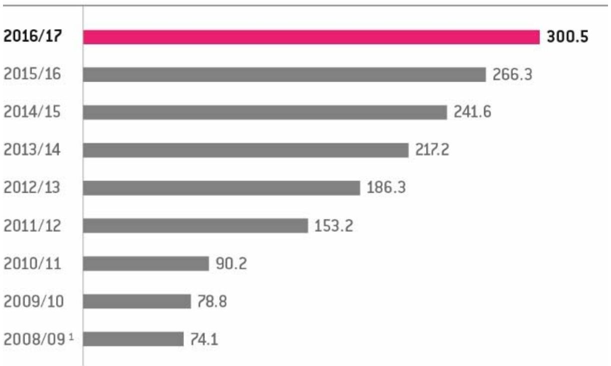
all for one steeb

360° PARTNER FOR DIGITALISATION IN THE MIDMARKET

Annual Report 2016/17

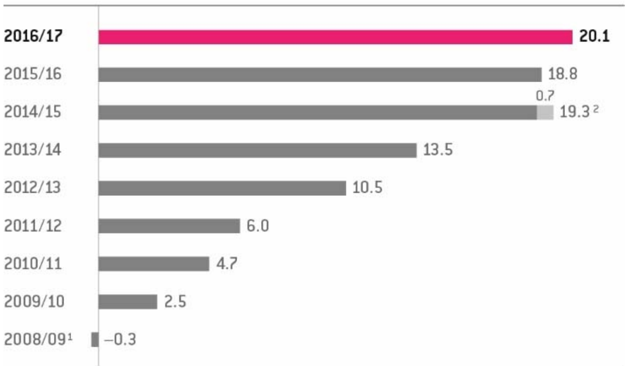
KEY FIGURES

Sales in EUR millions



1) Continuing operations

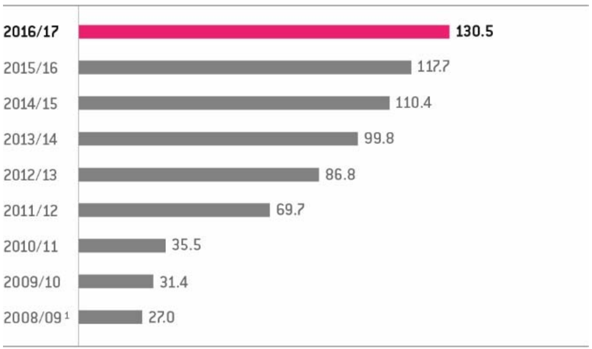
EBIT in EUR millions



1) Continuing operations

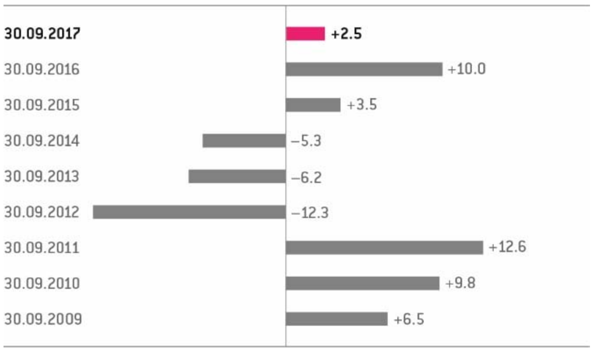
2) One-time effect

Recurring Revenues in EUR millions

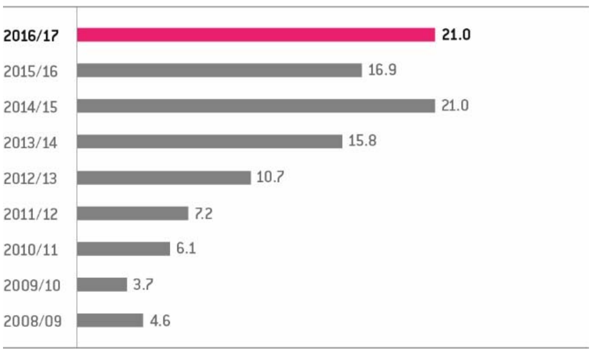


1) Continuing operations

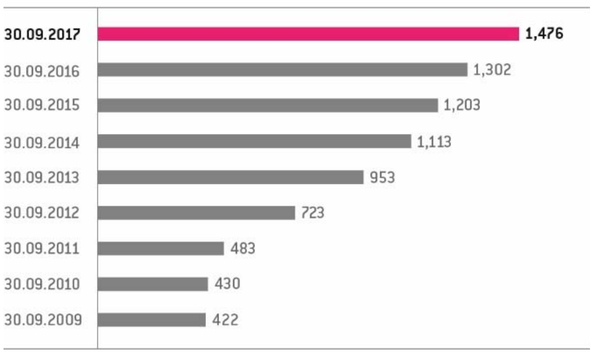
Net Debt (−)/Liquidity (+) in EUR millions



Operative Cash Flow in EUR millions



Headcount at Year End



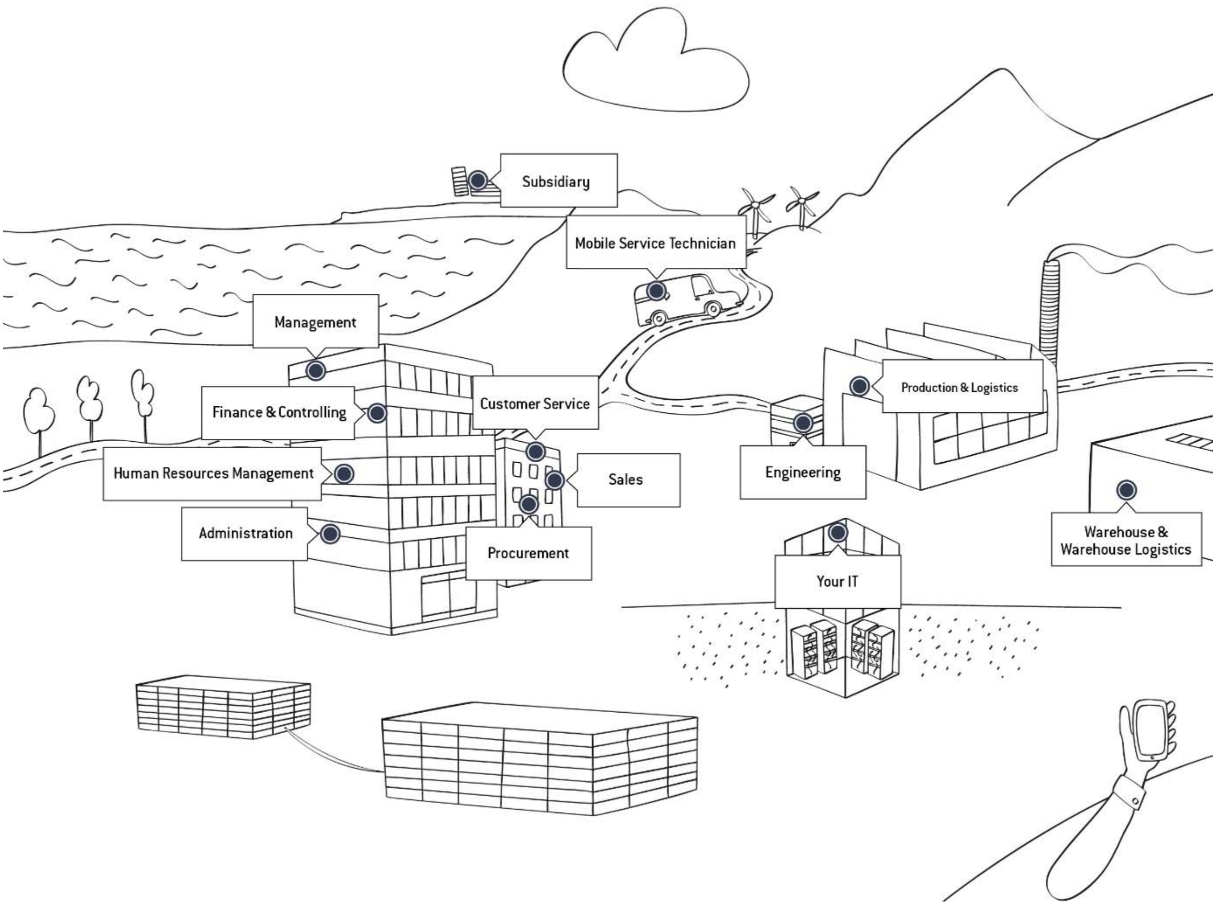
IFRS in EUR millions unless otherwise stated

	10/2016 – 09/2017	10/2015 – 09/2016	Absolute delta	Delta in %
Earnings Situation				
Sales revenues	300.5	266.3	34.2	13
EBITDA	29.4	27.4	2.0	7
EBITDA margin (in %)	*9.8*	*10.3*		
EBITA	24.8	23.4	1.4	6
EBIT	20.1	18.8	1.2	6
EBIT margin (in %)	*6.7*	*7.1*		
Earnings after tax	13.1	12.3	0.8	6
Balance Sheet				
Total assets	168.7	155.8	12.9	8
Equity	69.5	60.4	9.1	15
Equity ratio (in %)	*41*	*39*		
Net liquidity	2.5	10.0	-7.5	-75
Employees				
Number of employees (at end of financial year)	1,476	1,302	174	13
Full-time equivalents (ø)	1,262	1,116	146	13
Share				
Number of shares (ø)	4,982,000	4,982,000	0	0
Share price (at end of financial year, in EUR)	65.05	53.79	11.26	21
Market capitalisation (at end of financial year)	324.1	268.0	56.1	21
Earnings per share (in EUR)	2.63	2.46	0.17	7
Non-financial performance indicators				**Delta in percentage points**
Employee retention (in %)	94.3	94.6		-0.3
Health index (in %)	97.4	97.1		0.3

ABOUT US

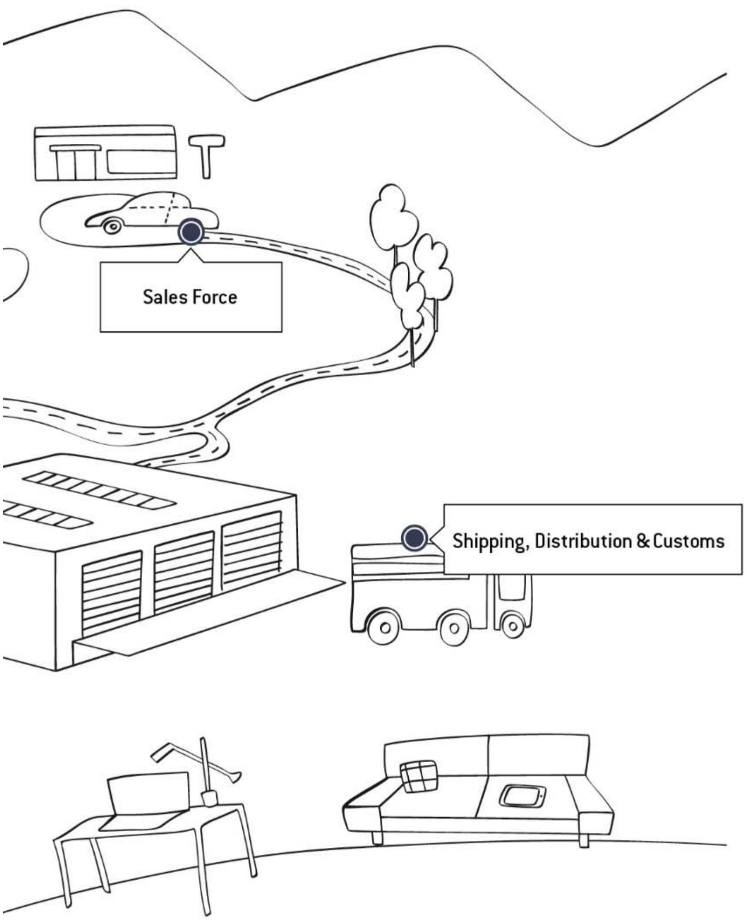
All for One Steeb AG is the number 1 in the German-speaking SAP market, a leading IT service provider and 360° partner for digitalisation in the midmarket. The full-service provider's portfolio comprises end-to-end services and solutions across the entire IT value chain, from management and technology consulting, SAP industry solutions and cloud applications up to highly scalable multi-cloud services out of German data centers, where All for One Steeb is orchestrating highly available IT operations for all business-related IT systems – including SAP as well as Microsoft.

This is why market observers also rank All for One Steeb amongst the leading IT service providers for Cloud Transformation, SAP HANA and SAP S/4HANA, Business Analytics and Performance Management, Human Capital Management, Customer Engagement & Commerce, Application Management Services or Communications and Collaboration.



As an SAP Platinum Partner, All for One Steeb is a reliable general contractor and serves with more than 1,400 employees over 2,000 clients in Germany, Austria and Switzerland, mainly among the manufacturing and consumer goods industry.

As a founding member of United VARs, the largest global network of leading SAP partners, All for One Steeb guarantees a comprehensive consulting and service portfolio as well as the best local support in some 80 countries.



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Financial Year from 1 October 2016 to 30 September 2017.

1. INTERVIEW OF BOARD OF DIRECTORS

From left to right:
Board of Directors
Lars Landwehrkamp, CEO and
Stefan Land, CFO

»A Strong Tailwind«

Digital transformation has reached the DNA of the German economy. And for the first time, All for One Steeb AG has broken the revenue hurdle of EUR 300 million while simultaneously investing heavily to support customers in sustaining and improving their competitiveness.

Everything now revolves around more efficient and intelligent processes, closer connectivity with customers and suppliers, real-time information for all types of decision-making, and new worlds of work for better collaboration within the workforce. These are the kinds of things that cannot be accomplished with isolated solutions alone. So, in addition to processes, we also need to thoroughly examine all aspects of the organisation, its leadership and its business models.

What does this mean for All for One Steeb AG and its own roadmap? Let's find out from Lars Landwehrkamp (CEO) and Stefan Land (CFO).

Transformation opens up immense opportunities. What are businesses doing with them?
Landwehrkamp: Our midmarket clients have long been accustomed to having to re-invent themselves on a regular basis. At the moment, however, it's not about tearing down well-established business models, but about ways of augmenting them intelligently instead. This is where we come in and show our customers the kind of competitive edge and benefits they can enjoy by using our IT solutions and services.

How does that work in practise?
Landwehrkamp: Together with our clients, we digitalise their business processes and align their business models to ensure they are fit for the future. We understand the need for this, and the importance of such matters as digitalising the supply chain, real-time data analytics, and connectivity with customers and suppliers. We also advise on a variety of forthcoming challenges, including machine learning and artificial intelligence. It is in this context that SAP S/4HANA plays a vital role as the digital core.

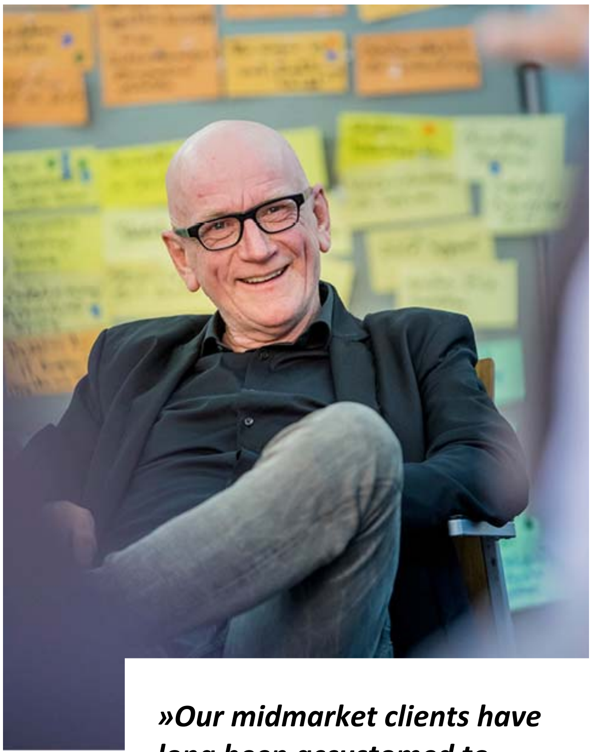
How is this reflected in your figures?
Land: Transformation is sweeping across all business areas. That's why we've unified every aspect of digitalisation under the All for One Steeb Group corporate umbrella. This holistic approach to customer service and support, which is one of the great strengths of our business model, is particularly effective right now and opens the door to many new opportunities for us. It's also why we managed to greatly improve all types of revenues in financial year 2016/17 and break the EUR 300 million sales mark for the first time – not to mention having made large and careful investments in expanding our portfolio, most notably for SAP S/4HANA and cloud services. We are on track and the progress we're making is right on schedule – all of which promises great things for the future.

Sales up 13% and the EBIT 6%. What's the connection?
Land: We're growing in terms of sales because we're remarkably innovative. In our core business we are pushing the generational change from the SAP Business Suite to SAP S/4HANA as the digital core and solidifying our position as the Number 1 on the market. At the same time, we also want to move up and become the leading provider of cloud services to the midmarket segment and its many lines of business, including human resources, finance, and sales and marketing. Naturally, we are also bringing our organisation into line to achieve these goals. A business expansion as broad as this does put somewhat of a burden on earnings at the moment, even though we always keep our sights firmly set on profitability. That's why we see such good chances for even more profitable growth in the years to come.

Apropos »cloud«, what are the forces driving this business?
Landwehrkamp: Specialised departments are mostly the ones moving into the cloud – especially now that their agendas are shifting so dramatically. Just think about human resources managers. Nowadays their primary job is to find, recruit, develop and retain highly qualified people over the long haul. This is, of course, on top of doing the payroll. The sales and marketing managers of today, for example, have to know vastly more about their customers if they want to apply the right approaches, set up the appropriate sales processes and make use of new distribution channels. Here is where cutting-edge cloud solutions are usually vastly superior to conventional, on-premise software. Cloud solutions are intuitive, can be implemented more rapidly, offer greater flexibility and mobility, and let you work from almost anywhere in an innovative and agile way. What's more, they're a lot cheaper to run and require none of your own resources.

You've set a new record for licensing revenues. How does that fit in with your cloud strategy?
Land: Our ERP business with the new SAP S/4HANA software generation has picked up sharply and has led to a big increase in our licensing sales. The operation of these new application landscapes is mostly hybrid, which means in interaction between a managed private cloud for the digital ERP core on the one side, and conventional licensing and the public cloud for specialised solutions used on a strictly pay-as-you-use basis on the other. This demonstrates how the sale of licenses not only drives recurring revenues from software maintenance, but our cloud business as well.

What's the difference between midmarket and DAX companies and what does this mean for your business model?
Landwehrkamp: Unlike DAX companies, small and midsized businesses increasingly view information technology as an end-to-end service to be consumed on demand, and one that can be readily added or deleted, is robust, uninterrupted, fully compliant and a perfect fit for their business processes, business models and the dynamics of how their undertaking is developing. This is why we cover the entire IT value chain from business processes, to application landscapes, all the way to running the software. We call this »orchestrating«. We take care of a variety of interfaces – both the organisational and software technical varieties – so that everything works together properly. Our service model offers exactly what our customers need for digitalising their processes: innovation, flexibility, stability, security and all in one highly cost-effective package.



»Our midmarket clients have long been accustomed to having to re-invent themselves on a regular basis.«

Lars Landwehrkamp, CEO

You've made eight acquisitions in the past seven years. Is this a trend you expect will continue?
Land: As a 360° partner for digitalisation in the midmarket sector, we've got to expand our portfolio faster than can possibly be done through healthy organic growth alone. In light of that, we are focused on and putting tremendous effort into acquisitions. Any entities we acquire must help us move forward with the many new ideas and issues facing our industry. After all, what good is a great strategic fit if the cultures aren't compatible? Remember: our business is a people business. Customers will only stay with us when the merged company's management and workforce stay on board and feel at home with our values and culture. That's why we don't get involved in restructurings or with less-focused companies. We've done well with this strategy so far and will stay on this course.

What were the thoughts behind acquiring inside and establishing Allfoye?
Landwehrkamp: The human resources department plays a critical role in shaping digital transformation. Modern, fast and easy-to-use HR full-service solutions from the cloud lessen the daunting administrative workload and make room for such strategic human resource responsibilities as recruiting, developing the workforce, and managing knowledge and talent. Our subsidiaries KWP and inside complement one another so well here that we combined the two to make KWP INSIDE. Our newly formed management consulting unit, Allfoye, helps us drive home the point that the success of digitalisation projects does not depend on digital technologies alone. What really matters are the right business models, the appropriate organisational structures, and a contemporary understanding of management and leadership. That's why we established Allfoye and are advising directly on the executive-board and corporate-management levels.

So you're still pursuing a multi-brand strategy around your core brand?
Landwehrkamp: Exactly. Because that's how specialised department decision-makers can find their way to us when it comes time to digitalise their operations. The core »All for One Steeb« brand stands for ERP. Here the tectonic generational shift from SAP ERP to SAP S/4HANA, a completely new software with its own database, has only just begun, and for us increasingly incorporates such issues as collaboration and the Internet of things, or IoT. We give our clients the help they need in digitalising their specialised activities and business lines through our subsidiaries, including avantum for the finance department, KWP INSIDE for human resources management, and B4B Solutions for sales and marketing.

How much growth is currently organic?
Land: We've grown organically by about 11% in spite of what is presently a high absolute volume of business. Some 2 percentage points are attributable to inorganic revenue growth. Unfortunately, the rapid integration and joint business approach make it impossible to quantify this more precisely.

Digital transformation is globalising business. To what new countries is this development taking you?
Landwehrkamp: Our focus is on small and mid-sized enterprises in countries where German is spoken. These businesses enjoy an industrial capital that is without equal anywhere in the world. The latest global market leader census clearly places Germany at the top with more than 1,300 such companies. That's nearly twice as many hidden champions as the four runner-up countries United States, Japan, France and Great Britain combined. Our clients from the machinery and equipment manufacturing, automotive, and consumer goods industries are also some of the engines driving the German economy. If you want to serve clients like these, you've got to be on the ground with strong local units worldwide. And that is the very reason we founded United VARs in 2006. Its sharing economy model now encompasses more than 40 partners in over 80 countries, making it what is arguably the largest and most capable alliance of SAP resellers in the world. United VARs lets us serve and support our clients on site across the globe – and not just with the best-possible quality, but with vastly less risk than we could with our own resources.

How do you find the people you need for this kind of growth?
Landwehrkamp: Well, it certainly demands a great deal from us. Our team has increased by 100 to 200 employees over each of the last five years. We currently have more than 1,400 people working for the company. Our employee retention rate is about 94%, which is unusually high for our industry and surely has something to do with the high degree of personal entrepreneurial responsibility and individual freedom that makes our culture and values system so special. We always notice how keenly our employees recommend us as an employer to others in such rankings as *Best*

Even though we work closely with colleges and universities, do our own vocational training, conduct dedicated online recruiting campaigns, and regularly run recruitment programmes for trainees and students, we've still only managed to somewhat alleviate the shortage of skilled workers. Finding enough good people remains an enormous challenge.

Where do you want to take All for One Steeb in the next few years?
Land: 2016/17 was yet another very good financial year. Digital transformation continues to provide a strong tailwind. We want to make large and careful investments in expanding our established business model in the years to come. Doing so will help us systematically expand our business model, greatly increase the amount of recurring revenues, and sustainably drive our ability to create and deliver value.

Landwehrkamp: We have an extremely good foundation. We're a leading IT service provider, the Number 1 on the SAP market in Germany, Austria and Switzerland and a highly sought-after 360° digitalsation partner in the midmarket segment. Moving ahead, we want to see more of our industry, business-process and technology expertise incorporated in the proprietary business process solutions we're developing for the Internet of things within our customers' industries. This is the kind of field in which our expertise can help move our clients even farther ahead.

»We also want to move up and become the leading provider of cloud services to the midmarket segment and its many lines of business.«

Stefan Land, CFO

2. THE SHARE

»One of the Few Exceptions«

All for One Steeb's share price increased 21% to EUR 65.05 in the financial year 2016/17. This resulted in a market capitalisation of some EUR 324 million as at the end of the reporting year. Our sustainable dividend policy is paying off.

Share Performance 2016/17, indexed

»In what is now the ninth year of a bullish stock market, there are not many companies left showing solid growth, operating profitably, and yet still moderately valued. One of the few exceptions is All for One Steeb«, wrote the weekly business magazine *WirtschaftsWoche* on 9 November 2017. Just two days earlier the financial blog *börsengeflüster* reported: »All for One Steeb was convincing once again with solid figures and an encouraging forecast (…) what we like is how responsibly the company implements its chosen strategy and the enthusiastic pursuit of that urgent issue of digitalisation«.

More than 80 Discussions with Investors

All for One Steeb AG enjoys a good reputation among investors as well. In addition to its consistently good business results, investors also value the company's reporting, which is ongoing, transparent and candid. Institutional investors, the investing public and analysts, as well as the business and financial press are looked after with an equal degree of dedication. More than 80 separate discussions were held with institutional investors during the reporting year. Furthermore, we reported in detail about the company's business performance and development at investor events, press meetings, and trade shows, as well as during telephone and analyst conferences. Investors can find a broad range of continuously updated information about All for One Steeb and its stock in the Investor Relations tab of the corporate website (www.all-for-one.com/ir-english).

Share Price Increase: Plus 21% over the Course of the Year

As a reminder, the share price was only EUR 1.50 in March of 2009. Since then All for One Steeb AG's market capitalisation has multiplied several times over. The share closed at EUR 53.79 on 1 October 2016, the first day of our financial year. Eight months later, on 1 June 2017, the stock peaked at EUR 67.80. The stock was listed at EUR 65.05 at the close of the financial year on 30 September 2017. This means that the share price gained 21% over the course of the year.

Sustainable Dividend Policy

Our business model is robust and consistently generates gains and growth. The dividend distribution increased from 15 euro cents (for 2011/12) to EUR 1.10 EUR per share (for 2015/16). A recommendation will be made to the annual general meeting on 15 March 2018 that a distribution be made of EUR 1.20 per share entitled to dividends. Hence the dividend payout ratio would be 46% (2015/16: 45%) as measured against the 2016/17 Group earnings after tax of EUR 13.1 million EUR (2015/16: EUR 12.3 million). We intend to continue with our sustainable dividend policy in the future.

Key Figures

ISIN / WKN	DE0005110001 / 511 000
Market Segment	Prime Standard
Stock Exchange Centre	Frankfurt Stock Exchange
Date of Listing	30.11.1998 (then: AC-Service AG)
Indices	CDAX, Prime All Share, Technology All Share, DAXsector All Software, DAXsector Software, DAXsubsector All IT-Services, DAXsubsector IT-Services
Designated Sponsor	BankM, Baader Bank
Highest Price Financial Year 2016/17*	EUR 67.80 (01.06.2017)
Lowest Price Financial Year 2016/17*	EUR 49.50 (10.10.2016)
Price at Start of Financial Year 2016/17*	EUR 53.50 (04.10.2016)
Price at End of Financial Year 2016/17*	EUR 65.05 (29.09.2017)
Market Capitalisation**	EUR 324.1 million
Earnings per Share in Financial Year 2016/17	EUR 2.63
Share Capital	EUR 14.95 million
Number of Shares	4,982,000 registered shares

* end-of-day share price (XETRA)

** based on closing share price on 29.09.2017 (XETRA) and 4,982,000 shares

Shareholder Structure

Unternehmens Invest AG	approx.	25%
UIAG Informatik-Holding GmbH	approx.	25%
BEKO HOLDING GmbH & Co KG	approx.	12%
Management and Supervisory Board	approx.	3%

3. CORPORATE GOVERNANCE REPORT

For All for One Steeb, good corporate governance is the foundation for responsible management and leadership within the company.

