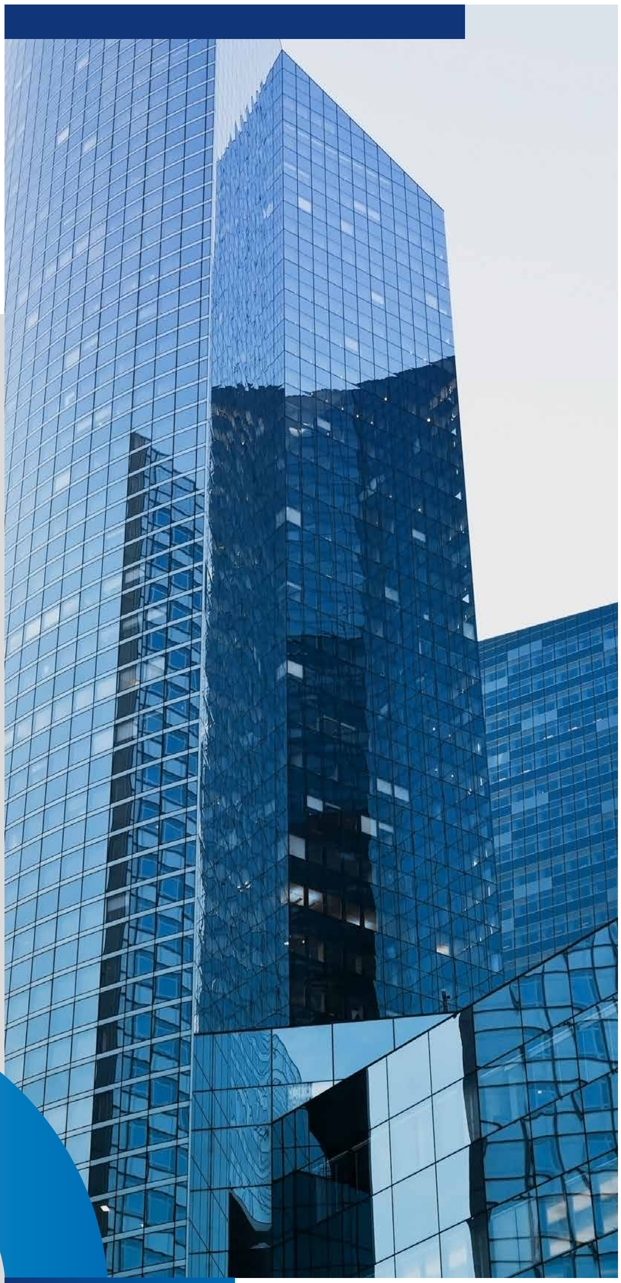

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