As a group of companies with an international shareholder structure, we place exceptional value on the kind of business management and controls that are responsible, accountable, transparent, and focused on delivering sustained and long-term value. We are convinced that good corporate governance will heighten the trust and confidence of our shareholders, business partners, employees and the financial markets.

We regularly draw upon the recommendations made by the Government Commission on the German Corporate Governance Code as a source of ideas, suggestions and guidance for improving and enhancing the way we control and manage our company. On 24 April 2017, the federal government published in the Federal Gazette the changes that the Government Commission approved in the version of the German Corporate Governance Code dated 7 February 2017, with which this amended version of the code came into force.

The following Corporate Governance Report by the management board and supervisory board also includes the Corporate Governance Statement:

Declaration of Conformity and Corporate Governance Statement

The Declaration of Conformity by the supervisory board and management board prepared in accordance with §161 »Aktiengesetz« and the Corporate Governance Statement pursuant to §289a of the German Commercial Code (hereafter called »Handelsgesetzbuch« or »HGB«) can be found in the Investor Relations section of the company's website www.all-for-one.com. The Declaration of Conformity approved and published in September 2017 reflects our efforts to maintain high standards of corporate governance.

Shareholders and the Annual General Meeting

The shareholders of All for One Steeb AG exercise their rights before or during the annual general meeting. Each registered share carries one vote in accordance with §13 of the company articles of association. The chairman of the supervisory board chairs the annual general meeting. The annual general meeting makes decisions in all matters assigned to it by law and the company articles of association.

Supervisory Board

The primary task of the supervisory board is to advise and oversee the management board. In accordance with the company articles of association, the company's supervisory board consists of six members, two of whom are employee representatives. The responsibilities und obligations of the supervisory board and its committees are as regulated in the »Aktiengesetz«, the company articles of association and in the standing rules of the supervisory board and its committees. The supervisory board has set specific goals regarding its composition and has drawn up a related competency profile for the board as a whole. The goals and competency profile can be found in the Investor Relations section of the company's website www.all-for-one.com. The nominations forwarded for consideration to the annual general meeting are all based on these.

Management Board

As the managing body of a stock corporation, the management board »shall have direct responsibility« for the management of the company (§76, section 1 »Aktiengesetz«), exercises its own discretion, and is bound by the company's interests and operating policies within the framework of stock corporation law. In exercising its executive authority, the management board is committed to increasing the company's sustainable enterprise value. It reports to the supervisory board comprehensively and on a regular basis about all issues concerning business performance, the corporate strategy and potential risks. The responsibilities and obligations of the management board are as regulated in the »Aktiengesetz«, the company articles of association, the standing rules and in the management board's schedule of responsibilities.

The Work of the Management Board and Supervisory Board

The management board and supervisory board maintain a close and trusted relationship as they work in the interest of the company. The chairman of the supervisory board coordinates the work of the supervisory board and chairs its meetings. The supervisory board also appointed committees. The management board usually participates in the meetings of the supervisory board, reports orally and in writing about the individual agenda items and proposed resolutions, and answers questions put forth by the members of the supervisory board.

In accordance with §6 of the company articles of association, the supervisory board appoints the members of the management board and establishes the standing rules and a schedule of responsibilities for the management board. The chairman of the supervisory board decides if the members of the management board should take part in the supervisory board meetings. And finally, the supervisory board establishes standing rules for itself and for its committees. The supervisory board provides details about its activities and the activities of its committees in its annual report to the shareholders at the annual general meeting.

Diversity

As regards the composition of the management board, the supervisory board evaluates the personal and professional sides of candidates using such criteria as industry knowledge, experience, technical expertise and international qualities. Nominations for the election of supervisory board members that are submitted for consideration to the annual general meeting are based on the supervisory board competency profile and on the goals that the supervisory board has established for constituting the board as a whole.

Likewise, both the supervisory board and the management board support a policy of equal opportunities for men and women to participate in holding management positions, and follow the recommendations of the German Corporate Governance Code by promoting diversity when filling such executive positions. In the summer of 2015 we set ourselves the goal of increasing the share of women in All for One Steeb AG's second level of management to at least 10% by 30 June 2017 and in the company's third level of management to at least 20%. These goals were reached only in part. The share of women was 0% in the second level of management and 20% in the third level of management as at 30 September 2017.

As we also pay attention to diversity in the configuration of the management and supervisory boards, the supervisory board decided in May 2015 that we would achieve the target of having a 20% share of women serving on the management board by 30 June 2017. Consequently, the share of women on the supervisory board should have increased to at least 16.66% by 30 September 2017. These goals have proven to be unattainable during the supervisory board's current term of office and under the existing agreements with the company directors. As at 30 September 2017 the percentage of women in both the management board and the supervisory board was 0%.

Code of Conduct

Foremost among the corporate governance practices that All for One Steeb applies are the guidelines set forth in our compliance management system and which apply to all Group employees. Such guidance accentuates the high standards of conduct that we expect from our employees, managing directors and board members. It also codifies and announces to our customers, partners, suppliers, competitors and shareholders what the key principles are that govern our conduct. Implementing these guidelines in our day-to-day business demonstrates our commitment not only to acting and competing in a manner that is within the law, responsible and of unimpeachable integrity, but to safeguarding personal and other sensitive information as well. We also condemn corruption in all its forms. Our compliance organisation is charged with overseeing our adherence to this code of conduct and other internal corporate policies across the entire Group. Furthermore, it regularly reviews these guidelines, updates them as required, and trains the workforce and leaders.

Transparency

We attach great importance to an information policy that stresses the disclosure of information that is uniform, comprehensive and timely. This is why the company informs all interest groups about the company's situation and all significant changes and developments within the business on a regular and timely basis. The most important communication tools used for this purpose are the Internet and the company's website. Reporting is also made in the annual report, in interim reports and quarterly statements, as well as through meetings and conferences with the press and analysts.

Furthermore, information is also published in the form of press releases and ad hoc announcements. The company also complies with the disclosure requirements regarding such matters as voting rights announcements and the conducting of business for one's own account by management executives. Disclosures, announcements, presentations and reports are also available in the Investor Relations and the Press sections of the company's website. The company has also prepared, and continually maintains and updates, the statutory insider list pursuant to article 18 of the European Market Abuse Directive. The individuals included in this list have been informed of their statutory duties and the sanctions associated with access to insider information.

In line with the principle of fair disclosure, all shareholders and significant target groups are treated equally when it comes to the disclosure of information. For statutory reasons principal shareholders may receive some information in advance if such is required for preparing its group financial statements, group interim reporting, business plans and budgets. In such an event the recipients of this information are formally bound to treat this information as confidential and not disclose it to others.

Accounting and Auditing

The company's consolidated financial statements are prepared in accordance with IFRS, and the annual financial statements in accordance with the »Handelsgesetzbuch«. Once prepared by the management board, the consolidated financial statements and the annual financial statements are audited by the auditors, approved and finalised by the supervisory board, and then published within 90 days after the end of the financial year. Interim reports in the form of two quarterly statements and one half-year financial report are also published for the first three quarters of a financial year. The auditors do not review the interim reports.

Key Performance Indicators and Control Systems

Sales revenues and operating earnings (EBIT) are the key financial figures used in the financial management of the Group. These control parameters are aligned with one another with an eye toward pursuing as sustainable and profitable a path to growth as possible. The company also employs non-financial control parameters.

As part of its overall responsibility for the Group, the management board is required in accordance with §91, section 2 »Aktiengesetz« to establish a risk early warning system to identify existential risks as early as possible. This risk early warning system is an integral part of the planning, budgeting, control and reporting processes. The management board has also established a group-wide compliance management system. A detailed description of the risk management system, the internal control system and the compliance management system is included in the Opportunities and Risk Report section of the Group Management Report.

Compensation Report

The management board's compensation system is explained in the Group Management Report. The notes to the consolidated financial statements also provide detailed information about compensation for each member of the management board and supervisory board divided into fixed and variable components as well as benefits granted and type of inflow. This disclosure of the management board's compensation complies with the current recommendations of the German Corporate Governance Code. The structure of the compensation system is reviewed regularly.

Stock Option Programmes and Similar Incentive Systems

There are currently no stock option programmes or similar incentive systems in place for the members of the supervisory board or the management board.

Shares Held by Board Members

The members of the management board and the supervisory board hold shares in All for One Steeb AG as shown in the following table:

Shares	30.09.2017 Direct	30.09.2017 Indirect	30.09.2016 Direct	30.09.2016 Indirect
Supervisory Board				
Josef Blazicek	6,500	12,000	6,500	12,000
Peter Brogle	42,513	0	42,513	0
Peter Fritsch	24,000	0	24,000	0
Paul Neumann (from 11 November 2016)	0	0	–	–
Jörgen Dalhoff	250	0	250	0
Detlef Mehlmann	0	0	0	0
Management Board				
Lars Landwehrkamp	50,000	22,500	50,000	22,500
Stefan Land	32,000	0	32,000	0
	155,263	**34,500**	**155,263**	**34,500**

Supervisory board member Josef Blazicek indirectly controls QINO AG (formerly: QINO Capital Partners AG), Hünenberg/Switzerland. This company's holdings most recently totalled 463,062 shares (30 September 2016: 513,062 shares) and were reallocated in their entirety on 2 June 2017, a move that increased the number of shares in free float accordingly. Supervisory board member Peter Fritsch performs management duties at BEKO HOLDING GmbH & Co KG, Nöhagen/Austria, in his capacity as managing director and shareholder. This company's holdings total an unchanged 576,742 shares. Supervisory board member Paul Neumann is a member of the management board of Unternehmens Invest AG and managing director of UIAG Informatik-Holding GmbH, both headquartered in Vienna/Austria. These two companies each hold an unchanged number of 1,248,837 shares. There is also a voting agreement in place between the two companies regarding their shareholdings in All for One Steeb AG.

All changes in the amount of stock held by the members of the management board and the supervisory board are disclosed in accordance with statutory regulations and also made available to the public on the company's website. The shareholdings held directly and indirectly by the supervisory board member Josef Blazicek were sold in their entirety on 4 October 2017 (30 September 2017: 18,500 shares).

4. REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Digital transformation is reaching the DNA of the German economy and with it more of All for One Steeb AG's customers. The effects of this are generating a powerful tailwind for our growing investments in the generational shift from SAP ERP to SAP S/4HANA, the expansion of our cloud services portfolio, and our own transformation. Our robust business model, a leading position in our target market and a high share of recurring revenues provide a strong footing for continued investments in the digital future and help ensure we maintain our favourable competitive position. Likewise, our 2016/17 results show that we are growing our business successfully as planned.

A shift in our shareholder structure led to a change in the membership of the company's supervisory board. Friedrich Roithner, the CFO of Pierer Industrie AG, Wels/Austria, which withdrew as a shareholder in the company, relinquished his seat on All for One Steeb AG's supervisory board effective 11 August 2016. Paul Neumann, a member of the management board of Unternehmens Invest AG, Vienna/Austria, and managing director of UIAG Informatik-Holding GmbH, also of Vienna, took his place on the supervisory board through a court appointment on 11 November 2016. Additionally, Nicole Schultheiß, Assistant to the Management Team, All for One Steeb AG, Filderstadt, succeeded Detlef Mehlmann, Head of Business Development International, All for One Steeb AG, Filderstadt, as a substitute member of the supervisory board of All for One Steeb AG effective 30 November 2017, due to the latter's appointment as the legal representative of one of this organisation's dependent companies, which was made prior to the start of the current reporting period. The supervisory board's ability to work or make a quorum was not impaired. No other personnel changes were made in the supervisory board.

The supervisory board diligently carried out the duties required of it as prescribed by law, the company articles of association, the standing rules and the German Corporate Governance Code – particularly that of advising and overseeing the management board – during the financial year 2016/17. The supervisory board was briefed thoroughly and regularly – usually through written, but also verbal reports by the management board – about the course of business, the direction the company is taking, the position of the company and Group, the earnings, assets and financial situation including the return on equity, the risk situation, risk management and compliance and also about all fundamental issues relating to corporate planning and budgeting (including financial, capital and human resource budgeting), as well as developments, decisions and plans of particular importance for the company. These also included extraordinary events to the extent such were required to be reported. The supervisory board also requested additional and more in-depth reports in isolated cases and as deemed necessary. The management board ensured that the supervisory board was provided with all the required information at all times, and forwarded the essential decision-making documents and files to the members of the supervisory board on a timely basis prior to each of the supervisory board meetings. There was no cause to warrant special investigative or auditing actions. The further development of the strategy to respond to the advancing digital transformation, acquisition projects and integration projects were the primary orders of business in the financial year 2016/17. During the times between supervisory board meetings, the respective chairman of the supervisory board was in continuous contact – including personal discussions – with the management board, and gathered information about the latest business developments, the status of the projects and other important actions and decisions.

Focus of the Supervisory Board Meetings

During its meetings, the supervisory board regularly concerned itself with overseeing the projects, as well as with business developments, planning, budgeting, compliance management and corporate governance within the company. The supervisory board gathered information about the risk situation and further improvements in risk management, especially in regard to the risk early warning and internal control system. In so doing, and by having made spot checks of specific cases and instances, the board expressed its confidence in the effectiveness and efficiency of the accounting-based control system. No grounds were found for raising any objections. The board also discussed acquisition projects in great detail, and is satisfied that a comprehensive due diligence and auditing system is in place. Enhancing diversity within the company and dealing with new legal requirements and legislative reforms were also the focus of the supervisory board's work during the reporting year. Furthermore, the supervisory board carried

Josef Blazicek
Chairman of the Supervisory Board

out and then discussed an efficiency review of its own activities, and incorporated the review's findings and conclusions into its work.

The supervisory board came together for seven meetings in the reporting year, some of which were in the form of telephone conferences. There were also a number of co-ordinating discussions made by telephone, as well as decisions made electronically, by telephone or in writing. The following matters were discussed specifically:

On ***24 October 2016***, during its first meeting (telephone conference) of the current reporting year, the supervisory board dealt primarily with the examination and authorisation of an acquisition project. The major subjects of the financial-statements meeting on ***7 December 2016*** were presented in the supervisory board's report to the annual general meeting on 16 March 2017 and in the Annual Report 2016/17. This meeting focused on consultations and in-depth discussions of the documentation relating to the annual accounts, as well as finalising the annual financial statements and approving the consolidated financial statements. The main focus of the supervisory board meeting held on ***24 January 2017*** was the approval of the agenda of the annual general meeting. The other main topics of this meeting were the status of an acquisition project and adjustments to corporate financing arrangements. The latest business developments, including the forecast for the financial year, the status of an acquisition project, and the upcoming annual general meeting on 16 March 2017 were the main orders of business discussed during the supervisory board meeting on ***15 March 2017***. The primary purpose of the telephone conference held on ***27 March 2017*** was the examination and authorisation of an acquisition project. During its meeting of ***8 May 2017***, the supervisory addressed the business performance during the first half of the financial year and the draft of the half-year financial report. Other important items on the agenda at this meeting were a detailed discussion of the forecasts and outlook for the full year, the corporate strategy, adjustments to corporate financing arrangements, and the matter of long-term site planning. The final meeting of the financial year 2016/17 was held on ***19 September 2017***. This meeting discussed in detail the business performance after nine months, new and amended legislation, and the outlook for the full 2016/17 year. The main emphasis of the meeting was the discussion of the internal planning and budgeting for the financial year 2017/18. During this meeting the supervisory board also granted approval for a project relating to long-term site planning and, in keeping with its commitment to good corporate governance practices, approved and issued an updated Declaration of Conformity with the German Corporate Governance Code.

Each member of the board took part in at least 50% of the meetings in the financial year 2016/17.

Committees

Specifically, the ***audit committee*** monitors the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, the audit of the annual accounts and in particular the auditor's independence, qualifications and performance, including the commissioning of additional, non-auditing services. The audit committee also reviews the effectiveness of the compliance management system. The audit committee consists of three members. The committee chairman is supervisory board member Peter Fritsch. The other committee members during the 2016/17 reporting year were the chairman of the board Josef Blazicek and, until his withdrawal from the audit committee on 18 November 2016, the supervisory board member Peter Brogle, at which time (beginning on 18 November 2016) supervisory board member Paul Neumann was elected the new member of the audit committee. The audit committee held two meetings during the reporting year. The major subjects of this meeting on ***6 December 2016*** were presented in the supervisory board's report to the annual general meeting on 16 March 2017 and in the Annual Report 2015/16. The meeting focused on consultations and in-depth discussions of the annual financial statements. On ***7 December 2016***, supported by the audit committee's recommendation and after circulating the motion by telephone, the supervisory board decided on the appointment of the auditor for the 2016/17 annual and consolidated financial statements and will make this proposal to the annual general meeting. In its meeting on ***24 January 2017***, the audit committee established the audit focal points for the internal audit for the financial year 2016/17. Additional input and information were circulated to each member by telephone and decisions were also made by telephone relating primarily to reviews and approvals ahead of the commissioning of non-auditing services.

The ***human resources committee*** consists of three members. The chairman of the supervisory board Josef Blazicek is committee chairman and co-ordinates the committee's work. The other committee members during the reporting year were the supervisory board member Peter Brogle and, until his withdrawal from the human resources committee on 7 December 2016, the supervisory board member Peter Fritsch, at which time (beginning on 7 December 2016) supervisory board member Paul Neumann was elected the new member of the human resources committee. This committee is primarily responsible for making recommendations to the supervisory board regarding the appointment and removal of members of the management board, for the agreements with company directors, for making preparations for setting the compensation of company directors, as well as for reviewing the management board's compensation system. The members of the human resources committee had a number of different co-ordinating discussions by telephone in November and December 2016. On ***7 December 2016*** the management board's variable compensation for the financial year 2015/16 was approved in a resolution that was circulated to each member.

Annual and Consolidated Financial Statements and Management Reports

The annual general meeting of 16 March 2017 elected the Stuttgart offices of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (»KPMG«) to be the auditors of the company and consolidated financial statements for the financial year 2016/17. The audit committee contracted with KPMG to carry out the audit. KPMG examined the annual financial statements and management report, as well as the consolidated financial statements and Group management report prepared by the management board pertaining to the financial year 2016/17, and issued them an unqualified audit opinion.

The documents relating to the annual accounts and the audit reports from the auditor for the financial year 2016/17 were duly submitted for review to the audit committee and the supervisory board. The audit committee discussed the documents at length and in detail with the auditor and management board, which were present at its meeting on ***5 December 2017*** and prepared the supervisory board resolution approving the annual and consolidated financial statements in its meeting on ***6 December 2017***. The auditor reported about the findings of its audit in the audit committee meeting on 5 December 2017. The auditor's explanations, especially those regarding the earnings, assets and financial situation of the company and the Group, were then discussed at length and in detail. All of the audit committee's questions were answered. The audit committee was satisfied that there was no evidence of bias or conflicts of interest on the part of the auditor. The audit committee was also briefed in depth about the services KPMG provided that were not part of the audit itself. In line with its supervisory function, the audit committee also reviewed the Group's internal control and risk management system as well as its compliance management system during its meeting of 5 December 2017 and expressed confidence in its effectiveness. The risk management records for the financial year 2016/17 were presented for examination to the audit committee and supervisory board on a timely basis. Furthermore, the risk manager and the head of internal auditing reported directly to the audit committee about the findings in their reports. The compliance officer also outlined the group-wide compliance management system and was questioned by the audit committee about compliance violations. All of the audit committee's questions were answered.

During the supervisory board meeting convened on ***6 December 2017*** to finalise the financial statements, the audit committee reported to the supervisory board about its deliberations with the auditor and the management board, its oversight and monitoring of the accounting process, and the findings of its own audit. Furthermore, the audit committee described to the supervisory board how, as part of its supervisory function, it concerns itself with the Group's internal control and risk management system, the internal audit and the compliance management system and how it was satisfied with the systems' effectiveness and appropriateness. The supervisory board also expressed its confidence in the effectiveness and appropriateness of the internal control and risk management system and the compliance management system following its own thorough review. The risk manager, the compliance officer, the head of internal auditing, and the management board answered all of the questions that the supervisory board had about this subject. The auditor also gave a detailed report to the supervisory board about the audit and the findings that were presented and discussed earlier in the audit committee meeting. The supervisory board carefully discussed the documents relating to the annual accounts in the presence of the auditor on 6 December 2017 and concluded that the audit by KPMG was conducted properly and that the audit reports and the audit itself comply with statutory requirements. The auditor and the management board answered all of the questions raised by the supervisory board. In its evaluation of the situation of the company and the Group, the supervisory board concurred with the assessment expressed by the management report in the respective Group and company management reports. Based on the final results of its own examination of the annual financial statements, the consolidated financial statements, and the management reports, the supervisory board raised no objections to the annual and consolidated financial statements prepared by the management board, followed the audit committee's recommendations, and concurred with the findings of the auditor. On 6 December 2017, the supervisory board approved the annual and consolidated financial statements prepared by the management board. The annual financial statements for All for One Steeb AG were thereby finalised pursuant to §172 of the German Stock Corporation Act (hereafter called »Aktiengesetz«). After a long and careful discussion, the supervisory board approved the management board's recommendation as presented for the appropriation of the net earnings. Also during its meeting on 7 December 2017, the supervisory board discussed the management and supervisory boards' diversity goals as well as the current business situation and the agenda for the annual general meeting scheduled for 15 March 2018.

Dependent Company Report

The management board prepared a report about relationships with affiliated companies pursuant to §312 »Aktiengesetz«. The auditor examined this report and issued the following audit opinion:

»Based on our audit and review in accordance with professional standards, we certify that:

1. The actual information contained in the report is accurate.

2. The consideration paid by the company for the transactions listed in the report was not inappropriately high.«

The management board informed the audit committee and the supervisory board promptly about the Dependent Company Report and the audit report that the auditor prepared concerning it. The audit committee and the supervisory board thoroughly examined and discussed these documents again in its meetings on 6 and 7 December 2016. These examinations did not give rise to any objections.

Corporate Governance

During the financial year 2016/17, the supervisory board and the management board were both extensively involved in improving and enhancing corporate governance within All for One Steeb AG and reviewed the recommendations that the Government Commission on the German Corporate Governance Code made in the version of the code dated 7 February 2017 and which came into force on 24 April 2017.

The management board and supervisory board fulfilled their obligation to prepare a joint Declaration of Conformity pursuant to §161 »Aktiengesetz« in September 2017. Together with this, the supervisory board set specific goals regarding its composition and drew up a related competency profile for the board as a whole. The respective wordings were published on the company's website. Additional information about corporate governance can be found in the Corporate Governance Report in this annual report.

No conflicts of interest arose between the members of the management board and supervisory board during the reporting period, such as would be required to be reported to the supervisory board or about which the annual general meeting would have to be informed.

The supervisory board would like to thank the management board, the entire management team and all the employees from each of the companies within the Group for their hard work and personal dedication. They have taken All for One Steeb AG another major step forward. The supervisory board has no doubts that the company will be able to give its customers the right answers on digital transformation and, in light of that, sees very good opportunities for a successful expansion and enhancement of the business.

Filderstadt, 6 December 2017
For the Supervisory Board

Josef Blazicek
Chairman of the Supervisory Board

GROUP MANAGEMENT REPORT

Group Management Report of All for One Steeb AG.
Financial Year from 1 October 2016 to 30 September 2017.

1. Principles of the Group

1.1. General Information

All for One Steeb AG, Filderstadt/Germany, is the leading IT and SAP full-service provider in the German-speaking SAP market. The company is listed on the Prime Standard of the Frankfurt Stock Exchange (ISIN DE0005110001, WKN 511 000).

The All for One Steeb Group

Unless otherwise indicated or apparent from context, the designations »All for One Steeb AG«, »All for One Steeb«, »All for One Steeb Group«, »company«, and »Group« as used in this Group Management Report indicate the All for One Steeb AG Group including its subsidiaries.

Financial Year

The financial year 2016/17 of All for One Steeb AG began on 1 October 2016 and ended on 30 September 2017. The corresponding prior year period covers the timeframe of 1 October 2015 to 30 September 2016.

Percentages

All percentages were calculated on values given in KEUR. For this reason, there may be minor rounding differences in the figures stated as percentages.

Forward-Looking Statements

This Group Management Report contains statements pertaining to the future performance of All for One Steeb AG and to future economic conditions and developments. These statements represent estimates and projections that we made based on the information that was available to us at the time this Group Management Report was prepared. Actual results may differ materially from the results forecast here in the event that the underlying assumptions do not materialise or additional risks arise.

1.2. Strategy

All for One Steeb AG considers itself a leading IT service provider, a sought-after digitisation partner and the Number 1 in the German-speaking SAP midmarket. As a strategic partner for all things relating to digitalisation, our objective is to generate high rates of recurring revenues by delivering comprehensive and continuous support to our customers. Cloud services from our data centers in Germany play a key role in this. Our industry focus is directed primarily toward businesses within the machinery and equipment manufacturing, automotive and consumer goods sectors in countries where German is spoken. As a founding member of United VARs, the global alliance of leading SAP midmarket partners, we offer what are mostly export-oriented clients an extensive portfolio of services and consulting along with on-site support in some 80 countries around the world.

The advance of the digital transformation provides us with a broad range of market opportunities. Therefore during the reporting year, we fine-tuned our strategy and intensified our progression from being an SAP full-service provider to becoming a 360° partner for digitalisation in the midmarket. The demand for our expanded portfolio of services and solutions is just as great among small to mid-sized enterprises as it is among the specialised departments of major corporations. Market observers, including ISG (Information Services Group GmbH, Frankfurt, formerly: Experton AG, Ismaning), PAC (Pierre Audoin Consultants GmbH, Munich) and Crisp (Crisp Research AG, Kassel), also rank us among the leading IT service providers in such submarkets as cloud transformation, big data, business analytics and performance management, human capital and application management services, as well as managed communications and collaboration *(see such reports as the Provider Lens Cloud Transformation/Operation Services, ISG, 2017; Big Data Vendor Benchmark, Experton, 2017; Digital Transformation Services & Solutions Vendor Benchmark, Experton, 2017; HANA Provider Lens, ISG, 2017;.Security Vendor Benchmark, Experton, 2017; PAC Radar Cloud Consulting and Integration in Germany, 2017; Vendor Universe, Managed Public Cloud Provider, Crisp Research, 2016).*

1.3. Business Model and Portfolio

Our integrated business model of being a one-stop shop allows us to provide our clients with all-encompassing services and support from a single source. Our extensive range of offerings is tailored toward digitalising all our customers‘ enterprise processes and also includes digitalisation, management and technology consulting, software licenses and cloud subscriptions (SAP, Microsoft, IBM and others), industry solutions, advice and guidance as part of implementation, rollout and optimisation projects, in-house developed add-on solutions and business apps for specialised departments, digitalisation project development and execution (Industry 4.0, the Internet of things), software support and maintenance, and comprehensive application management, outsourcing and cloud services.

During this reporting year, we introduced a proprietary and altogether newly developed business process library (scope items) in preparation for the coming generational change from the SAP Business Suite to SAP S/4HANA. This new set of solutions contains all the industry expertise we gathered from the more than one thousand SAP projects we completed over the past two decades and is considered the only one of its kind by market observers. This business process library not only empowers our customers to better master digital transformation, but also implement innovations more rapidly, precisely and dependably while using our highly scalable IT infrastructure from the cloud.

Our private cloud data centers are located in Frankfurt am Main. This means that our customers' data and applications are subject to extremely strict safeguards and security regulations. To better scale our services, we are increasingly integrating public cloud resources from such providers as Amazon Web Services, Microsoft (Azure, Office 365) and SAP within our hybrid cloud portfolio and offering our customers in-house developed business apps for the incremental and final implementation of their digitalisation strategies, along with dynamic IT sourcing models for running and using our solutions.

Our integrated portfolio also includes business services and proprietary add-ons for digitalising specialised departments and for other functional applications, such as sales and marketing (Omni Channel Management, SAP Hybris), collaboration (Microsoft Exchange, SharePoint, Skype for Business, Office 365, Surface Hub), finance departments (Business Analytics), and connectivity between business software, production machinery and sensor-controlled devices (SAP Leonardo, Industry 4.0, the Internet of things). In digitalising their human-resource related activities, our customers benefit from our extensive consulting, implementation and support services ranging from those based on SAP ERP HCM (Enterprise Resource Planning Human Capital Management), SAP SuccessFactors and SAP Concur, all the way to our recurring HR business process outsourcing services that we offer under our »viui HR« brand name and which, among other things, include cloud solutions from SAP. Besides having to meet the more traditional administrative HCM requirements, what we include in our portfolio of products and services is increasingly being determined by such strategic human resource solutions from the cloud as employee self-service portals, candidate management (e-recruitment), management appraisals, workforce training and development (talent management), and travel and expenses management. Furthermore, we have considerably expanded our portfolio of digitalisation, management and technology consulting and solutions, are increasingly delivering management control solutions entirely from the cloud (SAP Business ByDesign), and also supporting major corporations within their own data centers.

In order to bring our portfolio and business model in line with new growth fields, we actively and consistently use the many opportunities offered by new and promising technologies and applications to better support our customers throughout their digital transformation journey.

Industry-Focused Products and Services

Our proprietary SAP industry solutions (scope items) based on a newly developed business process library for SAP S/4HANA form one of the key pillars of our integrated business model. This library currently contains more than one hundred of our target industries' business processes and scenarios, which our customers can very quickly and easily test, activate and integrate directly into their application landscape. These can also be run within All for One Steeb's data centers, on the client's premises or in hybrid operation.

In addition to mainly targeting the manufacturing and consumer goods sectors with these kinds of new industry solutions, we want to take a leading role in the generational change from the SAP Business Suite to SAP S/4HANA within the midmarket segment and further extend our penetration of key markets.

Sales Organisation and Customer Service and Support

We use our own sales, consulting and support resources to serve our customers in Germany, Austria and Switzerland. In addition to direct sales teams that mostly cover specific regions and subjects, we also have an extended indirect sales channel in the form of our All for One Steeb Business Partner Programme with more than 100 partners with whom we collaborate as if »from one source« to support our clients as completely and comprehensively as possible. Our consulting and advisory services in countries where German is spoken are provided in close touch with the customers and from a number of locations.

Most of our customers operate internationally. To give them the best worldwide support they deserve, we established the United VARs partner alliance in 2006, which today applies uniform quality standards and recognised project methodologies to deliver professional on-site services and support covering some 80 countries the world over. United VARs is also an SAP global platinum reseller, making it one of only nine members of this exclusive circle of globally operating SAP partners. It was in recognition of its outstanding performance that United VARs received its first-ever SAP Pinnacle Award (Special Recognition Partner of the Year) in 2017. For All for One Steeb AG, United VARs represents more than just an unmatched degree of efficiency and capabilities in providing global, on-site services and support to international clients. It is also the key to gaining customers in those heavily export-driven target markets in countries where German is spoken.

Partnership with SAP, the SAP Ecosystem and Further Significant Partnerships

By its own estimates, All for One Steeb directly serves the largest installed base of SAP midmarket customers within the German-speaking region with regards to software maintenance contracts and cloud subscriptions. This is why the partnership with SAP is the hub of our daily business. SAP itself underscores the important role that All for One Steeb AG plays within the SAP midmarket segment. Through the partner alliance United VARs, All for One Steeb belongs to that small circle of partners which were hand picked to join SAP's exclusive platinum partner programme. SAP also recognised All for One Steeb for its outstanding performance during the reporting year (including SAP MEE Awards for Partner Excellence, the SAP (HANA) Cloud Platform App Contest, and SAP Cloud Partner of the Year). All for One Steeb is also an SAP-Certified Provider of Hosting Services, SAP-Certified Provider of Cloud Services, SAP-Certified Provider of SAP HANA Operations Services, SAP-Certified Provider of Application Management Services and as an SAP Special Expertise Partner. All for One Steeb's new business process library for SAP S/4HANA was developed in close consultation with SAP. Through our intensive collaboration with SAP on all corporate levels, All for One Steeb is able to offer its clients the highest level of planning security, efficiency and cost-effectiveness. Our working relationship with Microsoft was also significantly enhanced during the reporting year. We are also a Microsoft Hosting Partner Gold, an Access and Identity Partner Gold and a Microsoft Shared Computer Activation Partner. In addition to SAP and Microsoft, All for One Steeb also works closely together with such technology partners as NetApp, Cisco and VmWare.

Brand Strategy
Primarily through purchases, All for One Steeb has regularly acquired a number of valuable brands in recent years, which are well established within their respective market segments. For this reason we are pursuing a multi-brand strategy, the heart of which is formed by the strong appeal of the »All for One Steeb« (Das SAP Haus, full-service provider, digitalisation in the midmarket) master brand. This strategy is designed to strengthen our »avantum« (business analytics, corporate performance management), »Grandconsult« (management and technology consulting), »KWP INSIDE« (human capital management), »OSC« (SAP ERP, SAP Business One, North Germany), »Process Partner« (Switzerland, solutions for project service providers), »WEBMAXX« (Microsoft, managed communications and collaboration) brands and, in particular, the two brand names »B4B« (SAP cloud solutions) and »ALLFOYE« (digitalisation consulting, since 2017) that are still being established.

Competition
All for One Steeb faces intense competition. Besides ERP manufacturers and system resellers outside of SAP, our competitors include SAP system resellers and internationally operating IT outsourcing and technology service providers. The company also competes with specialised suppliers offering software designed for specialised departments, such as for personnel management, the financial sector, or sales and marketing. Competitors also include the SAP consulting units of major international IT service groups as well as suppliers outside of SAP that market human resources and business analytics software solutions.

Segment Reporting
In order to make the service we provide our customers as all-embracing as possible, we are gradually building and adding to our core business a »lines of business« portfolio consisting of our own brands. Unlike our core business, however, we want to use this portfolio to specifically address those distinct, specialised departments and activities that companies have. And so, the portfolio encompasses solutions for such specialised departments as human resources (KWP inside), sales and marketing (B4B Solutions), and finance (avantum), as well as for digitalisation, management and technology consulting (ALLFOYE, Grandconsult). During the current reporting year we greatly expanded and have since constituted our lines of business portfolio with the acquisition of B4B Solutions GmbH, Graz/Austria, and inside Unternehmensberatung GmbH, Oldenburg, as well as by having established the new company ALLFOYE Managementberatung GmbH, Düsseldorf (see section 2.2, Acquisitions).

As its name implies, the heart of the ***CORE segment*** is formed by our core business with its comprehensive business software solutions (enterprise resource planning, or ERP) for the many essential processes that are critical to keeping the core business of small to mid-sized enterprises running. Our solutions for corporate-wide collaboration are equally mission essential and inseparably bound to the high demands placed on the kinds of information technology operations that must be absolutely reliable. And because the CORE segment goes beyond the licensing, roll-out and maintenance of our ERP and collaboration solution packages, we also assume the responsibility for operating the systems and applications and for orchestrating customised IT operating models from the private cloud, the public cloud, or on the customers' premises (infrastructure services, professional services).

Our growth over the past financial year, both organic and through acquisitions, led to a further development in the management and reporting structures. The segment reporting being used here for the first time reflects the Group's internal management and reporting approach and, in addition to the CORE segment, includes the lines of business portfolio under the designation ***LOB segment*** (see note 30, Segment Reporting in the notes to the consolidated financial statements).

1.4. Customers

As a strategic partner we help customers with their digital transformation to improve the way they compete, make their business processes more efficient and consistent, enhance the security and availability of critically important software applications and systems, and keep them performing successfully on the market. We also support them with software, technology and process innovations not only when developing new business models, but in the planning, control and analysis of business performance as well (real time enterprises, SAP HANA, SAP S/4HANA). We also give special attention to human capital, including the creation of new working environments as part of extensive digitalisation projects. We work closely with our clients on every level. Because our extensive customer communications programme includes regular event formats, we can actively promote the exchange of experiences among our customers, and provide them with early insights into and the opportunity of helping shape new developments and applications.

1.5. Employees

For an IT services company like All for One Steeb AG, sustained business success is closely linked to highly qualified and motivated employees. A consistent and sustained programme of personnel development forms an essential pillar of our corporate development. With these activities we aim to maintain and promote our employees' commitment to performance with an eye towards outstanding service quality and customer satisfaction, as well as to further enhance All for One Steeb's outstanding image as an employer of choice. Besides the skills of our employees, our sustained success is due primarily to our corporate culture with its clear objectives and the values we actively live every day. We not only systematically identify the starting points from which we can begin to improve our leadership culture, but also calculate a leadership culture index every year.

Through targeted recruiting campaigns, we were able to increase both the quantity and quality of applications for open positions. Contributing to this were special incentive programmes (such as an employee referral programme) further enhancements to the brands value of All for One Steeb as an employer (employer branding). We have received high rankings in employer reviews on numerous occasions that are based heavily on the assessments and ratings made by employees on such online venues as kununu and XING. Some of the distinctions we have earned include having »Germany's Best Jobs with a Future« *(Focus, 2017)* and belonging to the »Best Employers in Germany« *(Focus, 2017)* and »Germany's Most Family-Friendly Companies« *(Freundin, 2017)*.

All for One Steeb is also actively involved in training and education. We work together with colleges and universities, such as in the training of students pursuing bachelor of science degrees in business informatics. We also serve as advisors for term papers and bachelor's and master's theses. We gladly join in school and university sponsorships and offer both school-age and college students orientation visits and internship opportunities. We also employ student hires, many of whom are enrolled in master's programmes. We have put together exclusive training programmes for both apprentices and trainees (college graduates whom, for example, we are educating to become SAP S/4HANA consultants) in order to better meet our urgent need for skilled workers trained and qualified through practical experience.

Besides a fixed rate of compensation, salaries include additional and variable performance-based components, and always a results-oriented component. The amounts of the variable and the results-oriented components depend on the scope and responsibilities of the job and the position held within the company.

The ability to continue with our expansion strategy clearly depends on further increasing our staffing levels. The situation remains very tight on the labour market. This is why we have reinforced our recruiting staff and efforts, and have significantly accelerated our training activities. We attribute the slight drop in the rate of employee retention from 94.6% (2015/16) to 94.3% to the increased competition we faced in recruiting highly trained and skilled workers to fill the many vacant positions in our industry. The health index score improved over the prior year and is now 97.4% (2015/16: 97.1%). The calculation of these two non-financial performance indicators is explained in section 1.6 (Internal Management System).

Thanks to new hires, staffing strength as at 30 September 2017 increased 13% to 1,476 employees (30 September 2016: 1,302 employees) of which 44 were apprentices and trainees (prior year: 45). The average personnel capacity increased from 1,116 (2015/16) to 1,262 (2016/17) full-time equivalents. Of the 1,322 full-time equivalents as at 30 September 2017 (30 September 2016: 1,148), a total of 1,186 were in Germany (30 September 2016: 1,051), 50 in Austria (30 September 2016: 15), 27 in Switzerland (30 September 2016: 29) and 59 full-time equivalents were in the other countries (30 September 2016: 53).

The following charts show the percentage distribution of full-time equivalents as at 30 September 2017:

Distribution of Full-Time Equivalents by Country

Distribution of Full-Time Equivalents by Field of Work

Of the 1,322 full-time equivalents (30 September 2016: 1,148), 1,040 were employed in the areas of consulting, outsourcing and cloud services (30 September 2016: 912), 141 were in administration (30 September 2016: 121) and 141 were in sales and marketing (30 September 2016: 115) as at 30 September 2017.

Diversity in the Company
Qualifications, professional competence and »cultural fit« are our decisive criteria when filling assignments and positions. Likewise, we support a policy of equal opportunities for men and women to participate in holding management positions and strive to always give appropriate consideration to women. To improve the compatibility of work and family life, we offer part-time working arrangements at management levels, enable working from a home office, and support our people in finding and selecting appropriate types of childcare. The online recruitment advertising campaign we launched during the last reporting year marked the first time we specifically targeted female applicants.

In the summer of 2015 we also set ourselves the goal of increasing the share of women in All for One Steeb AG's (parent company, not including subsidiaries) second level of management to at least 10% by 30 June 2017 (30 September 2017: 0%) and in the company's third level of management to at least 20% (30 September 2017: 20%). Our goals were only reached in part.

The supervisory board also decided in May 2015 that we should achieve the target of having a 20% share of women (30 September 2017: 0%) serving on the management board by 30 June 2017 and that the share of women on the supervisory board should increase to at least 16.66% as at 30 September 2017 (30 September 2017: 0%). And thus neither target was achieved. The current supervisory board's term of office does not end until the annual general meeting in March 2018. In July 2014, the term of the agreements with the company directors, who were reappointed early effective 1 October 2014, were extended for five years to 30 September 2019.

1.6. Internal Management System: Financial and Non-Financial Performance Indicators

Because »human resources« is such a critical factor in so many ways within a services company such as All for One Steeb AG, our group-wide management and control parameters include the following ***non-financial performance indicators***:

Employee Retention
The success of our business depends in no small part on the quality we offer our clients, business partners, suppliers and shareholders. Personnel continuity and the ability on this basis to establish and maintain business partner relationships that are stable, sustainable, and resilient play a tremendous role in how the quality of our service and support is perceived. The control indicator we use for this purpose is the employee retention rate (100% minus the ratio of undesired separations to the staffing strength at the beginning of the reporting period, plus additions to the workforce during the reporting year).

Health Index
The aim of our health management programme is to maintain and enhance our workforce's high level of capabilities and effectiveness. We also want to proactively counteract potential health-related absences. A health index (100% minus the number of sick days relative to the scheduled working days of a given reporting period) serves as a control indicator to help us achieve these objectives.

A standardised system was used to calculate, analyse and plan these non-financial indicators on a group-wide basis and then monitor them in terms of achieving the benchmarks and their impact on attaining the financial objectives. For this reason, our Outlook (see section 4) also includes information pertaining to non-financial performance indicators. Other non-financial performance indicators at the individual company, department and team leadership levels are used for fine tuning purposes. These involve what are primarily qualitative goals. As an example, specific qualification programmes are an integral part of the performance objective agreements for many employees in the consulting field.

Besides non-financial performance indicators, All for One Steeb AG's internal management system also encompasses ***financial performance indicators***. As was the case in the prior year, the same two control indicators of sales revenues (IFRS) and operating results (EBIT, IFRS) were again used in the current 2016/17 reporting year. Both control indicators are aligned with an eye towards pursuing – consistent with the business planning – as sustainable and profitable an approach to growth as possible and are re-adjusted annually in terms of their absolute figures.

2. Report on Economic Position

2.1. Economy and the Market

Overall Economic Development
Back in September 2016, three of the most important economic research institutes in Germany revised their forecasts downward for how they expected the economy to perform in 2017. In each case, Brexit was one of the prime reasons (*Source: Handelsblatt, 9 September 2016*). Some 11 months later, these estimates have changed fundamentally. The Handelsblatt Research Institute for one raised its forecast for the 2017 gross domestic product sharply to 2.1% *(Sources: Handelsblatt Research Institute, 9 July 2017, SPIEGEL ONLINE, 25 August 2017)*. Our highly export-dependent target markets, namely the machinery and equipment manufacturing sector and automotive industry, also fared much

better than expected over the course of the year. The VDMA German Engineering Federation has been anticipating a significant surge in the economy since mid-2017. Its outlook for 2017 has since been corrected upwards from the original plus 1% to what is now plus 3% over the prior 2016 year *(Sources: Handelsblatt, 2 July 2017, VDMA, 14 September 2017)*. Even the ZVEI German Electrical and Electronics Manufacturers Association sees all signs pointing to growth. Real manufacturing output for 2017 is predicted to be 2.5% greater than last year. Consequently, the association, of which many of our customers from the automotive supplier industry are members, raised by one percentage point the original projection it made at the start of the 2017 year *(Sources: Handelsblatt, 2 July 2017, ZVEI, 11 September 2017)*. Quite apart from this good news, we also further expanded the range of products and services we can offer the consumer goods industry, a sector that is driven by strong domestic activity. Unlike those target markets of ours that largely depend on exports, it is personal consumer spending that determines how well business develops in the consumer goods industry, which in 2017 is expected to grow by approximately 1.5% (*Source: GfK-Consumer Climate MAXX study, 30 June 2017*).

IT Market Developments and their Impact on All for One Steeb

The German market for software (plus 6.3%) and IT services (plus 2.3%) is expected to expand much faster than the economy as a whole in 2017. The biggest engine driving growth here is the fundamental and accelerating digital transformation of the economy as a whole. In the meantime, the number of unfilled positions for IT specialists in Germany has surpassed the 50,000 mark (March 2016: 43,000 unfilled positions). With that, the critical shortage of well-trained, skilled workers has only become even more evident over the course of the year *(Sources: BITKOM, 12 September 2017, 10 March 2016)*.

The market for enterprise software solutions continued to grow and incorporate new spheres of application, such as the Internet of things, Industry 4.0, enterprise data analysis (business analytics), the use of mobile devices in business environments (mobile solutions), high-speed data processing (in-memory computing), customer relationship management, and the provision of such solutions from the cloud. Thus it comes as no surprise that during the current reporting year SAP SE, the world's largest maker of enterprise software, intensified the marketing of its SAP HANA real-time application platform, advanced the commercial launch of its entirely new generation of SAP S/4HANA enterprise software, and expanded itspush portfolio of cloud applications enormously. SAP's leading partners, including All for One Steeb, are most notably the ones playing an ever-bigger role in marketing this extended range of products.

The advancing digitalisation of nearly all business processes and what is just the beginning of the generational change from the SAP Business Suite to SAP S/4HANA were sources of an overall robust demand in terms of investments in IT during the reporting year. Going beyond the IT department, we also managed to expose and position our portfolio of services and solutions within the many specialised departments and lines of business, as part of extensive digitalisation projects and increasingly among top (C-level) management.

2.2. Acquisitions

We view acquisitions as investments in customers, employees, know-how and growth. For this reason we use strategic acquisitions to enlarge the Group beyond our normal organic growth.

Acquisition of the Remaining 40% Share of OSC AG

The enlargement of the equity interest in OSC AG, Lübeck, from 60% to 100% was completed with an effective date of 1 October 2016. The purchase price for this equity enlargement was EUR 7.9 million. Earnout payments in the amount of EUR 1.8 million were also rendered. A profit and loss transfer agreement was also concluded with OSC following what is the now completed integration.

Acquisition of a Majority Interest in the Cloud Specialist B4B Solutions GmbH

In order to further expand our cloud business, we completed the share purchase to acquire 70% of the shareholdings in B4B Solutions GmbH, Graz/Austria, on 1 November 2016. This SAP cloud specialist has been included by way of full consolidation within All for One Steeb AG's Group financial accounting and reporting since that date.

Acquisition of 100% of shareholdings of inside Unternehmensberatung GmbH

Cloud solutions are also gaining ground in the world of human resources. All for One Steeb acquired all the shareholdings of inside Unternehmensberatung GmbH, Oldenburg, effective 1 April 2017 in order to more rapidly assume a leading market position in this segment. The company employs 40 people and generates sales of some EUR million. About one third of this figure is already attributable to a significantly growing amount of recurring cloud-based revenues from software as a service (SaaS) and software maintenance. In addition to a one-time payment, the total purchase price for the acquisition of all the shareholdings includes additional purchase price instalments as well as a performance-based component during a three-year earnout phase. In order to strengthen the shared business approach, in September 2017 inside Unternehmensberatung GmbH was merged into the All for One Steeb subsidiary KWP team HR GmbH, which had already been renamed KWP INSIDE HR GmbH.

The purchase price allocations are discussed in detail in the notes to the consolidated financial statements.

Establishment of ALLFOYE Managementberatung GmbH
It was the mission of not only providing greater advice and guidance to top-level management, but extending our clients' digital transformation beyond information technology to make their strategies, business models, enterprise workflows, organisations and cultures ready and viable for tomorrow, that led in May 2017 to the establishment of ALLFOYE Managementberatung GmbH, Düsseldorf, as a new and wholly owned subsidiary of All for One Steeb AG. A team of management consultants from within the Group was split off and integrated into this new company to arrange and get business operations going.

2.3. Business Performance

Key Figures: Business Performance

in EUR millions	10/2016 – 09/2017	10/2015 – 09/2016	Delta in %*
Sales revenues	300.5	266.3	13
EBITDA	29.4	27.4	7
EBIT	20.1	18.8	6
EBIT margin (in %)	*6.7*	*7.1*	
EBT	19.4	17.4	11
Full-time equivalents (Ø number)	1,262	1,116	13

* deviations result from the calculation of values in KEUR

- Digital transformation driving growth: Big gains in SAP HANA and cloud
- Sales increase by 13%
- EBIT up 6% to EUR 20.1 million, EBIT margin of 6.7% (prior year: 7.1%)
- EBT increases by 11% to EUR 19.4 million
- Earnings per share rose by 7% to EUR 2.63
- Sales forecast slightly exceeded, EBIT within it uper target range
- Major investments in expanding key growth segments

All for One Steeb AG continued to execute its growth strategy in the financial year 2016/17. Our strong market position, unwavering focus on the customer, integrated business model, major investments in further expanding our growth segments over the course of digital transformation, and our buy & build strategy contributed greatly to these developments.

Forecast 2016/17 and Actual Performance
In terms of ***financial performance indicators***, our forecast of 21 November 2016 called for revenues of between EUR 280 million and 290 million with an EBIT of EUR 18.5 million to 20.5 million. On 8 May 2017, in the wake of the acquisition of inside Unternehmensberatung GmbH, we further specified our forecast for the financial year 2016/17 and expected revenues within a range of EUR 290 million to 300 million and an EBIT of between EUR 19.0 million and 20.5 million. We closed the financial year 2016/17 with revenues of EUR 300.5 million (2015/16: EUR 266.3 million) and an EBIT of EUR 20.1 million (2015/16: EUR 18.8 million). Revenues marginally exceeded expectations and the EBIT reached the upper target range of the forecast. An analysis of revenues and earnings performance compared to the same reporting period of the prior year (2015/16) can be found in section 2.3.1 (Earnings Situation).

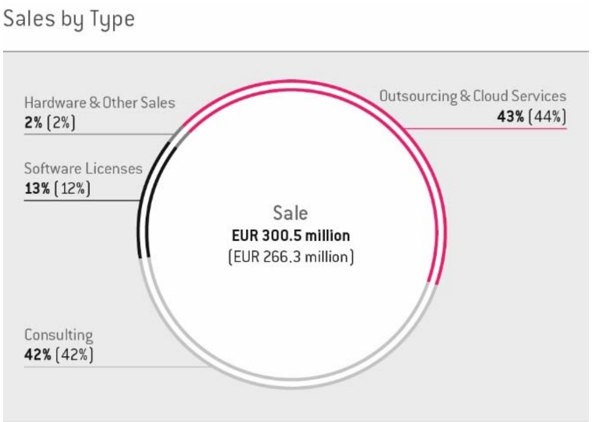
Predictions were also made with respect to developments in the ***non-financial performance indicators***. We set targets for the current reporting year of maintaining (+/- 0.5 percentage points) the employee retention rate and the health index. The health index reached a rate of 97.4% (2015/16: 97.1%). However, the employee retention rate in the current reporting year was only 94.3% (2015/16: 94.6%). The analysis of how non-financial indicators developed compared to the same reporting period of the prior year (2015/16) can be found in section 1.5 (Employees).

2.3.1. Earnings Situation

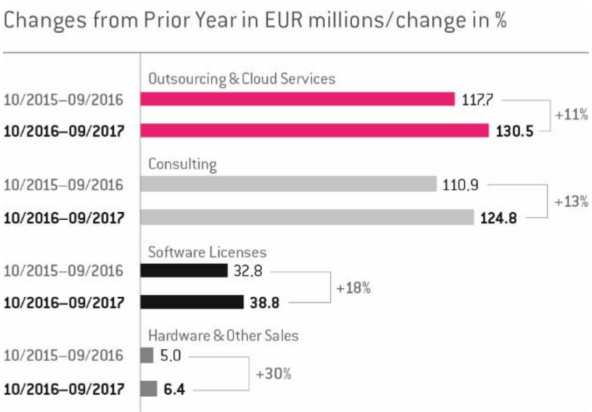
Sales Performance: Strong Growth in All Types of Revenue
During the reporting period All for One Steeb generated sales of EUR 300.5 million, which is an increase of 13% over 2015/16 (EUR 266.3 million). We posted substantial gains in all types of revenue through our integrated business model of being a full-service provider for all things relating to the digitalisation in the midmarket.

Sales by Type

The following charts illustrate the performance of sales revenues classified in the following categories:



(Deviations result from the calculation of values in KEUR)

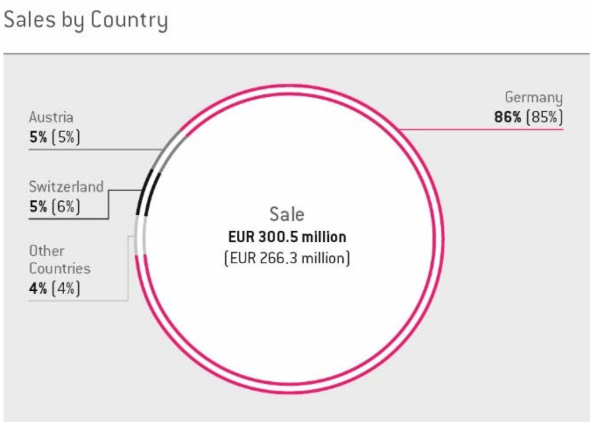


(Deviations result from the calculation of values in KEUR)

More enterprise software is being »consumed« from the cloud and run in external data centers. Our All for One Steeb enterprise cloud sales benefit as digital transformation goes from being an option to a requirement. The amount of recurring revenues from outsourcing and cloud services (including software maintenance) increased during the reporting period by 11% to EUR 130.5 million (2015/16: EUR 117.7 million). The share of recurring revenues from outsourcing and cloud services (including software maintenance) accounts for 43% of total sales revenues (2015/16: 44%). The revenues from the sale of SAP licenses grew a significant 18% to EUR 38.8 million (2015/16: EUR 32.8 million This is only just the beginning of the generational change from SAP ERP to the entirely new SAP S/4HANA enterprise resource management suite and a shift that is adding to the volatility to our licensing sales. Demand for our consulting services also remains high as digital transformation continues to grow. Because of this, consulting revenues increased by 13% to EUR 124.8 million (2015/16: EUR 110.9 million).

Sales by Country

The percentage distribution of sales revenues by country (based on the domicile of the customer) changed slightly from that of the financial year 2015/16. The following chart shows the rounded figures for the current reporting period:



EUR 257.2 million (share of sales: 86%) of the sales revenues in the reporting period were attributable to Germany – a gain of 13% over the EUR 227.2 million in the prior year (share of sales 2015/16: 85%). Sales revenues in Switzerland increased by 3% to EUR 15.5 million (2015/16: EUR 15.1 million). Sales revenues in Austria increased significantly by 17% to EUR 15.1 million (2015/16: EUR 12.9 million). The revenues of EUR 12.8 million generated in the other countries also clearly surpassed those of the prior year (2015/16: EUR 11.2 million).

Earnings Performance

Key Figures: Earnings Performance

in EUR millions*	10/2016 – 09/2017	10/2015 – 09/2016	Δ in %**
Sales revenues	**300.5**	**266.3**	**13**
Cost of materials and purchased services	-109.2	-96.5	13
Personnel expenses	-124.2	-110.0	13
Depreciation and amortisation	-9.3	-8.6	9
Other operating expenses/income	-37.7	-32.4	16
EBIT	**20.1**	**18.8**	**6**
Financial result	-0.7	-1.4	-53
EBT	**19.4**	**17.4**	**11**
Income tax	-6.3	-5.1	23
Earnings after tax	**13.1**	**12.3**	**6**

* some rounding differences

** deviations result from the calculation of values in KEUR

EBIT up 6% / EBIT margin of 6.7% / Earnings after tax up 6% to EUR 13.1 million

Continuous major investments in the future of our business actively complement our growth strategy. We are developing a proprietary business process library for SAP S/4HANA, further expanding our cloud portfolio, and investing in connecting our cloud infrastructure with the resources of major public cloud service providers to improve the scalability of our own services. We are also investing heavily in increasing our personnel resources, conducting training, managing knowledge and in expanding our line of business strategies (see section 2.2, Acquisitions). We are keeping a keen eye on profitability despite further increases in investments.

The cost of materials (including purchased services) rose proportionally to sales performance and increased 13% to EUR 109.2 million (2015/16: EUR 96.5 million). This increase is due primarily to having drawn upon more consulting resources from our partner network. In addition, the improvement in sales of software licenses led to an increase in expenses for the procurement of software licenses as well as for software maintenance contracts. The cost of materials ratio (cost of materials to sales) therefore remained an unchanged 36%. Personnel expenses also rose proportionally to sales performance and increased 13% to EUR 124.2 million (2015/16: EUR 110.0 million). The share of personnel expenses to sales revenues was therefore unchanged from the prior-year level of 41%. Other operating expenses clearly outperformed sales and improved by 16% to EUR 40.7 million (2015/16: EUR 35.1 million). The ratio of these expenses to total sales was 14% (2015/16: 13%). The increase in other operating expenses is mostly attributable to the major expansion of the business and further build-up of future growth segments, and extends across almost all the expense items summarised here (see note 7, Other Operating Expenses. in the notes to the consolidated financial statements).

Depreciation and amortisation increased to EUR 9.3 million, which is a gain of 9% over that of the prior year (2015/16: EUR 8.6 million), and was mostly a result of increased investment in technology to enhance our data centers. This figure includes EUR 4.8 million (2015/16: EUR 4.6 million) for the regular amortisation of other intangible assets.

The EBIT of EUR 20.1 million was 6% higher than that of the prior year (2015/16: EUR 18.8 million). The EBIT margin decreased from 7.1% (2015/16) to 6.7% (2016/17). This modest decline in margin resulted primarily from the additional increase in expenditures for investing in future growth segments mentioned above.

The enlargement of the 60% equity interest in OSC AG to 100% was concluded in the reporting year. Therefore, the adjustments to the purchase prices obligations, along with the contractually guaranteed dividends, which were included in the financial result of the prior year, no longer apply and are not reflected in the year under review. In addition to that, we did an early restructuring of our promissory note portfolio in May 2017 and, in the process, made an agreement for more favourable funding terms (see section 2.3.2, Assets and Financial Situation). We were thus able to improve our financial result for the reporting year to minus EUR 0.7 million (2015/16: minus EUR 1.4 million).

The EBT therefore increased by 11% to EUR 19.4 million (2015/16: EUR 17.4 million). Income taxes rose to EUR 6.3 million (2015/16: EUR 5.1 million). The Group's arithmetical tax rate (income tax/EBT) was 33% (2015/16: 29%). Consequently, the earnings after tax were EUR 13.1 million (2015/16: EUR 12.3 million) for a plus of 6%. The average number of shares outstanding in the reporting year was an unchanged 4,982,000. Earnings per share were EUR 2.63 (2015/16: EUR 2.46). Despite greater investments and expenditures for developing emerging growth segments, EBIT, earnings after tax and earnings per share improved even further in the current reporting year.

The other comprehensive income was plus EUR 1.5 million (2015/16: EUR minus 0.7 million) and was dominated by revaluations of employee retirement benefit plans amounting to plus EUR 1.8 million (2015/16: minus EUR 0.9 million).

Revenues and Earnings Performance by Operating Segment

In addition to the CORE business activities, our segment reporting also includes the lines of business portfolio under the designation LOB (see note 30, Segment Reporting, in the notes to the consolidated financial report). The ***CORE segment*** posted an increase in revenues of 12% to EUR 255.2 million (2015/16: EUR 228.8 million). The CORE segment's EBIT improved 5% to EUR 18.9 million (2015/16: EUR 18.1 million), which was a disproportionately small rise in relation to the increase in revenues. This change in EBIT is attributable for the most part to the disproportionately large increase in the cost of materials (and purchased services) of 17% to EUR 107.0 million (2015/16: EUR 91.3 million) and to the equally inordinate increase in other operating expenses of 16% to EUR 32.5 million (2015/16: EUR 28.1 million). We sought greater involvement on the part of consulting resources from our partner network for carrying-out customer projects, so that at the same time we could use our own assets to expedite the development of our business process library for the coming generational change from the SAP Business Suite to SAP S/4HANA. The increase in other operating expenses for this segment is due primarily to the major expansion of the business to access future growth fields. Personnel expenses for this operating segment rose 7% to EUR 92.9 million (2015/16: EUR 86.7 million), which was a disproportionately small increase in relation to how the segment's revenues performed. This segment's investments of EUR 6.5 million (2015/16: EUR 4.3 million) largely include capital expenditures for technology in order to better scale our cloud applications and services in the future. The amount of depreciation and amortisation increased from EUR 7.1 million (2015/16) to EUR 7.5 million (2016/17).

We greatly expanded our lines of business portfolio (***LOB segment***) during the current reporting year with the acquisition of B4B Solutions GmbH, Graz/Austria, and inside Unternehmensberatung GmbH, Oldenburg, as well as by having established the new company ALLFOYE Managementberatung GmbH, Düsseldorf (see section 2.2, Acquisitions). In the current reporting year, this operating segment posted a gain in revenues of 33% to EUR 57.5 million (2015/16: EUR 43.1 million). The corresponding EBIT increased by 56% to EUR 1.2 million (2015/16: EUR 0.8 million), which was a disproportionately large rise in relation to the increase in revenues. The disproportionately small increase in other operating expenses of 24% to EUR 11.0 million (2015/16: EUR 8.9 million) was a major contributor to this improvement in EBIT.

2.3.2. Assets and Financial Situation

Financial Management Principles and Objectives

Financial management at All for One Steeb is primarily understood as liquidity management, capital structure management and the management of interest rates and currencies. Another key focus of financial management is the monitoring of and compliance with the terms and conditions of loan agreements used to fund the company. The Opportunities and Risk Report (section 3) provides more details about financial and liquidity risks.

Key Asset and Financial Indicators

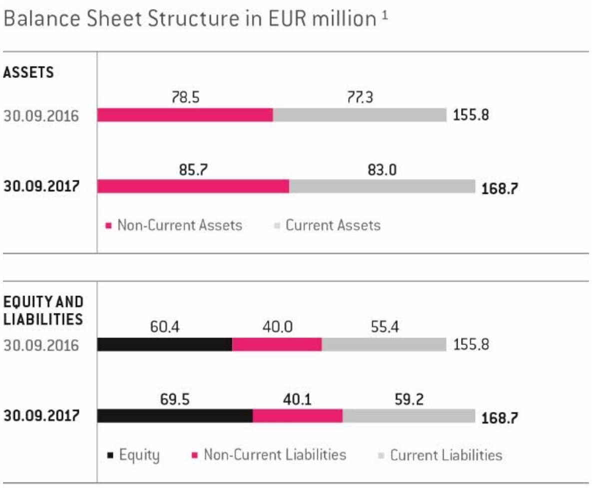
	Unit	30.09.2017	30/09/2016	Δ in %*
Equity to assets	%	89	86	4
Days of sales outstanding	days	51	50	2
Cash	EUR million	29.8	32.4	-8
Net liquidity	EUR million	2.5	10.0	-75
Equity ratio	%	41	39	6
Return on equity	%	20.1	21.5	-6
Return on total capital	%	8.1	7.6	6

* deviations result from the calculation of values in KEUR

In the table above, the equity to assets position is expressed as the total of goodwill, other immaterial assets and tangible fixed assets as a percentage of equity. We measure the days of sales outstanding (the number of days between invoicing and receipt of payment) on the basis of dividing trade accounts receivable by sales and then multiplying the result by the number of days in a year.

Group Balance Sheet

The balance sheet total increased by 8% to EUR 168.7 million (30 September 2016: EUR 155.8 million) as at 30 September 2017. The following developments were the primary contributors to this increase in total assets:



1) Figures may contain rounding differences

Non-current assets increased significantly from EUR 78.5 million (30 September 2016) to EUR 85.7 million (30 September 2017). This change is mainly due to the increase in goodwill of EUR 4.9 million (acquisition of B4B Solutions and inside Unternehmensberatung) and the increase in tangible fixed assets of EUR 2.4 million (high level of investments).

Current assets increased from EUR 77.3 million (30 September 2016) to EUR 83.0 million (30 September 2017 The amount of trade accounts receivable rose EUR 5.8 million to 42.9 million (30 September 2017) as the business was greatly expanding. The DSO (days of sales outstanding) increased from 50 to 51 days despite intensive receivables management.

Cash and cash equivalents declined from EUR 32.4 million (30 September 2016) to EUR 29.8 million (30 September 2017 One-time payments in the total amount of EUR 15.6 million were made for the purchase and for the enlargement of the shareholdings in consolidated companies during the reporting year. Dividends totalling EUR 5.5 million (including distributions to non-controlling interests) were also distributed. The placement of new promissory notes generated an inflow of EUR 3.0 million.

Restructured promissory notes

We made further improvements to our funding structure during the current reporting year in order to bring our corporate financing more closely in line with the direction we have planned for the company. Therefore, we increased the (nominal) volume of our promissory notes by EUR 3 million from EUR 20.5 million (30 September 2016) to EUR 23.5 million (30 September 2017), restructured the portfolio, locked in over the long term what are currently very favourable funding terms, and created an enhanced framework for additional growth. An amount of EUR 7 million from a EUR 12 million trance of promissory notes (due on 30 April 2018) was repaid ahead of schedule in May 2017. To finance this expenditure, we issued new promissory notes totalling EUR 10 million that have much more favourable terms and conditions (fixed interest rate: approximately 1.3% to 1.7%) and maturity dates of up to the years 2022 and 2024. An extension until April 2022 was agreed to for the remaining EUR 5 million of this tranche and which includes much more advantageous terms (fixed interest rate: approximately 1.4%). An additional tranche of promissory notes in the amount of EUR 8.5 million ist to be repaid as scheduled on 30 April 2020 (fixed interest rate: approximately 4.3%).

Non-current liabilities were a virtually unchanged EUR 40.1 million (30 September 2016: EUR 40.0 million. ***Current liabilities,*** on the other hand, increased by EUR 3.8 million to 59.2 million (30 September 2017). The amount of trade accounts payable increased EUR 2.6 million to 14.9 million (30 September 2017) over the course of the major expansion of the business. Financial liabilities increased by EUR 5.5 million to 6.5 million (30 September 2017). Included in this figure is a tranche of promissory notes totalling EUR 5 million due on 30 April 2018, which was replaced ahead of schedule by a previously agreed new tranche having much more favourable terms and a maturity date that extends to 2022. The amount of other liabilities was reduced by EUR 4.3 million to 35.6 million (30 September 2017). This is essentially a result of the enlargement of the equity interest in OSC AG (see section 2.2, Acquisitions). Net liquidity decreased from EUR 10.0 million (30 September 2016) to EUR 2.5 million (30 September 2017).

Equity improved by EUR 9.1 million to 69.5 million (30 September 2017). The equity ratio also improved from 39% (30 September 2016) to 41% (30 September 2017). The return on equity (earnings after income tax divided by the average equity) declined from 21.5% (2015/16) to 20.1% (2016/17). The return on total capital (earnings after income tax divided by the average total assets) rose from 7.6% (2015/16) to 8.1% (2016/17).

Cash Flow and Investments

Cash flow from operating activities increased by EUR 4.4 million to 21.3 million (2015/16: EUR 16.9 million). This is mostly the result of the EBITDA increasing EUR 2.0 million to 29.4 million (2015/16: EUR 27.4 million). Furthermore, the change in the amount of trade accounts payable increased to EUR 2.4 million during the current reporting year (increase 2015/16: EUR 1.4 million). The change in other equity and liabilities – primarily provisions relating to human resources – increased to EUR 4.5 million (decrease 2015/16: EUR 0.1 million). The income tax paid totalled EUR 7.5 million (2015/16: EUR 10.1 million). On the other hand, the change in trade accounts receivable increased to EUR 5.4 million (increase 2015/16: EUR 1.6 Mio.) and the change in other assets to EUR 1.3 million (increase 2015/16: EUR 0.3 million).

Cash flows from investing activities totalled minus EUR 11.7 million in the current reporting year (2015/16: minus EUR 2.9 million. Net cash of EUR 4.7 million (2015/16: EUR 3.8 million) was used to purchase intangible assets, tangible fixed assets and other assets, which pertain primarily to technology investments for the further expansion of our managed cloud services. Also included here is a cash outflow of EUR 7.8 million (2015/16: EUR 0.2 million) for the acquisition of consolidated companies.

Total ***cash flows from financing activities*** were minus EUR 12.7 million (2015/16: minus EUR 22.7 million). The increased cash outflow in the prior year is primarily a result of the repayment of promissory notes totalling EUR 14.5 million. The assumption and repayment of long-term financial liabilities led to a cash inflow of EUR 3.0 million in the current reporting year. A payment of EUR 7.9 million was also made for the enlargement of the equity interest in OSC AG to 100%.

Cash funds as at 30 September 2017 therefore totalled EUR 29.8 million (30 September 2016: EUR 32.4 million).

2.3.3. Overall Financial Position

We successfully forged ahead with our progression from being an SAP full-service provider to becoming a 360° partner for digitalisation in the midmarket during the financial year 2016/17. Meanwhile, the investments we made in earlier years to prepare for the generational shift from SAP ERP to SAP S/4HANA and in enlarging our cloud services portfolio, are already beginning to pay off. In addition to expanding the business organically and further integrating the acquisitions undertaken in the last few years, we also once again expanded the company through acquisitions during the current reporting year in order to more rapidly implement our lines of business strategies. The earnings situation is stabilised by a continuously high share of recurring revenues despite significant growth. Total assets increased moderately, the days of sales outstanding increased only slightly, while equity and the equity ratio improved. Furthermore, the Group maintained a sustained operating cash flow, reported cash and cash equivalents totalling EUR 29.8 million (30 September 2017) and enjoys a sound financial position. Operational funding lines of credit in the amount of EUR 9.6 million are also available, which offer additional short-term financial flexibility. Looking beyond the current reporting period that ended on 30 September 2017, and after these first few weeks of the financial year 2017/18, we continue to regard the business situation of All for One Steeb AG as very robust.

3. Opportunities and Risk Report

The All for One Steeb Group operates in a dynamic market environment and is managed in a value-based manner. In order to further develop and successfully implement our strategies, grow profitably, and achieve our goals and forecasts, the management board and the supervisory board have established an exhaustive and pervasive governance model that is refined and improved continuously. The key to this are the principles of good corporate governance, namely corporate management that is responsible and transparent. Our governance model is built upon the three pillars formed by the risk management, compliance management and internal control systems.

We also systematically identify and evaluate opportunities in addition to risks. The management of opportunities and risks thus go hand in hand with one another. Our following report begins with opportunity management.

3.1. Opportunities Management

Digital transformation is increasingly permeating the DNA of the German economy and in turn that of our customers, such as in the manufacturing and consumer goods industries. The innovative power and quality of our solutions and services are often critical to our customers' business. We show them how we can help digitalise their business processes and even devise and expand new business models. The smart use of new technologies makes our operations more efficient and helps us productively use and exploit new opportunities.

Our work focuses on those submarkets, industries and specialised departments in which we can secure and maintain leading positions. An essential part of our opportunities management effort is carefully examining the current and future needs of our customers and their industry-specific success factors in particular with regard to the ongoing digital transformation. We analyse market, industry and technology trends and, in particular, the opportunities presented by SAP innovations and also increasingly Microsoft and their related software solutions, and how these can be employed to benefit our customers. We always take a values-based approach to opportunities in order to enhance the enterprise value for our shareholders. We also assess opportunities in terms of investments, personnel resources, capabilities, and other factors that are vital for best accessing and using the identified opportunities. We then reconcile these with the appropriate risk mitigation measures in order to strike a careful balance between opportunities and risks.

Our revenues and earnings forecasts (see section 4, Outlook) take into consideration that portion of the following described opportunities, which we consider as being likely to arise. Not taken into consideration, however, were the opportunities from the trend towards further consolidation on the market, such as through acquisitions.

The Opportunities of Digital Transformation: Generational Change to SAP S/4HANA and Cloud Computing

Digital transformation is progressively reshaping the world of longstanding and key industries, and with them our customers. Without a digital core in the form of an entirely new generation of enterprise software – SAP S/4HANA on the basis of the SAP HANA in-memory database management system – it is unlikely that any pervasive transformation to a real-time enterprise can be accomplished successfully. Cloud computing is another key element of digital transformation. We see in this the prospect of a tremendous digitalisation potential for All for One Steeb as a leading cloud services provider and, in its own estimate, the Number 1 in the SAP midmarket segment with the largest customer base in such sectors as the machinery and equipment manufacturing, automotive and consumer goods industries. We expect this potential to be a source of sustainable growth opportunities for many years to come. There is also the prospect of further increasing the amount of recurring revenues and improving the business in terms of planning and scalability. A higher-than-expected penetration of our target markets could have a positive impact on our earnings, assets and financial position and lead to more favourable changes in our revenues and earnings forecasts (see section 4, Outlook).

Opportunities Arising from Greater Visibility on the Target Markets

Despite another significant increase in business volume, our clear focus remains on key industries within selected midmarket segments, specialised departments, and countries where German is spoken. At the same time we have again enlarged our core customer base. This positive development provides us with greater opportunities of being the first choice for customers seeking a consulting, solutions, and services partner for their IT projects for the digitalisation of business processes and business models. All for One Steeb is also listed as one of the leading providers in many market profiles and is often named in the media. Strong and effective direct selling, along with sales through partners, contribute to further expanding the portfolio of reference customers. The character of being a quality-conscious and economically sound service partner that offers its customers exceptional long-term investment prospects has not only afforded the company a very good reputation on the market, but offers good opportunities for a greater and more successful sales performance. Our good positioning in the SAP midmarket segment, our leadership role in the generational change to SAP S/4HANA, and our high visibility within the SAP organisation provide us with good opportunities for selling SAP licenses and cloud subscriptions. Doing so could lead to an expansion of the portfolio of software maintenance agreements and cloud services, which in turn can lead to a rise in recurring revenues. Our earnings, assets and financial situation could benefit from any major improvement in our visibility on the market, which in turn could lead to favourable deviations in our revenues and earnings forecasts (see section 4, Outlook).

Opportunities Arising from an Expanded Partner Programme

As the leading SAP full-service provider on our markets, we remain highly focused and work closely and carefully with selected partners. Doing so allows us to comprehensively and efficiently serve our customers as if from one source without having to diminish our otherwise clear operational focus. Our »All for One Steeb Business Partner Programme« has given us a real competitive edge. This indirect sales channel comprises more than 100 partners in countries where German is spoken, who work the market in close co-ordination with our own direct salesforce. The support provided by these partners enables us to better penetrate our current target markets and sell additional SAP licenses and cloud subscriptions. As another example, these All for One Steeb Business Partners also help place SAP licenses and cloud subscriptions with companies outside our target segments. On a worldwide scale, our co-operation with United VARs – now an SAP Global VAR – ensures low-risk and well-established worldwide customer service and support of a very high quality in around 80 countries. Our direct sales performance influences our earnings, assets and financial situation. Better-than-expected performance could therefore also lead to favourable adjustments in our revenues and earnings forecasts (see section 4, Outlook).

Opportunities as a Full-Service Provider and Strategic Partner for Digitalisation in the Midmarket

SAP's high pace of innovation and the increasing inclusion of Microsoft-based solutions guarantee a significantly expanded portfolio of services and solutions. We saw an increased demand for consulting and specialised integration skills relating to the implementation and use of new technologies and initiatives. The fact that small and mid-sized companies are the ones most apt to prefer the benefits that come from having a one-stop resource, provides us, in our role as full-service provider and strategic partner for digitalisation in the midmarket, a greater opportunity of implementing new and expanded solution packages, supplementing existing solutions, and providing customers with continuing and integrated support for issues regarding digitalisation. Expanding our full range of products and services also improves the opportunities of not only comprehensively supporting customers during economic downturns, but also of using and going beyond the portfolio they have already purchased to gradually sell them our entire line of products and services. Since it is especially those specialised departments or lines of business, in addition to the IT departments, that are the first movers when it comes to new trends and issues, we have expanded our consulting services accordingly. As a result, even major corporations seek us out for such things as business analytics and corporate performance management, human resource services and solutions, consulting on digitalisation, management and technology matters, as well as software services from the cloud. The opportunity is clearly there to explicitly promote such services while at the same time significantly improving the value we provide our small to mid-sized customers. Our earnings, assets and financial situation will not be the only thing that benefits if these trends – such as companies digitally transforming their business – are realised more quickly and comprehensively than planned. Such an accelerated development could also lead to favourable adjustments in our revenues and earnings forecasts (see section 4, Outlook).

Opportunities Arising from the Trend Towards Consolidation in the Market

This same high pace of innovation at SAP should continue to accelerate the trend towards specialisation and consolidation among its system resellers and consultancies. Being one of the biggest and strongest full-service providers within our target markets creates opportunities for us to apply our buy & build strategy and use acquisitions to pursue external growth and gain additional market shares beyond our organic growth targets (see section 4, Outlook). The opportunities presented by further successful acquisitions could in part significantly influence our earnings, assets and financial situation. Because they are so difficult to predict, these opportunities are not reflected in our revenues and earnings forecasts (see section 4, Outlook).

3.2. Risk Management System

All for One Steeb AG is exposed to a number of different risks. As part of its overall responsibility for the Group in accordance with §91, section 2 »Aktiengesetz«, the management board established a system for risk management and internal controls especially for the purpose of identifying, analysing and implementing effective countermeasures against existential risks as early as possible. In addition, we have established a compliance management system that is being applied uniformly across the entire Group. This system forms the basis for adequately ensuring we can achieve our financial, operational and strategic goals and that rules and regulations are complied with. Risk early warning and internal controls are integral parts of our budgeting, control, and reporting processes and as such are firmly anchored within our business processes and workflows in the form of a number of monitoring and management mechanisms.

Consequently, our risk management system represents an important cornerstone for making our business decisions. The entities included in the risk consolidation are the same as those within the scope of the consolidation of the All for One Steeb Group. All identified risks (gross risks, i.e. before exposure-mitigating countermeasures) are recognised for the purpose of risk reporting and hence also include those risks that have largely been avoided thanks to appropriate countermeasures. The actual reporting is divided into various risk groups (see section 3.5, List of Individual Risks). The basic structure of the risk management organisation has not changed from the prior year. The organisation is headed by the risk manager under whose leadership the risk management team performs its operational risk management functions. Risk officers from the various areas and departments of the lead operating company form the core of this team. The subsidiaries also appoint risk officers. They continuously monitor the development of risks and the effectiveness of measures to limit risks within their respective areas or subsidiaries, and on the basis of this prepare a risk analysis and assessment and report regularly to the risk manager. The risk handbook prescribes a standardised method, documents the risk management processes, and provides tools for continuously recording and tracking the results. The risk management team periodically attends workshops under the direction of the risk manager. The findings and results of these workshops are incorporated into the risk report that the risk manager prepares and submits to management. Alongside this, individual risks are monitored on a decentralised basis within each of the departments and subsidiaries by means of special analyses and additional assigned duties and responsibilities.The management board and the risk manager discuss the identified risks in detail, examine and update countermeasures and assess any residual exposure.

This risk management system is fully integrated within the organisational and operational structure and provides the foundation for risk early warning and control.

3.3. Internal Control System

Our ***Internal Control System*** is based on the pillars of the »four-eye principle«, »separation of duties«, »integrated reporting« and »internal audits«. The »four-eye principle« is operationally implemented and monitored within the Group with the help of structured and uniform policies, such as signatory guidelines, operational rules, and organisational guidance. Another effective control and security mechanism is the carefully crafted and tailored rights and authorisations concept that applies across the entire management organisation, and which precisely defines and limits the access and activities of individuals and groups of people to what are predominantly SAP-based and Microsoft-based applications and functional features. We broadened and adapted these internal systems and applications, along with their respective rights and authorisation concepts, in the course of the acquisitions we made (see section 2.2, Acquisitions). The »separation of duties« relating to critical business processes further enhances the security, reliability and quality of the workflow. Individual groups of people are also assigned horizontal duties, so that a system of mutual checks and balances is implemented across the various departments and areas of responsibility.

Integrated reporting includes a detailed planning, control and reporting system with numerous analyses and reports about the Group's situation, position and outlook. The planning process runs from the bottom up and on a monthly basis. In addition, regular forecasting is carried out for the individual companies and operating units, in order to further improve management controls, to recognise any discrepancies or deviations as early as possible and to be able to counteract them with appropriate measures. The current

Group information system is supplemented by management meetings and business reviews on various levels within the individual departments and companies. At these meetings and reviews, risks are also discussed, tracked and evaluated, and documented in reports and minutes.

Our established Group-wide ***compliance management system*** is designed to ensure adherence to all laws, ordinances, regulations, guidelines, contractual obligations and voluntary commitments, as well as conformity with standards. The core is formed by a code of conduct that is derived from our corporate values and sets forth a binding set of rules about behaviour that applies to each and every employee and executive. Our compliance management organisation oversees adherence to our code of conduct. This organisation is led by a compliance manager and staffed by compliance officers from the companies of the Group. Employees can report any information, concerns or suspected violations of the code by telephone or anonymously to a designated e-mail address. Every employee will be given access to and may review the individual elements of our compliance management system on our intranet. Our compliance management efforts were expanded during the reporting year. Here the focus was on heightened training about compliance issues, the expansion of the data management system with an eye toward future legislative requirements, such as the EU-wide General Data Protection Regulation (GDPR), and improving information security to provide effective safeguards against cyber threats and hazards.

As part of ***internal audits***, selected companies and Group processes and procedures undergo a separate audit each year which, among other things, examines their compliance with internal regulations and the quality of the internal control system. The audit manager reports the findings of these internal audits directly to the management and supervisory boards. During the current reporting year, two subsidiaries, the Group-wide business processes, and the business processes within the Group parent All for One Steeb AG underwent an internal audit.

3.4. Risk Management Method and Reporting

We use the following tables to assess identified risks in terms of their probability of occurrence and their impact on our earnings, assets and financial situation and our revenues and earnings forecasts:

Probability of Occurrence	Description
Less than 1%	Unlikely
1% to 5%	Remote
6% to 10%	Infrequent
11% to 30%	Probable
31% to 50%	Frequent

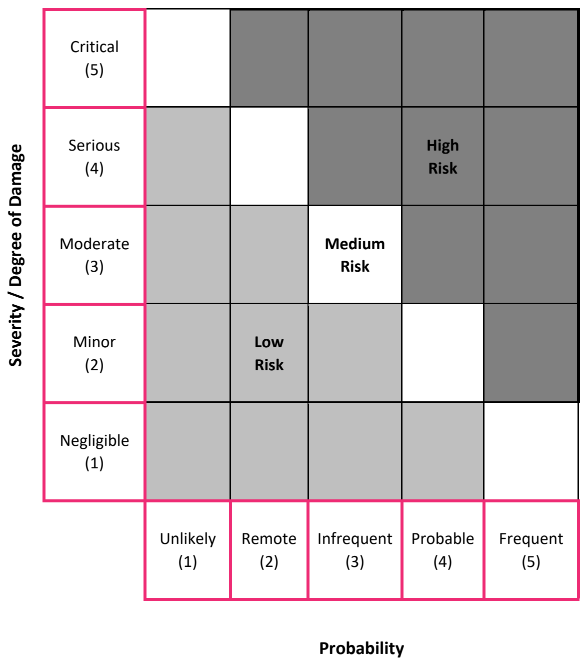
Our risk catalogue does not include those risks with a probability of occurrence greater than 50%. In addition to our own experience and outside appraisals, we also include comparative values from other market participants in our assessment.

The severity or degree of damage that these identified risks can present range from »negligible« to »critical« according to the following scale. This rating depends on the expected impact the damage will have on our earnings, assets and financial situation as well as on our revenues and earnings forecasts (see section 4, Outlook). The time frame for the assessment of these impacts corresponds at least to the forecast period specified in the Outlook section.

Severity / Degree of Damage	Description
1	Negligible
2	Minor
3	Moderate
4	Serious
5	Critical

We have compiled both assessments – namely the probability of occurrence and severity/degree of damage – in the form of risk priority benchmarks in the following risk matrix. In this way, the corresponding risk classification, which ranges from »low risk« to »medium risk« up to »high risk«, is determined for each individual risk.

Risk Matrix of All for One Steeb AG



3.5. List of Individual Risks

The following provides a list of risk factors that we have identified and are addressing as part of our risk management system. We do not quantify the individual risks depicted here according to a consistent Group-wide methodology for the purpose of internal control and management. These individual risks are instead classified qualitatively as part of an overall assessment of their probability of occurrence and severity. The following table provides a concise overview of individual risks that also includes risk assessments. This list shows those risks most inclined to endanger our earnings, assets and financial situation, as well as our revenues and earnings projections:

Individual Risks

	Probability of occurrence	Impact	Risk category
Environmental risks			
Risks associated with social, political, overall economic and regulatory developments	Probable	Serious	High
Market and industry risks	Infrequent	Moderate	Medium
Strategy risks			
Risks associated with the dependency on strategic partners, particularly SAP	Infrequent	Critical	High
Financial risks			
Financial and liquidity risks	Unlikely	Serious	Low
Operational risks			
Risks associated with the operation of data centers	Remote	Serious	Medium
Cyber risks	Remote	Serious	Medium
Data protection risks	Remote	Serious	Medium
Risks associated with human resources	Infrequent	Moderate	Medium
Risks associated with acquisitions	Infrequent	Moderate	Medium
Project risks	Infrequent	Moderate	Medium
Risks associated with bad debts and customer insolvencies	Infrequent	Moderate	Medium
Risks associated with legal disputes	Infrequent	Moderate	Medium

Environmental Risks

The »environmental risks« category is where we address and examine the risks that stem from social, political, overall economic and regulatory changes and developments. This category also includes risks attributable to changes to the markets and industries in which we and our customers operate. Our more detailed assessment of these risks is as follows:

Risks Associated with Social, Political, Overall Economic and Regulatory Developments

Numerous geo-political crises are threatening the global economy. And at the center of all this is Germany, which depends on free and unlimited trade like no other country. This in turn results in significant risks for the state of the economy. The machinery and equipment manufacturing and the automotive supplier sector are highly dependent on exports. For this reason their ability to grow and expand beyond domestic demand is determined to a great extent by the health and condition of global sales and procurement markets as well as their access to markets. Societal developments and the enactment of stricter regulatory requirements can also adversely impact our business performance. These include transformation processes and their consequences (e.g. the rise of e-mobility), regulatory measures, such as meeting climate targets, energy management and the emission of pollutants, not to mention legislative and regulatory changes and how these are interpreted for taxation and accounting purposes or for capital market oriented businesses in general.

The ramifications of the risks discussed above are mostly beyond our control. Although difficult to estimate, we categorise it as »probable« that such risks will materialise. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »serious«. For this reason we have categorised these risks in our overall assessment as »high«.

Market and Industry Risks

When examining the market and industry risk situation during the current reporting year, we again gave special attention to the consequences of the digital transformation and the risks involved. We are seeing signs of what may be profound changes on the horizon when it comes to the range of products and services for entire industries, such as the automotive sector and with it our large customer base of suppliers to it. Even the IT market itself is undergoing far-reaching alterations from such innovations as big data, cloud computing, Industry 4.0 and the Internet of things. And naturally there are risks involved with the generational change from a sophisticated and well-established SAP business suite that has been on the market for more than two decades to a new type of SAP S/4HANA application. Such factors as delays in the delivery of features, functions and releases could further exacerbate what are already highly volatile licensing sales. A lack of customer confidence stemming from concerns about security, integration capacity, scalability, configurability and reliability could also impair our marketing and distribution of cloud solutions. A sustained and successful marketing of cloud solutions could, on the other hand, lead to temporarily weaker-than-planned one-time revenues from the sale of conventional software licenses before these, after a few years, can be over-compensated for by what would be lower, yet recurring, revenues from using cloud-based software. On top of this there is the risk that enterprise software landscapes will increasingly detour around our private cloud data centers on their way to public cloud environments, which major infrastructure providers are establishing as an extension to their existing service portfolios. Additional risks arise from the way our business is so highly focused on specific industries. Machinery and equipment manufacturers, along with automotive suppliers, represent the sorts of industries that are particularly dependent on the export business. The advancing market consolidation, technical innovations, and new business models could cause an increasingly stressful competitive market. This in turn could place a higher-than-expected strain on margins, endanger our consultant utilisation rates, and put a damper on the sale of software licenses, software maintenance, and cloud services.

In order to mitigate market and industry risks, we again diligently pressed ahead during the current reporting year with our expanded strategy and considerably expanded our core customer base and portfolio of products and services. In order to provide our customers with more comprehensive and better-integrated services and support, we are not only more actively approaching their specialised departments with the latest and most effective solutions, but have reinforced the company with targeted acquisitions (see section 2.2, Acquisitions). As what is called a trusted advisor, we increasingly assume the role of a »conductor« who »orchestrates« our customers' entire enterprise software landscape and can help shape not only its operation, but how customers can best begin or undertake digital transformation. With ALLFOYE Managementberatung, we have strengthened our management consulting business and given it the added expertise to successfully lead and manage the development and implementation of digitalisation strategies. We are also flexibly broadening our managed private cloud services by the addition of public cloud services. Unlike many of our competitors, and since 2007, we have been consistently utilising the co-location services of leading providers and their facilities for the data centers that we use ourselves. Doing so gives us greater flexibility and scalability, reduces total assets, and helps mitigate risks. All of this not only enhances the benefits and value – including the flexibility, agility and speed of our services – we can provide our customers, but also helps reduce the impact that constant pressure for lower prices has on margins.

Despite these measures, there remain market and industry risks whose probability of occurrence we estimate as being »infrequent«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«. For this reason we have categorised these risks in our overall assessment as »medium«.

Strategy Risks

We mostly include the risks associated with our dependence on strategic partners and their software solutions, technologies and partner models under »strategy risks«. Here is where SAP plays a key role. Our more detailed assessment of these risks is as follows:

Risks Associated with the Dependency on Strategic Partners, Particularly SAP

The strategy of being a full-service provider focused on a particular solutions portfolio – especially that of SAP – creates a high degree of dependency on this world's largest maker of enterprise software. The continued success for existing and future SAP products and their technologies on the market, the sustainability of SAP's midmarket strategy, and the terms and conditions for partner sales that go with it, cannot be predicted with any certainty. In order to integrate our extensive industry expertise into SAP S/4HANA, we are investing heavily in proprietary scope items, which are ready to use, preconfigured business process solutions that can be rapidly and easily activated to help our customers make the transition to the new generation of enterprise software. These are run either in our data centers (private cloud) or on computers at the client's location (on premise). The commercial success of our new business process solutions for S/4HANA could be limited by the strategy SAP is pursuing to step up the marketing of its own cloud services for S/4HANA (SAP S/4HANA Public Cloud Edition). In connection with the generational change from the SAP Business Suite to SAP S/4HANA, we are also investing a great deal in transforming our consulting teams and also directing comprehensive change processes involving all aspects of the »human factor«, which by its very nature is vulnerable to significant risks.

Innovations on the part of our strategic partners could also result in unexpected shifts and changes in direction. Trends, such as connectivity and interaction within enterprise software landscapes (the Internet of things), could take a direction other than the one we planned, temporarily result in gaps in our service portfolio, inhibit the quality of our customer service and support, and provide an opening for our competitors.

Here we are working very closely and intensively with SAP to mitigate the risks and identify as accurately as possible what additional products and services we can provide to expand upon the standard scope of SAP solutions and best fit the needs of our target customers. Our mutual dependencies also have a risk-mitigating effect. Our strong performance as the Number 1 in the SAP midmarket segment and as a member of United VARs, one of the leading SAP global platinum resellers, are important for the progress of SAP's own business in the German-speaking midmarket segment. This gives All for One Steeb a high degree of visibility and relevance in the eyes its customers and SAP alike. At the same time, SAP wishes to further increase its share of the partner business and is thus dependent on large and highly innovative partners like All for One Steeb, which has extensive experience in managing and controlling wide-ranging change processes as well.

Because many of our customers run software applications from Microsoft along with those from SAP, we again expanded our managed communications and collaboration activities during the reporting year. Inevitably, and in addition to SAP, this leads to a certain – although much lesser – dependency on the world's leading provider of e-mail communications software and its technology, product and partner strategies. Successfully expanding our managed cloud services business leads to further strategic partnerships beyond SAP and Microsoft, including with such technology leaders as NetApp and Cisco. This naturally creates a higher degree of dependency on technology and product strategies and the risks that go along with it, and which are also reflected in the risk assessment that follows.

We assess as »infrequent« the probability that those risks associated with the dependency on strategic partners, particularly SAP, will materialise. We do, however, consider their potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »critical«. For this reason we continue to categorise these risks in our overall assessment as »high«.

Financial Risks

The »financial risks« category is where we primarily address financial- and liquidity-associated risks. Our more detailed assessment of these risks is as follows:

Financial and Liquidity Risks

In order to better align our corporate funding to the planned business development and simultaneously further reduce financial and liquidity risks, we increased the (nominal) volume of our promissory notes and restructured the portfolio during the current reporting year (see section 2.3.2, Assets and Financial Situation). The promissory notes are not subordinated and are unsecured. Should certain events occur, the holders of the promissory notes are authorised to raise the interest margin or, as applicable, to call the promissory notes due immediately. These events primarily involve adhering to the agreed targets for the amount of equity and the equity ratio and the relationship between total net debt and EBITDA. Should there be certain changes in the shareholder structure of All for One Steeb (change of control), the creditors will also be authorised to completely cancel their loan commitments and call the loans due immediately. The management board carefully monitors compliance with the terms and conditions of the promissory notes. Furthermore, earnings, as well as the assets and financial situation, are monitored monthly using a Group-wide reporting system and variances to budget are analysed to counteract any unplanned outflows or too few inflows of cash as quickly as possible. The management board still expects to fulfil the covenants associated with the promissory notes during the reporting year and in the future as well.

We estimate the probability of these financial and liquidity risks occurring as being »unlikely«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »serious«. Our overall assessment categorises these risks as »medium«.

Operational Risks

Risks associated with the operation of data centers, cyber risks, data protection risks, risks associated with acquisitions, project risks, risks associated with human resources, risks associated with bad debt and customer insolvencies and risks associated with legal disputes are all addressed under »operational risks«. Our more detailed assessment of these risks is as follows:

Risks Associated with the Operation of Data Centers

All for One Steeb AG is exposed to the specific risks inherent with the operation of data centers. Unscheduled service interruptions can not only seriously impair our customers' and our own business operations, but can also negatively impact our business performance, reputation and outlook (see section 4, Outlook).

All for One Steeb employs extensive measures to reduce these risks. Systems and applications are operated redundantly in modern buildings and infrastructures that are located in entirely separate data centers. In the event of an interruption in systems operations, which in the case of disaster could extend as far as to the failure of an entire data center, operations can be continued essentially without interruption from other data centers. We also invest in sophisticated and cutting-edge technologies from pre-eminent manufacturers, such as for data mirroring and back-up purposes.

We estimate the probability of these risks materialising as »remote«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »serious«. Therefore we have categorised the risks associated with the operation of data centers in our overall assessment as »medium«.

Cyber Risks

Our business, and that of our customers, depends to a great extent on unimpaired enterprise data and processes together with data communications that comply with regulations and requirements. Criminal and other unlawful or malicious acts, such as cyberattacks against critical enterprise software applications, intrusions into information systems and data networks, or intentionally misleading employees with the goal of them disclosing confidential information (fake president), can significantly damage the integrity, authenticity and confidentiality of business data (including personal information). Besides disrupting business and manufacturing procedures, attacks such as these can also be used to manipulate payment transactions, access systems, and the operation of machinery and facilities (Internet of things).

In order to effectively mitigate such risks, we once again increased investments in cyber security while further expanding our information security management system during the reporting year. Our service management processes reflect and adhere to strict process definitions. Thorough training of the workforce, audits and periodic re-certifications – according to the requirements of the Sarbanes-Oxley Act (ISAE 3402) or ISO 27001, for example – empower us to fully anchor the high quality of our operations within our day-to-day business. We also took additional precautions and conducted training during the reporting year mainly with the intent of increasing our already high security standards in such areas as monetary transactions. Our extensive rights and authorisations systems are always used to control access to our information systems and the data contained therein. This is yet another way we achieve and maintain a very high level of security and protection for the data of both our customers and our own business. Our data centers are located in Germany exclusively. Data security is therefore subject to the particularly strict statutory standards in Germany. We are also examining additional certifications in order to maintain and expand our high levels of security, safeguards and process effectiveness. We have also established a security board, which, supported by outside service providers, co-ordinates measures to reduce cyber risks throughout the Group and can react and initiate countermeasures quickly in the event of any identified waves of attack. We also have insurance coverage in place that can further mitigate the impact of such risks. Despite what is already an extremely high degree of security, we still cannot rule out cyber risks, their economic consequences, and the damage they can do to the company's image. Furthermore, events beyond our control, such as the public announcement of cyber attacks against other companies, could compromise customer willingness to invest in our cloud services.

We estimate the probability of cyber risks materialising as »remote«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »serious«. Therefore we have categorised the risks associated with the operation of data centers in our overall assessment as »medium«.

Data Protection Risks

As a cloud services and HR business process outsourcing provider, we handle on behalf of our customers a high degree of personal information that may concern their workforce, suppliers, clients and business partners. In addition, we process a wide variety of other business information, including that relating to trade secrets and intellectual property. We also handle an extensive array of personal data and information concerning trade secrets with our proprietary systems and applications that are used strictly for internal processes. Such data is highly sensitive and subject to extremely stringent requirements in terms of privacy and data protection. The impending introduction of the EU General Data Protection Regulation will once again significantly raise the bar on what is already a high level of protection offered to personal information. This regulation will, for example, give users more rights and control over their personal data. Moreover, service providers like All for One Steeb will have to fulfil significantly greater information, documentation, verification and notification requirements. Each violation is subject to very heavy fines.

We have decided to use this new regulatory development as an opportunity to monitor, evaluate and report data protection risks separately from cyber risks for the first time beginning with the current reporting year. In order to effectively limit the gross exposure that threatens the continued existence of the company, we made an early start to adapting our data protection organisation to the impending implementation of the EU General Data Protection Regulation. We are also undertaking a number of individual steps to expand and enhance our data protection landscape. We are one of the first companies on the market that successfully underwent certification of its data protection processes to ISO 27008 (data protection for cloud services) in addition to the earlier audit completed in accordance with ISO 27001 (information security).

We estimate the probability of data protection risks materialising as »remote«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »serious«. Therefore we have categorised the data protection risks in our overall assessment as »medium«.

Risks Associated with Human Resources

In the case of service companies, sustained business success is inextricably linked to having highly qualified and motivated people working for you. Should we fail to adequately develop and retain our current employees, promote and reward talent, recruit new personnel resources, and effectively manage, lead and develop our entire workforce, we may no longer be able to successfully grow and expand our business. It is when managers and experts leave the company without being able to smoothly transition their duties and responsibilities to qualified replacements that we face the risk of deterioration in service quality and customer satisfaction, and consequently the impairment of the business. Continuously expanding training and professional development programmes form a good foundation for accomplishing this. What's more, our internal management system includes selected human resources non-financial performance indicators so that we will be able to more rapidly and accurately counteract any indication that human resources related risks may be materialising. We have increased our recruiting resources, expanded our training programmes, and further enhanced the brand value of All for One Steeb as an employer (employer branding). These steps were in response to what is an extremely tight and competitive job market and our additional staffing needs for the coming generational change from the SAP Business Suite to SAP S/4HANA. In particular, and despite these measures, the risks associated with a tight labour market, which could impair the planned expansion of the workforce, can only be contained to a limited extent.

We estimate the probability of these risks occurring as being »infrequent«. There remain substantial risks associated with human resources despite intensified human-resource related activities and constant monitoring. The fact that we consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«, is why we have categorised these risks in our overall assessment as »medium«.

Risks Associated with Acquisitions

We have strengthened the company once more through acquisitions during the current reporting year (see section 2.2, Acquisitions). Such transactions are accompanied by integration risks associated with the customers and employees that were taken over. Financial and business errors of judgement and any disputes with original shareholders or remaining minority shareholders could acutely impair business performance and in turn the valuation of the acquired interests reported in the accounts. All for One Steeb has extensive experience in acquisitions and exercises great care and attention to detail in their related preparation, due diligence and integration of new customers and employees. Even so, there remain significant risks.

We estimate the probability of these risks occurring as being »infrequent«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«. For this reason we have categorised these risks in our overall assessment as »medium«.

Project Risks

One key element of our business model is the planning, rollout and integration of extensive business-critical software landscapes at our customer's locations as part of implementation projects. These projects can extend over periods of months or years. In addition to our own teams of consultants, we sometimes engage partners in carrying out the projects. But most importantly, our customers contribute a great deal of their own resources to delivering a successful project outcome.

Implementation projects can take longer than planned, such as when recommended best practices result in new functional requirements or deviations or when the dynamics of the customer's business demand that resources be directed to their daily operations instead of the project. For this reason, our own costs might exceed the agreed revenues, especially in the case of fixed-price projects. What's more, customers who are dissatisfied with the implementation may seek claims for compensation, harm our good reputation on the market, and make it more difficult for us to win additional projects. Special project risks, such as those relating to the capacity to meet service, features and performance commitments or scheduling and cost targets, are an inherent part of the generational change from the SAP Business Suite to the completely new SAP S/4HANA solution.

In order to reduce the impact of project risks, we generally concentrate our project business on selected industries and applications in countries where German is spoken. This concentration has enabled us to establish a high degree of business process competence that is reinforced by the ongoing skills qualification of our consultants and consulting partners. Thanks to that, we can identify and appropriately manage quality, budget and completion risks mostly at an early stage. Other factors that play a significant role in meeting the stipulated project objectives include our internally developed and well-established methods for end-to-end project management and control (in terms of quality and risks, project progress and resources, and costs and communications), our proprietary industry and add-on solutions, and – in the case of international projects – our global partner alliance United VARs. In order to limit the project risks associated with the coming generational change from the SAP Business Suite to the SAP S/4HANA solution, we continue to invest heavily in the training of our consultants. We are also completely redesigning our industry and add-on solutions for SAP S/4HANA to limit as much as possible the conversion risks associated with the transition to this new generation of software. We are also working closely with SAP to this end. With respect to the remaining project risks, insurance coverage is in place that can further mitigate losses from project risks. Adequate safeguards are also undertaken by including these in our financial planning and budgeting. Despite these measures, we cannot rule out any project risks.

We estimate the probability of project risks occurring as being »infrequent«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«. For this reason we have categorised these risks in our overall assessment as »medium«.

Risks Associated with Bad Debts and Customer Insolvencies

The risks associated with bad debts and customer insolvencies are also included within the category of »operational risks«. We further refined our systems and practices – including a vigorous receivables management programme – for the early detection of risks of insolvency among customers in order to specifically limit exposure. Insurance is also used to mitigate the risks posed by bad debts.

Overall, we estimate the probability of these risks occurring as being »infrequent«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«. For this reason we have categorised these risks in our overall assessment as »medium«.

Risks Associated with Legal Disputes

We have been posting sustained and strong growth for the past nine years. Meanwhile, our volume of business has increased considerably along with the numbers of customers, employees and projects. We have also enhanced our relationships with suppliers and business partners, greatly expanded our group of consolidated companies, and strengthened our capital market orientation. Naturally, this kind of sustained and strong overall performance exposes us to risks associated with legal disputes that extend beyond what are strictly project risks or those associated with regulatory developments in the narrower sense. For this reason, we are continuously investing in expanding our lines of business strategies and developing our own brands. These actions could, for example, infringe the existing proprietary rights of others. We are increasingly exposed to compliance risks as well. The major increase in the size of our workforce could result in more employment-related litigation. To limit the risks associated with legal disputes, we are expanding our own legal department, seeking greater assistance from specialised external legal counsels, and have extended and better tailored our insurance coverage.

We estimate the probability of risks associated with legal disputes occurring as being »infrequent«. We consider the potential impact on our earnings, assets and financial situation, the other risks discussed in this report, and on our revenues and earnings forecasts (see section 4, Outlook) to be »moderate«. For this reason we have categorised the risks associated with legal disputes in our overall assessment as »medium«.

3.6. Overall Risk Profile

In the interest of giving balanced consideration to opportunities and risks, our revenues and earnings forecasts (see section 4, Outlook) not only appropriately take into account the preceding opportunities, but also the overall qualitative assessment of the risks discussed above.

In our overall assessment, and in spite of the apparent domination of reported risks of the All for One Steeb AG Group as compared to the aforementioned opportunities (see section 3.1, Opportunities Management), we believe that opportunities outweigh the risks. Given our market position and the large and ever-growing number of regular customers, and in light of our highly trained and dedicated employees, and our further expanded foundation of solutions and services, we are confident that we can successfully meet the new challenges posed by this latest overall risk profile and further expand our position as a leading IT service provider and – in our own estimate – the recognised Number 1 on the SAP market in countries where German is spoken. The trend towards greater business process digitalisation within our customer markets and the generational change to the new SAP S/4HANA enterprise software are expected to continue over the medium and long terms. We continue to specifically gear both our organisation and range of products and services to the powerful momentum of these trends with the determination of underscoring our claim to a permanent place in the relevant set of IT contract awards and projects within our target industries.

4. Outlook

Outlook for the Economy as a Whole

The surprisingly strong upturn in the economy during the current reporting year may well continue in 2018. The good dynamics of how Germany's overall economy is developing are projected to generate real economic growth of 2.4% in 2018 as compared to 2017 *(Source: Handelsblatt Research Institute, 9 July 2017, SPIEGEL ONLINE, 25 August 2017)*. What remains uncertain, however, is whether major external shocks or trade restrictions of the kind that could have a particularly severe impact on Germany as an exporting nation will actually come to pass.

Projected Developments in the Target Markets

Leading industry associations also expect that the solid gains our target markets made in 2017 will continue into 2018. Market observers again expect an increase in production within the machinery and equipment manufacturing industry, this time by 3% in 2018 compared to 2017 *(Source: VDMA German Engineering Federation, 14 September 2017).* Developments in the worldwide electronics market should provide favourable impetus for the highly export-driven automotive supplier industry. Here is where the ZVEI German Electrical and Electronics Manufacturers Association forecasts growth in 2018 of 4% over the prior year. An increase of 2% expected for Germany. Here the biggest hope is seen in the high level of innovativeness of that great number of businesses, which are capitalising on digital transformation opportunities in order to invest more in the kind of new technologies and business models that will help them defend, if not improve, their standing on the world market. Many observers also expect German businesses to remain well-positioned on global markets in the future thanks to their adaptability and equally strong industrial and technological capital.

Outlook for the IT Markets

The sweeping digitalisation of business models and business processes across companies of every size is likely to keep information technology markets in an uptrend. Their growth is expected to surpass that of the economy as a whole. Market observers see particular potential for growth in systems integration and those hybrid information technology operating models that combine on-premise operations in our clients' data centers and the use of resources in our managed cloud data centers (*Source: »The Market for IT Consulting and IT Service Companies in Germany«, Lünendonk, September 2017).* The small, yet rapidly growing, IT submarkets are making ever-larger contributions to the expansion and improvement of the information technology business. The even more critical shortage of qualified workers may, however, act as a brake on growth, particularly when it comes to people-intensive consulting services.

In terms of our outlook for the financial year 2017/18, we consider overall economic developments to be an important, yet difficult to gauge, element of uncertainty and one that can significantly influence probable developments in our target markets and in turn the IT business as a whole.

Projected Business Performance of the All for One Steeb Group

Our position as a leading IT service provider and the recognised Number 1 on the SAP midmarket in countries where German is spoken is founded on a robust and well-integrated business model with a high share of recurring revenues from outsourcing and cloud services (including software maintenance). Should the demand in our markets prove to be as strong and substantial as this in the financial year 2017/18, then, with our business model and our current overall risk profile, we may well achieve yet another step in growth. Our expanded core customer base should continue to serve as a solid foundation for delivering recurring revenues. We expect to again increase the amount of recurring revenues from outsourcing, cloud services and software maintenance in 2018. The sale of software licenses, however, is subject to major fluctuations and therefore difficult to predict and budget. Our projections take into account conflicting developments, such as the increasing shift of one-time licensing revenues towards models offering software from the cloud on a subscription basis, as well as the incentives for selling licenses as part of the coming generational change from the SAP Business Suite to SAP S/4HANA.

The task of integrating our extensive industry expertise into SAP S/4HANA may lead to additional major investments in our proprietary business process library (scope items) in 2017/18. Likewise, we also want to extend our range of Microsoft-based services to improve collaboration within businesses and help them move toward new digital work environments. Our forecast also includes increased investments in training programmes so that we can expand our consulting resources to address the upcoming generational change and what will be a concerted effort to market SAP S/4HANA through both direct selling and our partner ecosystem. We view as consistently favourable the momentum for strengthening our already good position in what are gradually forming, yet rapidly growing, cloud transition submarkets. This is why, again in the financial year 2017/18, we want to expand our range of products and services with a view towards additional growth opportunities, enhance the ability to scale our cloud services, and, to these ends, make more investments in technology and processes for the dynamic integration of public cloud data center resources. Our own digitalisation, which like that of our customers includes almost all our departments and operations, will form yet another pillar of the investments we will be making for the future of our business in 2017/18.

The additional outlays for such farsighted investments may well impede our EBIT margin again in the financial year 2017/18. In light of all this, we expect revenues in the financial year 2017/18 to be within a range of EUR 315 million to 325 million with an EBIT of between EUR 20.5 million and 22.0 million. Our CORE segment, along with our lines of business portfolio, or LOB segment, are likely to contribute to the projected earnings and EBIT performance in 2017/18 in a similar manner as during the current reporting year.

The non-financial performance indicators of employee retention and health index were again used as supplemental management and control parameters. Our goal for the financial year 2017/18 is to maintain the high levels of the current reporting year of 94.3% for employee retention and 97.4% for the health index (+/- 0.5% percentage points). Because of further enhanced and expanded training activities to reduce our dependency on what continues to be a tight labour market, the expansion of the workforce in the financial year 2017/18 may turn out to be disproportionately larger than the increase in sales.

Based on current assessments, there are no foreseeable extraordinary factors that would influence the preceding projections for our financial year 2017/18 or the financial years beyond. Economic setbacks of the kind that are difficult to assess and cannot be ruled out could endanger our ability to achieve our forecasts, especially since these may result in reduced demand along with bad debts and insolvencies among our existing customers. This is why potential economic setbacks continue to pose the main risk to our projected business performance.

5. Other Information

5.1. Dependent Company Report

Unternehmens Invest AG, Vienna/Austria, and UIAG Informatik-Holding GmbH, Vienna/Austria, each directly holds 25.07% of the share capital of All for One Steeb AG. A voting agreement exists between both shareholders. In addition to Unternehmens Invest AG and UIAG Informatik-Holding GmbH as directly controlling entities, these companies' shareholders and other parent companies, along with Dr Rudolf Knünz, can also indirectly exercise a controlling influence over All for One Steeb AG. For this reason, all relationships with controlling entities and their affiliated companies are documented in the dependent company report.

In accordance with §312, section 3 »Aktiengesetz«, the management board declares in the dependent company report that – based on the circumstances known to it at the time the respective legal transaction was undertaken – the company and its subsidiaries have received appropriate consideration for each transaction made.

5.2. Corporate Governance Statement

The Corporate Governance Statement pursuant to §289a »Handelsgesetzbuch« is published in the Investor Relations section of the company's website www.all-for-one.com.

5.3. Compensation Report

The management board of All for One Steeb AG consisted of Lars Landwehrkamp and Stefan Land during the reporting year. The benefits granted to the members of the management board for the current financial year totalled KEUR 1,848 (2015/16: KEUR 1,731) and the allocations amounted to KEUR 1,682 (2015/16: KEUR 1,568). Fixed compensation for the members of the management board consisted of a basic salary, benefits in kind for the use of a company car and the payment of direct insurance. The additional performance-related compensation component is based on the annual target achievement of the EBT as reflected in the audited consolidated financial statements of All for One Steeb AG. A long-term variable compensation component will also be paid and which is calculated based on the cumulative earnings per share over a period of years. Pension-related expenses consisted of contributions to a support fund. The agreements with the company directors stipulate that if a member of the management board is removed early, that member will continue to receive his or her base compensation until the end of the agreement. Furthermore, and likewise until the end of the agreement, the affected member of the management board will receive the annual variable compensation at the mid-target achievement level of the previous two years and the long-term compensation component at a target achievement rate of 100%.

Compensation for the supervisory board is regulated in §11 of the company articles of association. In accordance with these provisions, the members of the supervisory board receive an annual fixed amount of compensation that is determined by the annual general meeting. The chairman receives three times and the deputy chairman one-and-a-half times this amount of compensation. Furthermore, members also receive compensation for their work in committees. The chairman of a committee receives four times the amount of this committee membership remuneration. Members of the supervisory board who were not in office for the entire financial year receive compensation on a pro rata basis. No performance-based compensation is provided. Total compensation during the reporting year for the supervisory board was an unchanged KEUR 114 (2015/16: KEUR 114).

No loans were extended nor stock options granted to the members of the management board or the supervisory board during the reporting year. Individual compensation for members of each of the boards is reported in the notes to the consolidated financial statements.

5.4. Information Concerning Takeovers

Information Pursuant to §315, Section 4 »Handelsgesetzbuch« (HGB)

Composition of Issued Share Capital (No. 1)
The issued share capital in the amount of EUR 14,946,000 (30 September 2016: EUR 14,946,000) consists of 4,982,000 (30 September 2016: 4,982,000) registered no-par-value shares with a nominal value of EUR 3 per share.

Restrictions on Voting Rights or the Transfer of Shares (No. 2)
The management board is not aware of any restrictions affecting voting rights or the transfer of shares, or in particular of any restrictions that could result from agreements among the shareholders.

Direct or Indirect Shares in the Capital that Exceed 10% of the Voting Rights (No. 3)

Unternehmens Invest AG, Vienna/Austria, holds 25.07%, UIAG Informatik-Holding GmbH, Vienna/Austria, holds 25.07% and BEKO HOLDING GmbH & Co KG, Nöhagen/Austria, holds 11.58% of the share capital and voting rights in the company. During the period of April to June 2017, QINO AG Hünenberg/Switzerland (formerly, QINO Capital Partners AG, Hünenberg/Switzerland), reallocated the entire package of around 10% of the shares of All for One Steeb AG that it had controlled and has therefore withdrawn as a shareholder.

Holders of Shares with Special Rights (No. 4)

No All for One Steeb AG shares confer special rights of control.

Type of Voting Rights Control for Employee Shares (No. 5)

There are no employees holding an interest in the share capital of All for One Steeb AG, who cannot directly exercise their rights of control.

Legal Provisions and Stipulations in the Company Articles of Association Governing the Appointment and Removal of Members of the Management Board and on Amending the Company Articles of Association (No. 6)

a) Appointment of Members of the Management Board

In accordance with §84, section 1 »Aktiengesetz« and §6, section 2 of the company articles of association, the members of the management board are appointed by the supervisory board for a maximum term of five years. The management board will consist of at least two persons in accordance with §6, section 2 of the company articles of association. Furthermore, the supervisory board will determine the number of members in the management board in accordance with the provisions set forth by law. The supervisory board can appoint a member of the management board to be chairman of the management board and may also appoint deputy members of the management board. Pursuant to §85, section 1 »Aktiengesetz« the court can, in urgent cases and on petition of an involved party, appoint the member in the event that a required member of the management board is lacking (for example when there is only one member of the management board in office). In any case, and pursuant to §85, section 2 »Aktiengesetz«, the term of the court-appointed member of the management board expires as soon as the original deficiency is corrected.

b) Removal of Members of the Management Board

The supervisory board may revoke the appointment as member of the management board and the appointment as chairman of the management board with good cause in accordance with §84, section 3, sentence 1 »Aktiengesetz«. Good cause according to §84, section 3, sentence 2 »Aktiengesetz« is gross dereliction of duty, inability to properly manage the business or a vote of no confidence by the annual general meeting, unless such confidence by the shareholders was withdrawn for clearly irrelevant reasons. The revocation of appointment to the management board is effective according to §84, section 3, sentence 4 »Aktiengesetz« until such time as the invalidity of such revocation may be judged legally final.

c) Amendments to the Company Articles of Association

Pursuant to §179, section 1, sentence 1 »Aktiengesetz«, a resolution of the annual general meeting is required for any amendment to the company articles of association. The supervisory board is, however, authorised according to §17 of the company articles of association in connection with §179, section 1, sentence 2 »Aktiengesetz« to approve amendments to the company articles of association that only affect its wording.

According to §179, section 2, sentence 1 »Aktiengesetz«, a resolution by the annual meeting on amending the company articles of association requires a majority vote that includes at least three-quarters of the represented share capital at the time the resolution was adopted. According to §179, section 2, sentence 2 »Aktiengesetz«, the company articles of association may set forth other requirements and a different capital majority, although only a larger capital majority may be stipulated for any changes to the corporate purpose. On the basis of this statutory authority, §14, section 3, sentence 3 of the company articles of association provides that resolutions for amending the company articles of association be approved by simple majority vote to the extent that such is legally permissible.

Authority of the Management Board, Particularly Regarding its Ability to Issue or Repurchase Shares (No. 7)

In accordance with §5, section 4 of the company articles of association, and with the consent of the supervisory board, the management board is authorised until 10 March 2020 to increase the share capital up to a total of EUR 7,473,000 through one or more issues of new registered shares for cash and/or contributions in kind (2015 Authorised Capital). Shareholders will always be granted a subscription right. The new shares may also be taken over by one or more financial institution with the obligation to offer them for subscription to the shareholders. The management board, with the consent of the supervisory board, will specify the conditions of the share issue. The supervisory board is authorised to revise the wording of the company articles of association to reflect the scope of the capital increase from authorised capital or after the expiration of the authorisation period. The management board is, however, authorised with the consent of the supervisory board to exclude the statutory subscription rights for shareholders:

a) to the extent such is necessary to even out fractional amounts;

b) when a given volume of shares does not exceed 50% of the share capital and is being issued for contributions in kind for the purpose of buying companies or equity interests in companies or business units, or for the purpose of acquiring claims against the company;

c) when a capital increase in exchange for cash contributions does not exceed 10% of the share capital and the issue price of the new shares is not substantially lower than the stock exchange price (§186, section 3, »Aktiengesetz«); when using this authorisation to exclude subscription rights according to §186, section 3, sentence 4 »Aktiengesetz«, the exclusion of the subscription right on the basis of other authorisations according to §186, section 3, sentence 4 »Aktiengesetz« must be taken into account.

The annual general meeting of 11 March 2015 authorised the management board in accordance with §71, section 1, number 8 »Aktiengesetz« to repurchase shares of All for One Steeb AG stock in a total amount of up to 10% of the share capital by 10 March 2020. This corresponds to 498,200 registered no-par-value shares. The management board made no use of this authorisation during the reporting period.

Material Agreements under the Condition of a Change of Control as a Result of a Takeover Bid (No. 8)

Certain changes in the shareholder structure of All for One Steeb (change of control) may result in the holders of the promissory notes being able to call their share of the notes due payable immediately.

Indemnity Agreements in the Event of a Takeover Bid (No. 9)

No company indemnity agreements with members of the management board or other employees have been made for the event of a takeover bid.

Filderstadt, 5 December 2017
All for One Steeb AG

Lars Landwehrkamp	Stefan Land
CEO	CFO

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements of All for One Steeb AG.
Financial Year from 1 October 2016 to 30 September 2017.

Group Income Statement and Other Comprehensive Income of All for One Steeb AG

Financial Year from 1 October 2016 to 30 September 2017

in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Income statement		
Sales revenues (1)	**300,521**	**266,278**
Other operating income (2)	2,972	2,674
Cost of materials and purchased services (3)	-109,242	-96,505
Personnel expenses (4)	-124,168	-109,968
Depreciation and amortisation (6)	-9,312	-8,555
Other operating expenses (7)	-40,709	-35,076
EBIT	**20,062**	**18,848**
Financial income	376	947
Financial expense	-1,045	-2,364
Financial result (8)	**-669**	**-1,417**
EBT	**19,393**	**17,431**
Income tax (9)	-6,308	-5,140
Earnings after tax	**13,085**	**12,291**
attributable to equity holders of the parent	*13,103*	*12,251*
attributable to non-controlling interests	*-18*	*40*
Other comprehensive income		
Remeasurements of defined benefit liability	1,793	-887
Related tax	-276	181
Items that will never be reclassified to profit or loss	**1,517**	**-706**
Unrealised profits (+) / losses (-) from currency translation	-54	-2
Items that are or may be reclassified to profit or loss	**-54**	**-2**
Other comprehensive income	**1,463**	**-708**
Total comprehensive income	**14,548**	**11,583**
attributable to equity holders of the parent	*14,566*	*11,543*
attributable to non-controlling interests	*-18*	*40*
Undiluted and diluted earnings per share		
Earnings per share in EUR (10)	2.63	2.46

The accompanying notes are an integral part of these consolidated financial statements.

Group Balance Sheet of All for One Steeb AG

as at 30 September 2017

Assets in KEUR	30.09.2017	30.09.2016
Non-current assets		
Goodwill (11)	24,531	19,608
Other intangible assets (11)	41,618	41,508
Tangible fixed assets (12)	11,749	9,347
Financial assets (13)	6,034	5,284
Other assets (18)	1,115	1,558
Deferred tax assets (14)	681	1,195
	85,728	**78,500**
Current assets		
Inventories (16)	1,160	694
Trade accounts receivable (17)	42,876	37,092
Current income tax assets (15)	2,304	765
Financial assets (13)	3,418	3,216
Other assets (18)	3,485	3,092
Cash and cash equivalents (19)	29,755	32,430
	82,998	**77,289**
Total assets	**168,726**	**155,789**

The accompanying notes are an integral part of these consolidated financial statements.

Equity and Liabilities in KEUR	30.09.2017	30.09.2016
Equity		
Issued capital (20)	14,946	14,946
Capital reserve (20)	11,228	11,228
Other reserves (20)	550	604
Retained earnings	42,639	33,499
Share of equity attributable to equity holders of the parent	**69,363**	**60,277**
Non-controlling interests (22)	**147**	**115**
Total equity	**69,510**	**60,392**
Non-current liabilities		
Provisions (23)	361	353
Employee benefit obligations (5)	2,468	4,367
Financial liabilities (24)	20,681	21,384
Deferred tax liabilities (25)	14,516	13,621
Other liabilities (26)	2,026	296
	40,052	**40,021**
Current liabilities		
Provisions (23)	649	863
Current income tax liabilities (15)	1,441	1,241
Financial liabilities (24)	6,528	1,040
Trade accounts payable (27)	14,907	12,318
Other liabilities (26)	35,639	39,914
	59,164	**55,376**
Total liabilities	**99,216**	**95,397**
Total equity and liabilities	**168,726**	**155,789**

The accompanying notes are an integral part of these consolidated financial statements.

Group Cash Flow Statement of All for One Steeb AG

Financial Year from 1 October 2016 to 30 September 2017

in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
EBT	**19,393**	**17,431**
Amortisation of intangible assets (6)	4,755	4,581
Depreciation of tangible fixed assets (6)	4,557	3,974
Financial result (8)	669	1,417
EBITDA	**29,374**	**27,403**
Increase (+) / decrease (-) in value adjustments and provisions	167	737
Other non-cash expense (+) and income (-)	-129	-221
Changes in assets and liabilities:		
Increase (-) / decrease (+) in trade receivables	-5,361	-1,560
Increase (-) / decrease (+) in financial assets	-808	-403
Increase (-) / decrease (+) in other assets	-1,307	-285
Increase (+) / decrease (-) in trade payables	2,353	1,379
Increase (+) / decrease (-) in other liabilities	4,477	-84
Income tax paid	-7,492	-10,066
Cash flow from operating activities	**21,274**	**16,900**
Purchase of intangible, tangible fixed and other assets	-4,666	-3,828
Sale of intangible, tangible fixed and other assets	379	855
Purchase of consolidated equity interests	-7,752	-200
Interest received	312	309
Cash flow from investing activities	**-11,727**	**-2,864**
Cash flow from from loans and long-term financial liabilities	10,005	0
Repayment of loans and long-term financial liabilities	-7,016	-14,800
Interest paid	-966	-1,150
Repayment of finance leases	-1,327	-1,245
Increase in shareholding in consolidated equity interests	-7,880	0
Dividend payments to shareholders and non-controlling interests	-5,490	-5,456
Cash flow from financing activities	**-12,674**	**-22,651**
Increase / decrease in cash and cash equivalents	**-3,127**	**-8,615**
Effect of exchange rate fluctuations on cash funds	-167	4
Change in cash from initial consolidation of fully consolidated companies	619	0
Cash funds at start of financial year	32,430	41,041
Cash funds at end of financial year (19)	**29,755**	**32,430**

The accompanying notes are an integral part of these consolidated financial statements.

Group Statement of Changes in Equity of All for One Steeb AG

Financial Year from 1 October 2016 to 30 September 2017

	Share of equity attributable to equity holders of the parent					Non-controlling interests (22)	Total shareholders' equity
in KEUR	Issued share capital (20)	Capital reserve (20)	Reserve from currency translation	Retained earnings*	Total		
1 October 2016	**14,946**	**11,228**	**604**	**33,499**	**60,277**	**115**	**60,392**
Earnings after tax	0	0	0	13,103	13,103	-18	13,085
Other comprehensive income	0	0	-54	1,517	1,463	0	1,463
Total comprehensive income	**0**	**0**	**-54**	**14,620**	**14,566**	**-18**	**14,548**
Dividend distribution	0	0	0	-5,480	-5,480	0	-5,480
Distribution to non-controlling interests	0	0	0	0	0	-11	-11
Acquisition of a sudsidiary with non-controlling interests	0	0	0	0	0	61	61
Transactions with owners of the company	**0**	**0**	**0**	**-5,480**	**-5,480**	**50**	**-5,430**
30 September 2017	**14,946**	**11,228**	**550**	**42,639**	**69,363**	**147**	**69,510**
1 October 2015	**14,946**	**11,228**	**606**	**26,936**	**53,716**	**89**	**53,805**
Earnings after tax	0	0	0	12,251	12,251	40	12,291
Other comprehensive income	0	0	-2	-706	-708	0	-708
Total comprehensive income	**0**	**0**	**-2**	**11,545**	**11,543**	**40**	**11,583**
Dividend distribution	0	0	0	-4,982	-4,982	0	-4,982
Distribution to non-controlling interests	0	0	0	0	0	-14	-14
Acquisition of a sudsidiary with non-controlling interests	0	0	0	0	0	0	0
Transactions with owners of the company	**0**	**0**	**0**	**-4,982**	**-4,982**	**-14**	**-4,996**
30 September 2016	**14,946**	**11,228**	**604**	**33,499**	**60,277**	**115**	**60,392**

* As at 30 September 2017, items that will never be reclassified to profit or loss are included in the amount of minus KEUR 1,145.
As at 30 September 2016, items that will never be reclassified to profit or loss are included in the amount of minus KEUR 2,662.

The accompanying notes are an integral part of these consolidated financial statements.

NOTES

Notes to the Consolidated Financial Statements of All for One Steeb AG.
Financial Year from 1 October 2016 to 30 September 2017.

A. General

All for One Steeb AG is a public corporation with its headquarters at Gottlieb-Manz-Strasse 1, Filderstadt, Germany. As a leading IT and SAP full-service provider, All for One Steeb AG's range of products and services includes consulting, the sale of software licenses, outsourcing and cloud services.

The financial year of All for One Steeb AG begins on 1 October and ends on 30 September of the following year.

B. Accounting

The consolidated financial statements of All for One Steeb AG (hereafter called All for One Steeb, the company or the Group) as at 30 September 2017 are based on the company's uniform accounting principles. The valuation, consolidation and classification principles were applied consistently by all the Group companies. The consolidated financial statements are presented in thousand euros (KEUR) rounded to the next thousand.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), which are required to be applied in the European Union. All of the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) of the International Financial Reporting Interpretations Committee/Standing Interpretations Committee (IFRIC/SIC) required for the preparation of the IFRS consolidated financial statements in this financial year were applied.

The consolidated financial statements of All for One Steeb AG apply the cost method except for securities and first-time reported assets and liabilities from business combinations at the time control was assumed. These assets and liabilities are reported at their respective fair values. Expenses and income are allocated on an accrual basis.

C. New Accounting Standards

Changes in Accounting Principles

The following standards and interpretations issued by the International Accounting Standards Board (IASB) were adopted by the European Union (EU) and were applied in preparing the consolidated financial statements as at 30 September 2017:

- Annual Improvements to IFRSs – 2012-2014 Cycle
- IFRS 10, IFRS 12 and IAS 28 »Investment Entities: Applying the Consolidation Exception« (revised)
- IFRS 11 »Accounting for Acquisitions of Interests in Joint Operations« (revised)
- IAS 1 »Disclosure Initiative« (revised)
- IAS 16 and IAS 38 »Clarification of Acceptable Methods of Depreciation and Amortisation« (revised)
- IAS 16 and IAS 41 »Agriculture: Bearer Plants« (revised)
- IAS 27 »Equity Method in Separate Financial Statements« (revised)

The application of new or revised standards and interpretations had no impact on the All for One Steeb consolidated financial statements.

Additional New or Revised Standards

The following standards were adopted by the European Union (EU) but were not applied to the consolidated financial statements as at 30 September 2017 because their application was not yet compulsory:

- IFRS 9 »Financial Instruments«
- IFRS 15 »Revenue from Contracts with Customers«

The following new or revised standards were not adopted by the EU as at 30 September 2017:

- Annual Improvements to IFRSs – 2014-2016 Cycle
- IFRS 2 »Classification and Measurement of Share-Based Payment Transactions« (revised)
- IFRS 4 »Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts« (revised)
- IFRS 15 »Revenue from Contracts with Customers« (clarifications)
- IFRS 16 »Leases«
- IFRS 17 »Insurance Contracts«
- IAS 7 »Disclosure Initiative« (revised)
- IAS 12 »Recognition of Deferred Tax Assets for Unrealised Losses« (revised)
- IAS 40 »Transfers of Investment Property« (revised)
- IFRIC 22 »Foreign Currency Transactions and Advance Consideration«
- IFRIC 23 »Uncertainty over Income Tax Treatments«

IFRS 9 »Financial Instruments« is effective beginning in 2018. Early application is permitted. IFRS 9 has to be applied for the first time for the All for One Steeb AG Group in the financial year 2018/19. This standard includes revised regulations for the classification and measurement of financial instruments, the accounting treatment of financial asset impairment, and the application of hedge accounting. In the future, financial instruments will be measured either at amortised cost or at fair value in profit or loss or in other comprehensive income. The classification of financial instruments into these categories will depend on specific criteria. A complete assessment is still pending, however, we do not expect there to be any material impact on the earnings, assets and financial situation.

IFRS 15 »Revenue from Contracts with Customers« is effective beginning in 2018. Early application is permitted. IFRS 15 has to be applied for the first time for the All for One Steeb AG Group in the financial year 2018/19. This standard includes a five-step model that establishes at what point in time (or over what period of time) and in what amount an entity will recognise revenues. A complete assessment of all possible effects and their materiality for our consolidated financial statements is still pending. Because of our business model and the related contracts we have with customers, we do not, however, expect any significant changes regarding the timing of revenue recognition and how revenues are presented. IFRS 15 contains a comprehensive catalogue of disclosure requirements which, in our opinion, will lead to additional and amended information. The standard provides two possible transition methods for implementing the new rules, of which we will be using the modified retrospective method.

IFRS 16 »Leases« is effective beginning in 2019. Early application is permitted. IFRS 16 will first be applied for the All for One Steeb AG Group in the financial year 2019/20. This standard basically fully revises the accounting by lessees of lease relationships. With very few exceptions, almost all lease contracts are affected and will be recognised in the future as a »right-of-use asset« and a lease liability. Even under IFRS 16, lessors will continue to classify leases as operating or finance leases as they did using IAS 17. A complete assessment of the possible effects on our consolidated financial statements is still pending. In light of existing agreements (particularly rental agreements and vehicle leases), however, we do expect an identifiable extension of the balance sheet and a decline in the equity ratio.

These changes and revisions are not expected to have any further material impact on the Group's earnings, assets and financial situation.

D. Structure of the Operating Segments and Sales Revenues

The individual Group companies and entities that form the Group's operating segments are what determine the organisation and the management of the Group. There was one reportable operating segment during the financial year, namely the »CORE« operating segment, and in which similar segments have been aggregated. The other segments not individually reportable are presented under the designation »LOB« (Lines of Business).

The Group's sales revenues are divided into consulting, software licenses, outsourcing and cloud services (including software maintenance), hardware and other revenues. Revenues are broken down geographically into Germany, Switzerland, Austria, Luxemburg and other countries.

E. Consolidation Principles

All for One Steeb AG and all subsidiaries over which the company exercises legal or actual control are included in the company's consolidated financial statements.

Control is assumed to be exercised when the respective parent has the power to govern the potential subsidiary on the basis of voting or other rights, participates in positive or negative variable returns of the subsidiary, and can influence these returns through its power to govern.

The financial statements of the companies to be included in the consolidated financial statements are included in the consolidated financial statements from the beginning of the time exercise of control was possible until the end of the time of exercise of control was possible.

The purchase method and the full goodwill method are used in the capital consolidation of the subsidiaries. At the time of the acquisition the cost of the acquisition is offset against its revalued equity. The subsidiary's assets and liabilities are measured at fair value as part of the revaluation. Deferred taxes are recognised on hidden reserves and liabilities disclosed as part of the initial consolidation to the extent that this realisation is not also applicable for tax purposes. Whereas any remaining positive difference between the cost of an acquisition and the net assets measured at fair value is recognised as goodwill, a negative difference is reported as income from the acquisition after again identifying all of the assets acquired and liabilities assumed.

Whereas the measurement of the non-controlling interests' goodwill using the purchase method is based on the proportionate share of the revalued net assets, the full goodwill method uses fair value. In subsequent periods, any discovered hidden reserves and liabilities will be adjusted, amortised or eliminated in accordance with how the corresponding asset or liability is to be treated.

Intergroup revenues, expenses and income, as well as all receivables and liabilities among the consolidated companies, were eliminated. The effects on income tax were taken into account for those consolidation transactions treated as income and deferred taxes were recognised. Forward contracts for the purchase of additional shareholdings in existing subsidiaries are accounted for using the anticipated acquisition method, which means that no non-controlling interests are recognised.

The effects that the acquisition of former non-controlling interests has on already fully consolidated companies are reported under equity.

In accordance with IFRS 11, All for One Steeb AG accounts for its own assets, liabilities, revenues and expenses as a joint operator.

F. Scope of the Consolidation and Changes in Group Structure

In addition to All for One Steeb AG, the consolidated financial statements include all domestic and foreign companies in which the company as at 30 September 2017 directly or indirectly held a majority of the voting rights or exercised control on the basis of other rights in terms of IFRS 10.

In addition to All for One Steeb AG, the following companies are included in the company's consolidated financial statements as at 30 September 2017:

Company	Direct share in %	Indirect share in %
Process Partner AG, St. Gallen/Switzerland	100.0	
All for One Steeb GmbH, Vienna/Austria	100.0	
AC Automation Center Sàrl, Luxemburg/Luxemburg (10% of which is indirect)	100.0	
AC Automation Center SA/NV, Zaventem/Belgium	100.0	
All for One Steeb Yazılım Servisleri LTD, Istanbul/Turkey	100.0	
KWP INSIDE HR GmbH (formerly: KWP team HR GmbH), Heilbronn/Germany	100.0	
KWP Austria GmbH, Vienna/Austria		100.0
KWP France S.à.r.l., Entzheim/France		100.0
KWP Czech s.r.o., Prague/Czech Republic		100.0
KWP Professional Services GmbH, Hamburg/Germany		100.0
avantum consult AG, Düsseldorf/Germany	100.0	
ALLFOYE Managementberatung GmbH, Düsseldorf/Germany	100.0	
OSC AG, Lübeck/Germany	100.0	
OSC Smart Integration GmbH, Hamburg/Germany		100.0
OSC Business Xpert GmbH, Burgdorf/Germany		51.0
Grandconsult GmbH, Filderstadt/Germany*	74.9	
WEBMAXX GmbH, Munich/Germany	73.7	
B4B Solutions GmbH, Graz/Austria	70.0	
B4B Solutions GmbH, Ratingen/Germany		70.0

* carried in the accounts as a 100% shareholding.

During the reporting year the scope of the consolidation changed as follows:

	Germany	Abroad	Total
Number of companies as at 01.10.2016	**8**	**8**	**16**
Additions from acquisitions	2	1	3
Additions from foundation/splitting off of companies	1	0	1
Disposals from mergers	-1	0	-1
Number of companies as at 30.09.2017	**10**	**9**	**19**

Transactions and Changes in the Scope of the Consolidation

OSC AG

The enlargement of the equity interest in OSC AG, Lübeck, from 60% to 100% was concluded with an effective date of 1 October 2016. The purchase price for this equity enlargement was EUR 7.9 million. Earnout payments in the amount of EUR 1.8 million were also rendered and a profit and loss transfer agreement was concluded with OSC AG. This share purchase was made with no change of control and therefore IFRS 3 did not apply.

B4B Group

The acquisition of 70% of the shareholdings in B4B Solutions GmbH, Graz/Austria, was concluded on 1 November 2016. This SAP cloud specialist together with its wholly-owned subsidiary B4B Solutions GmbH, Ratingen/Deutschland, (hereafter: B4B Group) have been included by way of full consolidation within All for One Steeb AG's Group financial accounting and reporting since that date. This transaction is a business combination in accordance with IFRS 3.

All for One Steeb wants to use this strategic acquisition to win over more of the midmarket sector to cloud software solutions, combine its expertise in the field of cloud applications with that of the resources it has taken over, and offer a complete range of cloud and industry-specific full-service packages from one single source.

The purchase price, less the acquired cash, for the acquisition was EUR 0.7 million. The entire purchase price has already been paid in cash using on-hand liquidity.

The allocation of the fair value acquisition costs of the acquired assets and liabilities undertaken at the acquisition date and their carrying amounts immediately prior to the business combination are shown in the following table:

B4B Group in KEUR	Carrying amount	Adjustments to fair value	Opening carrying value
Goodwill	0	529	529
Other intangible assets	1	472	473
Tangible fixed assets	116		116
Financial assets	2		2
Deferred tax assets	50		50
Trade accounts receivable	338		338
Current income tax assets	2		2
Other assets	47		47
Cash and cash equivalents	21		21
Total assets	**577**	**1,001**	**1,578**
Non-controlling interests	0	61	61
Financial liabilities	124		124
Deferred tax liabilities	0	127	127
Trade accounts payable	212		212
Other liabilities	382		382
Total liabilities	**718**	**188**	**906**
Net assets	**-141**	**813**	**672**
Purchase price			672
Assumed cash and cash equivalents			21
Net purchase price			**651**

External revenues of EUR 4.4 million and a contribution to earnings after taxes of minus EUR 0.6 million are attributable to the B4B Group acquisition for the period of 1 November 2016 to 30 September 2017. This figure includes amortisation and deferred taxes in the amount of minus EUR 0.1 million on the intangible assets acquired as part of the acquisition of the B4B Group.

The accumulated one-time transaction expenses during the reporting period totalled EUR 0.1 million.

The non-controlling interests in the B4B Group were measured at fair value at the acquisition date. Fair value was determined using market approaches, the residual value method, and the license price analogy method. Key inputs were the company's budgeting data, market and historical data, a discount rate of between 6.2% and 8.7%, and tax valuation parameters.

Pro Forma Disclosures (IFRS 3)

Had the initial consolidation of the B4B Group been made at the beginning of the financial year 2016/17, then this would have resulted in pro forma revenues of EUR 300.7 million and pro forma earnings after tax of EUR 13.1 million. The pro forma figures were determined for indicative and comparative purposes only. These amounts were determined using the Group's accounting principles and the results for the B4B Group were adjusted accordingly in order to report additional depreciation and amortisation, such as would have been made under the assumption that the adjustments to the fair value of tangible fixed assets and immaterial assets would have been applied together with their tax effects beginning on 1 October 2016. They provide no reliable information about the operating results that would actually have been achieved had the acquisition been made at the beginning of the financial year, nor about future revenues and earnings.

The opening carrying value of the trade accounts receivable comprises the following:

B4B Group in KEUR	
Gross receivables	338
Value adjustments	0
Fair value	**338**

The identifiable intangible assets assumed through the acquisition are shown as follows:

Other intangible assets of the B4B Group in KEUR	Purchase price	Estimated useful life Months
Customer base	276	120
Orders on hand	119	4
Brand name	77	60
	472	

Goodwill in the amount of EUR 0.5 million consists in particular of intangible assets that can neither be identified nor recognised separately as an asset other than as goodwill, and includes human capital, such as consultant qualifications and expertise.

All for One Steeb assumes that the goodwill recognised in the financial year 2016/17 will not be deductible for tax purposes.

inside Unternehmensberatung GmbH

All for One Steeb has acquired all the shareholdings of inside Unternehmensberatung GmbH, Oldenburg, effective 1 April 2017.

This transaction is a business combination in accordance with IFRS 3. inside Unternehmensberatung GmbH has been included by way of full consolidation within All for One Steeb AG's Group financial accounting and reporting since 1 April 2017.

Like our subsidiary KWP INSIDE HR GmbH, the company, which was founded in 1989, specialises in end-to-end SAP human capital management services. The firm employs 40 people and generates sales of some EUR 8 million. About one third of this figure is already attributable to a significantly growing amount of recurring cloud-based revenues from software as a service (SaaS) and software maintenance, which ensures a high degree of customer loyalty, a stable cash flow and sustainable profitability.

All for One Steeb wants to use this strategic acquisition to fully support businesses as they digitally enable their human resources work, offer additional full-service solutions from the cloud, and more rapidly take a leading position on the market for SAP-based HR software services.

The preliminary purchase price, less the acquired cash, amounted to EUR 6.8 million. Fixed purchase price components of EUR 5.2 million have already been paid in cash from on-hand liquidity. Furthermore, the total purchase price includes additional fixed purchase price installments of EUR 1.5 million, which are due for payment in the next two financial years, as well as earnout components measured at EUR 0.7 million and whose amounts depend on the KWP Group's business performance over the next three years (see also the following remarks regarding the merger of inside Unternehmensberatung GmbH). There is no provision for an upper limit. The earnout components are calculated and due for payment each year. A discount of EUR 0.3 million for the future purchase price installments and the earnout components was recognised at the acquisition date.

The allocation of the fair value acquisition costs of the acquired assets and liabilities undertaken at the acquisition date and their carrying amounts immediately prior to the business combination are shown in the following table. Final verification of these carrying amounts will, however, only be made after preparation of the consolidated financial statements, which means that these may deviate from the following »preliminary« figures, which were determined on an interim basis within the one-year period after the acquisition:

inside Unternehmensberatung GmbH in KEUR	Carrying amount	Adjustments to fair value	Opening carrying value
Goodwill	0	4,394	4,394
Other intangible assets	7	3,939	3,946
Tangible fixed assets	258		258
Financial assets	144		144
Trade accounts receivable	878		878
Current income tax assets	6		6
Other assets	118		118
Cash and cash equivalents	599		599
Total assets	**2,010**	**8,333**	**10,343**
Provisions	18		18
Provisions for income tax	491		491
Financial liabilities	118		118
Deferred tax liabilities	11	1,229	1,240
Trade accounts payable	149		149
Other liabilities	896		896
Total liabilities	**1,683**	**1,229**	**2,912**
Net assets	**327**	**7,104**	**7,431**
Purchase price			7,431
Assumed cash and cash equivalents			599
Net purchase price			**6,832**

External revenues of EUR 3.7 million and a contribution to earnings after taxes of EUR 0.3 million are attributable to the inside Unternehmensberatung GmbH acquisition for the period of 1 April 2017 to 30 September 2017. This figure includes amortisation and deferred taxes in the amount of minus EUR 0.2 million on the intangible assets acquired as part of the acquisition of inside Unternehmensberatung GmbH.

Pro Forma Disclosures (IFRS 3)

Had the initial consolidation of inside Unternehmensberatung GmbH been made at the beginning of the financial year 2016/17, then this would have resulted in pro forma revenues of EUR 304.6 million and pro forma earnings after tax of EUR 13.6 million. The pro forma figures were determined for indicative and comparative purposes only. These amounts were determined using the Group's accounting principles and the results for inside Unternehmensberatung GmbH were adjusted accordingly in order to report additional depreciation and amortisation, such as would have been made under the assumption that the adjustments to the fair value of tangible fixed assets and immaterial assets would have been applied together with their tax effects beginning on 1 October 2016. They provide no reliable information about the operating results that would actually have been achieved had the acquisition been made at the beginning of the financial year, nor about future revenues and earnings.

The accumulated one-time transaction expenses during the reporting period totalled EUR 0.2 million.

The opening carrying value of the trade accounts receivable comprises the following:

inside Unternehmensberatung GmbH in KEUR	
Gross receivables	878
Value adjustments	0
Fair value	**878**

The identifiable intangible assets assumed through the acquisition are shown as follows:

Other intangible assets of inside Unternehmensberatung GmbH in KEUR	Purchase price	Estimated useful life Months
Customer base	2,754	36 – 120
Orders on hand	156	6
Brand name	1,029	unlimited
	3,939	

Goodwill in the amount of EUR 4.4 million consists in particular of intangible assets that can neither be identified nor recognised separately as an asset other than as goodwill, and includes human capital, such as consultant qualifications and expertise.

All for One Steeb assumes that the goodwill recognised in the financial year 2016/17 will not be deductible for tax purposes.

Merger inside Unternehmensberatung GmbH

In order to strengthen the shared business approach, inside Unternehmensberatung GmbH was merged with retroactive effect from 1 April 2017 into the wholly-owned All for One Steeb subsidiary KWP team HR GmbH, which had already been renamed KWP INSIDE HR GmbH.

Establishment of ALLFOYE Managementberatung GmbH

It was the mission of not only providing greater advice and guidance to top-level management, but extending our clients' digital transformation beyond information technology to make their strategies, business models, enterprise workflows, organisations and cultures ready and viable for tomorrow, that led in May 2017 to the establishment of ALLFOYE Managementberatung GmbH, Düsseldorf, as a new and wholly owned subsidiary of All for One Steeb AG. A team of management consultants from within the Group was split off and integrated into this new company to arrange and get business operations going.

Companies Using the Exemption pursuant to §264, Section 3 »Handelsgesetzbuch«

Pursuant to §264, section 3 »Handelsgesetzbuch«, the companies KWP INSIDE HR GmbH, Heilbronn (formerly: KWP team HR GmbH), avantum consult AG, Düsseldorf, OSC AG, Lübeck, are exempt from the obligation to prepare, have audited, and disclose annual financial statements and a management report under commercial law according to regulations applicable to corporations.

G. Foreign Currency Translation

The items recognised in the financial statements of the individual companies within the Group are valued on the basis of the respective functional currency. The consolidated financial statements are prepared in the euro currency. All for One Steeb's reporting currency and functional currency is the euro.

Transactions made in foreign currencies are translated into the functional currency at the prevailing rate of exchange on the date of the transaction. Foreign-currency monetary assets and liabilities are translated at the exchange rate on the balance sheet date. Exchange differences are recognised in the income statement under other operating expenses. Non-monetary assets and liabilities, which were valued at historical cost in a foreign currency, are translated at the exchange rate on the day of the business transaction.

The translation of the financial statements of the included companies, whose functional currency differs from the Group's reporting currency, is made as follows: The assets and liabilities are translated at the period-end exchange rate, equity at historical rates and the expenses and income at the average annual exchange rate. The resulting exchange differences are recognised as equity not affecting net income.

The most important changes in exchange rates in relation to the euro were as follows:

	Year-end rate		Average exchange rate	
	30.09.2017	30.09.2016	10/2016 – 09/2017	10/2015 – 09/2016
CHF	1.1457	1.0919	1.0909	1.0914
CZK	25.9810	27.0222	26.6722	27.0414
TRY	4.2013	3.3284	3.8868	3.2527

Source: reference euro exchange rates from the European Central Bank published monthly by the Deutsche Bundesbank

H. Accounting and Valuation Principles

The financial statements of All for One Steeb AG and its domestic and foreign subsidiaries are prepared in accordance with IFRS 10.19 using uniform accounting and valuation principles.

Assumptions and Estimates

Assumptions and estimates were made when preparing the consolidated financial statements, which affected the disclosure and amounts of the reported assets, debts, income, expenses and contingent liabilities. In some cases, the actual amounts may vary from the assumptions and estimates that were made. Changes will be recognised in the income statement at the time more accurate information becomes available.

In this regard, particular note should be made of the reporting and valuation of goodwill and other intangible assets (note 11), trade accounts receivable (note 17), provisions (note 23), current and deferred (income) tax assets and liabilities (notes 14, 15 and 25).

Recognition of Revenues and Expenses

Sales revenues and other operating income are credited to the income statement at the time the product is delivered to, or the service is rendered for, the customer. Sales revenues are reported without value-added tax and take into consideration sales adjustments such as credit notes, commercial discounts and similar deductions.

Revenues from software maintenance, service and cloud agreements, as well as from managed services, are recognised on an accrual basis. Revenues from the sale of licenses are considered realised when the customer acquires actual power of disposition over the software.

Consulting and training revenues are generated on the basis of individual service agreements and realised as the services are performed.

In accordance with IAS 18 and in conjunction with IAS 11, revenues from the rendering of longer-term project contracts are recognised with reference to their stage of completion using the percentage of completion method of accounting. The stage of completion is determined on the basis of the hours of work already performed in relation to the estimated total number of hours for the respective project. The amount of revenue to be recognised on the reporting date is determined by applying this result (as a percentage) to the total revenues.

Operating costs are recognised in the income statement at the time use is made of the rendered service, or at the time of its causation, while interest income and expenses are recognised on an accrual basis. Dividends are recognised at the time they are distributed.

Financial Result

Valuation differences from adjustments of foreign currency exchange rates, which arise on financial assets and liabilities including internal Group financial relationships, are reported in the financial result.

In addition to interest income from loans granted and entitlements from finance leases, other income directly related to the financing or the investment in financial assets is also reported under financial income.

In addition to interest expenses from loans and finance lease obligations, other expenses directly related to the financing or the investment in financial assets are also reported under financial expenses, provided these are not required to be reported within equity. Interest expenses are recognised in the income statement using the effective-interest method. Borrowing costs are not capitalised.

Furthermore, the financial result includes adjustments to purchase price obligations as well as contractually guaranteed dividends.

Government Grants

These government grants relate to assets. In accordance with IAS 20, they are only recognised when there is reasonable assurance that any conditions attached to the grants will be complied with and that the grants will be awarded.

Earnings per Share

Earnings per share are determined on the basis of dividing the annual net earnings by the average number of shares outstanding (issued shares less treasury stock). There are no effects from dilution.

Goodwill

Goodwill arises from the application of the purchase method and the full goodwill method to business combinations, provided the cost exceeds the fair value of the net assets of the purchased subsidiary on the acquisition date. In accordance with IAS 38 no write-downs on goodwill have been made since 1 January 2005.

Other Intangible Assets

In accordance with IAS 38, purchased and self-created intangible assets are capitalised at cost or fair value, provided that it is probable that future economic benefits attributable to the assets will flow to the company and that the cost of the assets can be measured reliably. Regular straight-line amortisation is made over the projected useful lives of the assets, provided that their useful lives can be determined with sufficient accuracy. Please see note 11, Goodwill and Other Intangible Assets for information about the useful life of assets.

Impairment of Goodwill and Other Intangible Assets

Goodwill and other intangible assets with an indefinite useful life are tested for impairment at least once a year in accordance with IAS 36. Each impairment loss is recognised immediately in the income statement. All other intangible assets are tested for impairment as circumstances dictate. For impairment testing, assets are allocated where necessary to the smallest identifiable group of assets, or cash-generating unit, which generates cash flows that can be measured. An impairment loss is recognised when the cash-generating unit's carrying amount is greater than the recoverable amount. This is determined by the higher of the fair value less costs to sell and the value in use as measured using the discounted cash flow method.

Tangible Fixed Assets

Tangible fixed assets are reported at cost less regular straight-line depreciation in accordance with IAS 16.

Regular depreciation is made across the projected economic life of the assets within the Group, which are as follows:

	Years
Leasehold improvements	2 – 15
IT systems	3 – 6
Operating and office equipment	4 – 13

An impairment loss is charged against earnings in accordance with IAS 36 in the event that the carrying amount is greater than the estimated recoverable amount. Any income or loss generated from the disposal of tangible fixed assets is reported in the income statement.

Leasing Arrangements

Leased assets under IAS 17, which are leased under terms by which the Group assumes all substantial risks and benefits incident to ownership from an economic perspective, are classified as finance leases and capitalised as non-current assets at the time of acquisition. At the same time, financial liabilities of the corresponding amount are recognised. Recognition is made at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The depreciation methods and useful lives should be consistent with those for other comparable purchased assets. The interest component of lease payments is recognised in the interest result.

Lease payments are recognised in full as an expense in the case of operating leases in which beneficial ownership remains with the lessee.

Financial Assets

Financial assets in terms of IAS 39, which are of relevance for All for One Steeb, are classified as follows:

- Held-to-maturity financial investments
- Receivables and loans
- Available-for-sale financial assets

With the exception of receivables and loans, financial assets with determinable payments and fixed terms, which the company can and wishes to hold to maturity, are classified as held-to-maturity financial investments. These financial investments with a maturity of more than twelve months after the balance sheet date are reported as ***non-current assets***, while all others are reported as ***current assets***. In particular, the former includes entitlements from finance leases as well as other assets. Their value is stated at nominal value or at the original cost including transaction costs less cumulative value adjustments.

Cash and cash equivalents include cash on hand and deposits in banks. Changes in fair values are recognised in the financial result. ***Trade accounts receivable*** and other receivables are reported at amortised cost. Trade accounts receivable are reported less value adjustments. Accounts receivable exposed to an increased risk of default are evaluated individually and written down as needed. No value adjustments were made to any of the other financial assets. As yet uncompleted contract activity from consulting or managed services agreements is valued using the percentage of completion method and reported under trade accounts receivable, provided it is probable that payment will be made to the Group. Included under ***available-for-sale financial assets*** are those assets that cannot be allocated to the categories above. Gains and losses from the evaluation of the fair value are recognised directly in equity. Cumulative profit or losses that were previously recognised in equity are reported in the income statement at the time the financial investments are cancelled.

Non-Controlling Interests

As at the acquisition date, the non-controlling interests measured using the purchase method are recognised with the proportionate share of revalued net assets of the subsidiary, while the non-controlling interests measured using the full goodwill method are recognised at the proportionate share of fair value of the subsidiary. An adjustment of non-controlling interests will be made in subsequent periods taking into consideration current profits and losses, distributions to non-controlling interests and currency differences. Non-controlling interests are reported as equity in the Group balance sheet.

Inventories

Inventories of merchandise (hardware and software held for sale) are valued at average cost or their potentially lower net realisable sale value. An appropriate value adjustment will be made for any other impairment.

Provisions

Provisions are recognised with respect to the cause or amount of uncertain obligations, provided there exists a legal or constructive obligation stemming from an underlying causal event occurring prior to the balance sheet date, and it is probable that an outflow of resources embodying economic benefits will be necessary in order to fulfill the obligation. Long-term provisions with a remaining term of more than one year are reported at their discounted settlement amount on the balance sheet date.

Employee Benefit Obligations

All for One Steeb's active and former employees receive benefits and pensions based on the various local statutory employee benefit plans. In addition to defined contribution plans, there are also defined benefit plans whose value is determined using the projected unit credit method stipulated in IAS 19. The employer contributions for the respective period are recognised in the income statement for all defined contribution plans. The full amount of the post-employment benefit liabilities is presented in the balance sheet as at the respective reporting date. Actuarial gains and losses are recognised directly in other comprehensive income in the periods in which they occur, with deferred taxes being taken into account.

Liabilities

Trade accounts payable and other liabilities are reported at their nominal value, amortised cost or at fair value.

Financial Liabilities

The financial liabilities include interest-bearing liabilities from loans and from finance lease transactions as well as short-term liabilities to banks. These are reported at their nominal value or amortised cost.

Taxes

Current income taxes are calculated on the basis of earnings before taxes taking into account the respective country-specific regulations governing the computation of taxable income.

Deferred tax assets and liabilities result from the differences between the amounts stated for assets and liabilities in the tax balance sheet and the IFRS consolidated financial statements, provided such differences are not permanent. The Group uses the liability method, according to which deferred tax assets or liabilities can be determined based on the legal principles that are either valid or actually in force on the balance sheet date. In this case the tax rates at the time of the projected tax realisation are applied. Deferred tax assets also result from accumulated tax losses that can be carried forward (tax loss carry forwards), which can be offset against subsequent taxable earnings.

Deferred tax assets on temporary differences and on tax losses brought forward are only recognised in an amount corresponding to the probability that in the foreseeable future there will be sufficient taxable income available and that the Group will derive a benefit from applying them to it. The foreseeable future is principally considered to be the next four financial years.

Deferred tax assets and liabilities are not discounted and are reported in the balance sheet as non-current assets and liabilities.

Other taxes, such as transaction taxes or taxes on wealth and capital, are shown as operating expenses.

Personnel Figures

Unless otherwise indicated, the personnel figures refer to the number of individuals employed. Part-time positions are not included on a pro rata basis.

Segment Reporting

All for One Steeb AG prepares its segment reporting according to IFRS 8 »Operating Segments«. Segment reporting reflects the Group's internal management and reporting approach on the basis of the individual companies and entities within the Group. For the purpose of the consolidated financial statements, multiple companies and entities were aggregated into reportable operating segments in accordance with IFRS 8.11 ff.

The segment reporting is based on the same disclosure and measurement policies as for the consolidated financial statements. Transfer pricing between the segments (intersegment sales) is made at terms equivalent to those that prevail in arm's length transactions.

Cash Flow Statement

The cash flow statement depicts an analysis of the changes in cash and cash equivalents. In accordance with IAS 7, the cash flow statement differentiates between cash flows from operating activities, investing activities and financing activities. The operating cash flow is derived from the Group balance sheet and income statement using the indirect method. Influences from changes in the scope of the consolidation, effects from the application of IFRS 5, as well as any currency-related valuation differences on the cash and cash equivalents, are reported separately.

Contingent Liabilities

Potential obligations for which the outflow of resources is considered improbable are not reported in the balance sheet and their potential projected financial effects (exposure) are reported as contingent liabilities.

I. Financial Risk Factors

Financial Risks

Financial risk management is handled according to the principles established by the company. These govern the company's protection against currency, interest and credit risks, cash management and short-term and long-term financing. The goal is to reduce financial risks while weighing the hedging costs against the risks being taken. Derivative financial instruments to hedge the mainstream business may be used when deemed appropriate. In order to minimise the counterparty credit risk, transactions will only be made with first-class counterparts.

Currency Risks

Fluctuations in currency rates have an impact on the presentation of assets and liabilities in the consolidated financial statements that are prepared in euros, insofar as assets and liabilities are denominated in currencies other than the euro. This is why All for One Steeb strives to finance its assets in the same currency. Revenue recognition within the individual companies is made predominantly in the same currency as that used for expenses. To the extent deemed necessary, remaining risks involved in foreign-currency accounting are covered using currency transactions (futures, options). Foreign currency hedges are not being used at the present time.

Changes in Interest Rate Risks

There will be exposure to changes in interest rates as long as there are long-term, interest-bearing liabilities with variable interest rates. These risks are minimised by interest hedges and the continuous monitoring of global interest-rate policies. Interest hedges are not being used at this time.

Because currently only fixed-rate long-term liabilities from the issuance of promissory notes exist, any potential change in interest rates of +/- 100 basis points would have no impact on the net Group earnings before taxes.

Liquidity Risks

All for One Steeb places the utmost importance on maintaining solvency at all times. Each company maintains an adequate amount of cash. The lead operating company All for One Steeb AG also has liquidity reserves and unused operational funding lines of credit.

In the case of the remaining All for One Steeb AG promissory notes in an amount of EUR 23.5 million, the holders of these promissory notes are authorised to raise the interest margin or, as applicable, to call the promissory notes due immediately should certain events occur on the basis of the covenants. These events primarily involve adhering to the agreed targets for the equity ratio and the relationship between total net debt and EBITDA. The creditors will also be authorised to cancel their loan commitments and call a total amount of EUR 23.5 million due immediately should certain changes be made in the All for One Steeb shareholder structure (change of control). These covenants had been complied with in full as at the balance sheet date. Because the management board continuously monitors compliance with the terms and conditions of the promissory notes, the risks resulting from such covenants are considered to be minor.

Default Risks

Default risks arise primarily from affording clients time to make payments and from the counterparty risk involved in financial transactions. The default risks from providing services and products are addressed in part through commercial credit insurance, credit checks on customers, monitoring of accounts receivable and the implementation of regular reminder procedures.

Explanatory Notes to the Consolidated Financial Statements

J. Income Statement

The income statement was prepared according to the aggregate cost method.

1. Sales Revenues

Sales by type of revenue are classified in the following categories:

Sales by type in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Consulting	124,815	110,850
Outsourcing and cloud services	130,484	117,676
Software licenses	38,778	32,787
Hardware	6,017	4,769
Other sales	427	196
Total	**300,521**	**266,278**

Sales by country are depicted as follows:

Sales by country* in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Germany	257,174	227,171
Switzerland	15,504	15,055
Austria	15,085	12,875
Luxemburg	8,069	6,916
Other countries**	4,689	4,261
Total	**300,521**	**266,278**

* based on domicile of the customer
** each with sales of less than EUR 1 million

Sales revenues include revenues of KEUR 26,652 (prior year: KEUR 28,416) determined by using the percentage of completion method. The cumulative expenses for ongoing projects valued using the percentage of completion method totalled KEUR 49,856 (prior year: KEUR 33,763) and the cumulative gains were KEUR 6,218 (prior year: KEUR 3,527).

2. Other Operating Income

in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Marketing support	973	1,033
Income from co-payments from employees	319	236
Reversal of provisions and employee benefit obligations	260	194
Income from disposal of assets	132	232
Income from currency differences	110	6
Income from cost allocation to partner networks	98	0
Income from indemnities and insurance	89	23
Partial divestiture of business unit	0	292
Investment tax credits (public authorities)	0	137
Other income	991	521
Total	**2,972**	**2,674**

3. Cost of Materials and Purchased Services

in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Purchased services	79,010	71,496
Cost of materials	30,232	25,009
Total	**109,242**	**96,505**

Purchased services mainly include expenses for SAP maintenance contracts. The cost of materials is primarily a result of the purchase of SAP software licensing rights and the procurement of hardware for customer projects.

4. Personnel Expenses

in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Salaries and wages	106,708	94,723
Social security contributions	15,864	13,619
Defined contribution plan expenses	882	826
Defined benefit plan expenses	552	509
Other personnel expenses	162	291
Total	**124,168**	**109,968**

The average number of people (by headcount) employed in the financial year 2016/17 was 1,407 (prior year: 1,256), of whom 1,023 were in consulting, outsourcing and cloud services (prior year: 905 employees), 140 in sales and marketing (prior year: 119 employees), 145 in administration and management (prior year: 132 employees), 59 in marginal employment/on parental leave/on extended sick leave (prior year: 65 employees) and 40 apprentices and trainees (prior year: 35 employees).

The following figures include apprentices and trainees:

Average personnel capacity by function	10/2016 – 09/2017	10/2015 – 09/2016
Consulting, outsourcing and cloud services	1,001	885
Sales and marketing	129	109
Administration and management	132	122
Total	**1,262**	**1,116**

Personnel capacity at financial year-end	30.09.2017	30.09.2016
Germany	1,186	1,051
Switzerland	27	29
Austria	50	15
Other countries	59	53
Total	**1,322**	**1,148**

5. Employee Benefit Obligations

There are both defined benefit and defined contribution plans for retirement, disability and survivor benefits. The amount of the benefit obligations for the defined benefit plans is calculated primarily on the basis of the individual employee's length of employment and compensation. There also exists a domestic employee-funded retirement benefits plan in the form of a direct benefit commitment that is secured by a congruent and pledged reinsurance programme. Although the risk that All for One Steeb may be liable for a return that cannot be met by the insurance company is considered very small, this employee-funded retirement benefits plan is not required to be classified as a defined benefit plan under IFRS. All plans are exposed to those risks that are customary for defined benefits, particularly the risks associated with changes in discount rates.

The following information provides an overview of the financial situation of the defined benefit plans as at 30 September 2017 and 2016:

in KEUR	Defined benefit obligation		Fair value of plan assets		Net liabilities/assets from defined benefit plans	
	10/2016 – 09/2017	10/2015 – 09/2016	10/2016 – 09/2017	10/2015 – 09/2016	10/2016 – 09/2017	10/2015 – 09/2016
Balance as at 01.10.	**17,130**	**15,428**	**-12,763**	**-12,218**	**4,367**	**3,210**
Recognised in profit and loss						
Current service cost	552	509	0	0	552	509
Past service cost	-75	0	0	0	-75	0
Interest expense/income	92	225	-78	-189	14	36
	569	**734**	**-78**	**-189**	**491**	**545**
Recognised in other comprehensive income						
Loss/profit from revaluations						
Actuarial loss/gains from:						
demographic assumptions	-409	-241	0	0	-409	-241
financial assumptions	-1,148	1,962	219	-458	-929	1,504
experience-based adjustments	-421	-328	0	0	-421	-328
Return on plan assets	0	0	-34	-48	-34	-48
Foreign currency differences	-489	34	295	-21	-194	13
	-2,467	**1,427**	**480**	**-527**	**-1,987**	**900**
Other items						
Company contributions	-227	-206	-23	-70	-250	-276
Payments made	-1,015	-253	862	241	-153	-12
	-1,242	**-459**	**839**	**171**	**-403**	**-288**
Balance as at 30.09.	**13,990**	**17,130**	**-11,522**	**-12,763**	**2,468**	**4,367**
Of which are attributable to:						
Germany	6,512	7,285	-5,983	-6,442	529	843
Switzerland	7,478	9,845	-5,539	-6,321	1,939	3,524
	13,990	**17,130**	**-11,522**	**-12,763**	**2,468**	**4,367**

The assumptions for the actuarial valuations differ for each individual plan, since they were made by taking into consideration the specific circumstances of the asset investment strategy and the personnel structure of the affiliated companies. The following table shows the key benchmarks of the plans that are included in the calculation and the average weighted assumptions on which the actuarial estimates of the defined benefit plans were based:

	30.09.2017	30.09.2016
Number of plans	6	7
of which with assets set aside	1	2
of which with no assets set aside	4	4
Number of individuals participating in the plans	127	138
of whom are active insurance participants	75	82
of whom are inactive insurance participants	34	35
of whom are retired	18	21
Discount rate Germany	1.51%	1.01%
Discount rate Switzerland	0.75%	0.20%
Development of salaries Germany	0.00% – 2.00%	0.00% – 2.00%
Development of salaries Switzerland	1.00%	1.00%
Development of pensions Germany	1.70%	1.70%
Development of pensions Switzerland	0.00%	0.00%

On 30 September 2017 the weighted average duration of the defined benefit obligations was 11.6 years (prior year: 12.5 years) in Germany and 21.2 years (prior year: 24.2 years) in Switzerland.

Plan assets as at 30 September 2017 and 2016 were as follows:

in KEUR	30.09.2017	30.09.2016
Rented properties	554	632
Obligations CHF	554	632
Obligations other currencies	1,440	1,643
Shares Switzerland	332	379
Shares other countries	1,080	1,233
Liquid assets and other financial assets	7,562	8,244
Total plan assets	**11,522**	**12,763**

The expected payments for All for One Steeb's employee benefit plans for the financial year 2017/18 are KEUR 571 (prior year: KEUR 543).

Sensitivity Analysis

On the basis that other assumptions remain the same, a change of 0.25 percentage points in the discount rate or of 0.25 to 0.5 percentage points in the development of pensions would have the following effects on the defined benefit obligations:

Effect in EUR	Defined benefit obligation	
	Increase	Decrease
Germany		
Discount rate (+/- 0.25% points)	-136	142
Pension progression (+/- 0.5% points)	111	-103
Switzerland		
Discount rate (+/- 0.25% points)	-258	295
Pension progression (+0.25% points)	223	–

6. Depreciation and Amortisation

The amounts of depreciation and amortisation are determined by the changes in non-current assets (see the Consolidated Statement of Changes in Fixed Assets). No write-downs were made in the current financial year.

7. Other Operating Expenses

in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Data processing expenses	10,913	10,265
Vehicle costs	8,397	7,547
Travel and overnight accommodation expenses	6,141	4,839
Cost of premises	4,810	4,303
Marketing and advertising	2,421	2,164
Human resource management expenses	1,838	2,109
Expenses from currency differences	42	31
Other items	6,147	3,818
Total	**40,709**	**35,076**

8. Financial Result

in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Finance lease interest income	265	292
Adjustments to purchase price obligations and contractually guaranteed dividends	0	636
Other interest income	111	19
Financial income	**376**	**947**
External bank loan interest expenses	-866	-901
Finance lease interest expenses	-65	-59
Adjustments to purchase price obligations and contractually guaranteed dividends	0	-939
Other interest expenses	-114	-465
Financial expenses	**-1,045**	**-2,364**
Total	**-669**	**-1,417**

9. Income Tax

Tax expenses consist of the following:

in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Current tax expenses	6,524	5,997
Income from deferred taxes	-216	-857
Total	**6,308**	**5,140**

Current tax expenses in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Current income tax for the reporting year	6,459	5,943
Current income and withholding taxes relating to prior periods	65	54
Total	**6,524**	**5,997**

Income from deferred taxes in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Change in tax charge on undistributed profits for the reporting year	-30	34
Change in timing differences for the reporting year	-142	-1,171
Recognition of tax assets from tax losses brought forward	-44	280
Total	**-216**	**-857**

The following table shows a reconciliation of the expected and the actually reported tax expenses:

in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
EBT	19,393	17,431
Expected tax expense/revenue at the rate of 30%	-5,818	-5,229
Temporary tax differences	-10	-214
Non-tax-deductible expenses/revenues	-492	158
Capitalisation of tax losses brought forward	275	81
Current tax expenses/revenues relating to prior periods	-65	-54
Use of uncapitalised tax losses brought forward for current year	46	0
Waiver of capitalisation of tax losses brought forward for current year	-403	-7
Effect of different tax rates	157	169
Other effects	2	-44
Total	**-6,308**	**-5,140**

Current taxes are calculated on the basis of prevailing tax rates rates The Group's tax rate of 30.0% (prior year: 30.0%) was determined on the basis of a corporate income tax rate of 15.0% plus the solidarity surcharge of 5.5% on this rate, and a municipal trade income tax rate of 14.2%.

The following table shows the composition of deferred tax assets and deferred tax liabilities:

in KEUR	Deferred tax assets 30.09.2017	Deferred tax liabilities 30.09.2017	Deferred tax assets 30.09.2016	Deferred tax liabilities 30.09.2016	Total 30.09.2017	Total 30.09.2016
Financial assets	0	1,229	-1	1,177	1,229	1,176
Financial liabilities	0	60	0	37	60	37
Inventories	-16	0	0	0	-16	0
Trade accounts receivable	-2	1,533	-272	984	1,531	712
Intangible assets	-54	12,055	-6	11,870	12,001	11,864
Employee liabilities	-40	0	-43	0	-40	-43
Employee benefit obligations	-673	0	-1,065	0	-673	-1,065
Provisions	-200	80	-214	34	-120	-180
Tangible fixed assets	-1	80	-7	55	79	48
Other timing differences	0	112	0	142	112	142
Other liabilities	-36	0	-34	0	-36	-34
Tax loss carry forwards	-292	0	-231	0	-292	-231
Deferred tax assets (-) / liabilities (+)	**-1,314**	**15,149**	**-1,873**	**14,299**	**13,835**	**12,426**
Balancing	633	-633	678	-678	0	0
Total deferred tax assets (-) / liabilities (+)	**-681**	**14,516**	**-1,195**	**13,621**	**13,835**	**12,426**

10. Earnings per Share

Earnings per share were calculated based on the net annual earnings and the average number of shares outstanding (issued shares less treasury stock). An unchanged average number of 4,982,000 shares were outstanding in the financial year 2016/17.

The average number of shares (diluted) outstanding is the same as the average number of shares (undiluted) outstanding. The diluted earnings per share are therefore the same as the undiluted earnings per share.

K. Notes to the Balance Sheet

11. Goodwill and Other Intangible Assets

Your attention is directed to the Consolidated Statement of Changes in Fixed Assets included as an annex to these notes to the consolidated financial statements regarding the composition of this item.

The Group balance sheet as at 30 September 2017 reported goodwill with a balance sheet value of KEUR 24,531 (prior year: KEUR 19,608) other intangible assets with a balance sheet value of KEUR 41,618 (prior year: KEUR 41,508). In order to determine if any assets may be impaired, the company estimated the expected cash flows from the use and eventual sale of the assets. The actual cash flows derived may vary from the projected cash flows and from the cash flows discounted to the balance sheet date. In particular, any departure of customers from the core client business accounted for in the balance sheet, and the subsequent lower-than-projected amount of products and services sold, may result in shortened useful lives and impairment.

Impairment Testing of Goodwill and Trademark Rights

For the purpose of performing impairment tests, All for One Steeb has designated the following companies as cash-generating units (CGU) to which the respective goodwill and trademark rights are allocated. The value in use was applied when testing goodwill and trademark rights for impairment. The value in use of the future cash flows was determined using the discounted cash flow method, which does not take tax payments into consideration. As in the prior year, the applied discount rate built on the capital asset pricing model and was derived from the average weighted cost of equity and borrowed capital. The cost of equity is based on a risk-free capital-market interest rate for the respective period taking into consideration the Beta factor for the industry and a risk premium based on the relevant capital market. From this a pre-tax discount rate was derived based on the tax situation.

Current assets and earnings projections for the next three to five years have been prepared for the cash-generating units (CGU), which reflect and incorporate the company's latest estimates regarding how these units' sales and costs will develop. Prospective cash flow statements were derived from this and plausible assumptions were made about the further development in the years to follow that reflect a growth rate of 1%. Furthermore, the projections assumed a constant or slightly improving EBIT margin.

Goodwill

Goodwill increased by KEUR 4,923 to KEUR 24,531 (prior year: KEUR 19,608) in the current financial year. This increase is the result of the final purchase price determinations for B4B Solutions GmbH, Graz/Austria, in the amount of KEUR 529 and for inside Unternehmensberatung GmbH, Oldenburg, in the amount of KEUR 4,394.

No write-downs on goodwill were made in the reporting year.

Goodwill in KEUR	30.09.2017	30.09.2016
CGU All for One Steeb AG		
Steeb Anwendungssysteme GmbH, Abstatt (merged into the Group parent in December 2011)	9,692	9,692
All for One Midmarket Solutions & Services GmbH, Stuttgart (merged into the Group parent in September 2008)	2,434	2,434
Other CGU's		
avantum consult AG, Düsseldorf	2,569	2,569
OSC AG, Lübeck	2,327	2,327
Process Partner AG, St. Gallen/Switzerland	1,596	1,596
KWP team HR GmbH, Düsseldorf (merged into KWP Kümmel, Wiedmann + Partner Unternehmensberatung GmbH, Heilbronn, in December 2014)	482	482
KWP INSIDE HR GmbH, Heilbronn (formerly: KWP team HR GmbH, KWP Kümmel, Wiedmann + Partner Unternehmensberatung GmbH)	365	365
All for One Steeb GmbH, Vienna/Austria	125	125
Grandconsult GmbH, Filderstadt	18	18
B4B Solutions GmbH, Graz/Austria	529	–
inside Unternehmensberatung GmbH, Oldenburg (merged into KWP INSIDE HR GmbH, Heilbronn, in August 2017)	4,394	–
Total	**24,531**	**19,608**

The goodwill and trademark rights were tested for impairment at the end of the financial year. This testing showed no impairment of the goodwill and trademark rights allocated to the cash-generating units (CGU) as at 30 September 2017. The company believes, extraordinary events and circumstances aside, that a revision of its assumptions would not lead to the carrying amounts of the goodwill and trademark rights exceeding their respective recoverable amounts.

Other Intangible Assets

Other intangible assets include brand names (trademark rights) totalling KEUR 12,344 (prior year: KEUR 11,253). These brand names are company brands for which an economic life cannot be determined. Unlike product brands, these have no life cycle. For this reason it is generally assumed that they have an indefinite useful life.

Internally generated software in the amount of KEUR 140 (prior year: KEUR 89) was capitalised during the current financial year.

Other intangible assets in KEUR	Purchase price	Estimated useful life in months	Remaining useful life in months	Net carrying amount 30.09.2017	Net carrying amount 30.09.2016
Trademark rights					
CGU All for One Steeb AG					
Trademark rights of former Steeb Anwendungssysteme GmbH, Abstatt	5,465	unlimited	unlimited	5,465	5,465
Trademark rights of former All for One Midmarket Solutions & Services GmbH, Stuttgart	3,283	unlimited	unlimited	3,283	3,283
Other CGU's					
Trademark rights of avantum consult AG, Düsseldorf	1,566	unlimited	unlimited	1,566	1,566
Trademark rights of OSC AG, Lübeck	939	unlimited	unlimited	939	939
Trademark rights of B4B Solutions GmbH, Graz/Austria	77	60	48	62	0
Trademark rights of former inside Unternehmensberatung GmbH, Oldenburg	1,029	unlimited	unlimited	1,029	0
Customer base					
Customer base of former Steeb Anwendungssysteme GmbH, Abstatt	27,626	48 – 180	0 – 110	16,373	18,292
Customer base of former All for One Midmarket Solutions & Services GmbH, Stuttgart	6,225	180	40	1,383	1,798
Customer base of avantum consult AG, Düsseldorf	3,825	120	79	2,518	2,901
Customer base of OSC AG, Lübeck	5,903	144	85	3,484	3,976
Customer base of former KWP team HR GmbH, Düsseldorf	628	120	21	110	173
Customer base of Grandconsult GmbH, Filderstadt	1,362	96	66	941	1,111
Customer base of B4B Solutions GmbH, Graz/Austria	276	120	108	248	0
Customer base of former inside Unternehmensberatung GmbH, Oldenburg	2,754	36 – 120	30 – 114	2,565	0
Other intangible assets					
Internal software solutions	531	60 – 72	0 – 60	239	169
Maintenance contracts of avantum consult AG, Düsseldorf	664	120	79	437	504
Orders on hand of Grandconsult GmbH, Filderstadt	848	9 – 21	0	0	89
Orders on hand of B4B Solutions GmbH, Graz/Austria	119	11	0	0	0
Orders on hand of former inside Unternehmensberatung GmbH, Oldenburg	156	6	0	0	0
Other acquired intangible assets	4,725	12 – 96	0 – 78	976	1,242
30.09.2017	**68,001**			**41,618**	**41,508**

Impairment tests using the relief from royalty method were performed at the end of the financial year due to the trademark rights having an indefinite useful life (exception: B4B brand). No write-downs were made as at 30 September 2017.

Impairment testing was based on the following pre-tax discount rates:

(Formerly) Steeb Anwendungssysteme GmbH, Abstatt**:** The implied average pre-tax discount rate is 7.27% (prior year: 6.89%).

(Formerly) All for One Midmarket Solutions & Services GmbH, Stuttgart: The implied average pre-tax discount rate is 7.27% (prior year: 6.89%).

avantum consult AG, Düsseldorf: The implied average pre-tax discount rate is 7.66% (prior year: 6.95%).

OSC AG, Lübeck: The implied average pre-tax discount rate is 7.64% (prior year: 6.93%).

Process Partner AG, St. Gallen/Switzerland: The implied average pre-tax discount rate is 6.38% (prior year: 5.79%).

(Formerly) KWP team HR GmbH, Düsseldorf: The implied average pre-tax discount rate is 7.43% (prior year: 6.74%).

(Formerly) KWP Kümmel, Wiedmann + Partner Unternehmensberatung GmbH, Heilbronn**:** The implied average pre-tax discount rate is 7.43% (prior year: 6.74%).

All for One Steeb GmbH, Vienna/Austria**:** The implied average pre-tax discount rate is 7.03% (prior year: 6.37%).

Grandconsult GmbH, Filderstadt: The implied average pre-tax discount rate is 7.49% (prior year: 6.79%).

B4B Solutions GmbH, Graz/Austria: The implied average pre-tax discount rate is 6.86%.

(Formerly) inside Unternehmensberatung GmbH, Oldenburg**:** The implied average pre-tax discount rate is 7.43%.

12. Tangible Fixed Assets

Your attention is directed to the Consolidated Statement of Changes in Fixed Assets included as an annex to these notes to the consolidated financial statements regarding the composition of this item.

Also included under leasehold improvements are those improvements over which the lessor has since assumed legal ownership, but which remain in the beneficial ownership of the lessee for the term of the lease. The useful life for depreciation purposes is the shorter of the remaining term of the lease or the useful life.

The other tangible fixed assets include office machines and equipment, office furniture and furnishings, as well as company cars.

The lessor has legal ownership of the tangible fixed assets in the amount of KEUR 3,487 (prior year: KEUR 2,047) under finance leases.

13. Financial Assets

in KEUR	Total receivables	Due under 1 year	Due between 1 and 5 years	Due after 5 years
Gross receivables from finance leases	9,235	3,320	5,915	0
Unrealised share of interest therein	-375	-44	-331	0
Net receivables from finance leases	**8,860**	**3,276**	**5,584**	**0**
Other loans	410	91	319	0
Security deposits	182	51	131	0
Total as at 30.09.2017	**9,452**	**3,418**	**6,034**	**0**
Gross receivables from finance leases	8,354	3,117	5,237	0
Unrealised share of interest therein	-428	-48	-380	0
Net receivables from finance leases	**7,926**	**3,069**	**4,857**	**0**
Other loans	466	80	386	0
Security deposits	108	67	41	0
Total as at 30.09.2016	**8,500**	**3,216**	**5,284**	**0**

Receivables from finance leases pertain to customer-specific IT systems from the IT outsourcing business and fulfil the application regulations set forth in IFRIC 4.

14. Deferred Tax Assets

See note 9, Income Tax, for detailed information about the structure of the deferred tax assets.

The subsidiary All for One Steeb GmbH, Vienna/Austria, established deferred tax assets for tax loss carry forwards in the amount of KEUR 231 in the prior year. These deferred tax assets were used in their entirety during the current financial year.

The subsidiary Grandconsult GmbH, Filderstadt, established deferred tax assets for tax loss carry forwards in the amount of KEUR 275 (prior year: KEUR 0).

Recognition of deferred tax assets is made on the basis of each respective company's budget. These budgets are revised annually and require a variety of estimations. These estimations may change as a result of changes in the market, competitive environment, customer structure and general economic situation. There is a great deal of volatility involved in recognising deferred tax assets in light of the regular reassessments that are made.

15. Current and Deferred (Income) Tax Assets and Liabilities

As at 30 September 2017, All for One Steeb showed net assets from current income taxes in the amount of KEUR 863 (prior year net liabilities: KEUR 476) and net liabilities from deferred taxes in the amount of KEUR 13,835 (prior year: KEUR 12,426). The management board has to make far-reaching estimates to determine the receivables and liabilities relating to current income taxes and deferred taxes. These estimates are based among other things on the interpretation of each country's prevailing tax laws and regulations. The management board makes estimates about the subsidiaries' future taxable earnings situation both upon the initial recognition and regular determination of deferred tax assets from chargeable tax loss carry forwards. Numerous internal and external factors can have a favourable or unfavourable impact on the assets and liabilities from deferred income taxes. Changes can also be attributable to amendments in tax legislation, final tax assessment notices and the favourable or less-favourable way that the taxable income projections for the subsidiaries develop. Such factors may necessitate adjustments in the reported income tax assets and liabilities.

16. Inventories

Inventories mainly consist of hardware held for sale in the amount of KEUR 1,022 (prior year: KEUR 644) and software held for sale in the amount of KEUR 20 (prior year: KEUR 19).

17. Trade Accounts Receivable

in KEUR	30.09.2017	30.09.2016
Accounts receivable from other third parties	45,181	38,817
Value adjustments	-2,305	-1,725
Total	**42,876**	**37,092**

Trade accounts receivable include construction contracts with a credit balance due from customers in the amount of KEUR 878 (prior year: KEUR 517).

There are no trade accounts receivable from related parties or companies at the present time, nor were there any in the prior year (see note 31, Related Parties).

Changes in Allowances for Doubtful Accounts

The KEUR 992 in allowances for doubtful accounts as at 30 September 2015 was utilised in the amount of KEUR 307 and increased by KEUR 1,040. This resulted in an allowance for doubtful accounts in the amount of KEUR 1,725 as at 30 September 2016.

The KEUR 1,725 in allowances for doubtful accounts as at 30 September 2016 was utilised in the amount of KEUR 158 and increased by KEUR 738. This resulted in an allowance for doubtful accounts in the amount of KEUR 2,305 as at 30 September 2017.

The following table shows the breakdown of trade accounts receivable not yet due and overdue based on the terms agreed to with the customers and the age structure of the receivables:

in KEUR	30.09.2017	30.09.2016
Total gross trade accounts receivable	**45.181**	**38.817**
Thereof:		
Not yet due	29.817	28.147
Due under 1 month	8.251	5.314
Due between 1 and 3 months	3.325	3.540
Due between 3 and 6 months	303	834
Due between 6 and 12 months	1.649	447
Due after 12 months	1.836	535
Allowance for doubtful accounts	-2.305	-1.725
Total net trade accounts receivable	**42.876**	**37.092**

The allowances for doubtful accounts are determined based on the difference between the nominal value of the accounts receivable and their estimated net recoverable amounts.

The following shows the maturity analysis for trade accounts receivable:

in KEUR	30.09.2017	30.09.2016
Not past due, not individually impaired	29.398	26.937
Past due, but not individually impaired		
Less than 1 month past due	8.109	4.679
Between 1 and 3 months past due	2.986	2.057
Between 3 and 6 months past due	173	480
Between 6 and 12 months past due	153	133
More than 12 months past due	98	181
Total receivables past due, but not individually impaired	**11.519**	**7.530**
Individually impaired, after allowance for doubtful accounts	1.959	2.625
Total net trade accounts receivable	**42.876**	**37.092**

The trade accounts receivable of KWP INSIDE HR GmbH (formerly: KWP team HR GmbH), Heilbronn, are pledged to the financing bank through a blanket assignment, which serves as security for a current account and aval credit line in the amount of KEUR 357 (prior year: KEUR 357) (see note 24, Financial Liabilities). The company's receivables as at 30 September 2017 totalled KEUR 4,024 (prior year: KEUR 2,805).

18. Other Assets

in KEUR	Total receivables	Due under 1 year	Due between 1 and 5 years	Due after 5 years
Prepaid services	4,103	3,025	1,078	0
Other accounts receivable	497	460	37	0
Total as at 30.09.2017	**4,600**	**3,485**	**1,115**	**0**
Prepaid services	4,071	2,659	1,412	0
Other accounts receivable	579	433	146	0
Total as at 30.09.2016	**4,650**	**3,092**	**1,558**	**0**

19. Cash and Cash Equivalents

in KEUR	30.09.2017	30.09.2016
Cash assets	26.790	32.412
Financial investments with an original fixed term of under 90 days	2.950	0
Cash on hand	15	18
Total	**29.755**	**32.430**

The average interest on bank deposits was 0.34% (prior year: 0.02%). Of the cash and cash equivalents, 90.7% (prior year: 93.0%) is denominated in EUR; 7.0% (prior year: 5.2%) in CHF; 0.7% (prior year: 0.5%) in CZK; and 1.6% (prior year: 1.3%) in TRY.

20. Shareholders' Equity

As at 30 September 2017 the issued share capital was divided into 4,982,000 (30 September 2016: 4,982,000) registered no-par-value shares (individual share certificates) and has been fully paid in. The arithmetic nominal value of the shares outstanding remains unchanged at EUR 3.00 per share.

The annual general meeting of 11 March 2015 approved – each limited until 10 March 2020 – the creation of new authorised capital totalling EUR 7,473,000 and an authorisation to repurchase shares of All for One Steeb AG up to a total amount of 10% of the share capital. This corresponds to 498,200 registered no-par-value shares. The management board made no use of this authorisation during the reporting period.

One of the items approved by the annual general meeting of 16 March 2017 was a dividend of EUR 1.10 per share, which was distributed in an amount of EUR 5.5 million (prior year: EUR 5.0 million).

All for One Steeb's capital is governed by the cost of equity. Investments and acquisitions will continue to be made with borrowed capital as long as borrowing costs are lower than the cost of equity. Variable interest rates were agreed to as part of the loans. Should certain events occur as described in covenants stipulated in the loan agreements, then the lenders will be authorised to increase the interest rate on the loans and, as applicable, call the loans due payable immediately. These covenants pertain to maintaining established corporate operating figures. All figures are calculated and evaluated at the Group level. The management board monitors compliance with contractual requirements and observes the movement in interest rates. In managing the capital, All for One Steeb AG continuously monitors variances in the equity ratio and net debt to the corresponding budget figures. Net debt was lower than planned during the reporting year.

All for One Steeb seeks to use its dividend policy to enable shareholders to partake directly in the company's earnings and cash flow. However, the basic premise is to always maintain adequate financial flexibility for greater business performance and additional inorganic growth.

The capital reserve consists primarily of the premium from the issue of shares.

The other reserves pertain to the reserve from currency translation. The reserve from currency translation results from gains and losses on currency translation that arise from the conversion of the financial statements of foreign Group companies included in the consolidation. This item will be reclassified in the income statement as soon as the balance sheet items belonging to it are disposed of through deconsolidation.

21. Treasury Stock

As in the prior year, All for One Steeb AG holds no treasury stock.

22. Non-Controlling Interests

in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
At start of financial year	**115**	**89**
Distribution of profit to non-controlling interests	-11	-14
Profit share of current year	-18	40
Acquisition of a subsidiary with non-controlling interests	61	0
At end of financial year	**147**	**115**

This figure essentially contains a 26% shareholding in WEBMAXX GmbH, Munich, and a 30% shareholding in B4B Solutions GmbH, Graz/Austria.

23. Provisions

in KEUR	01.10.2016	Addition initial consolidation	Provisions made	Provisions used	Provisions reversed	30.09.2017
Anniversary provision	300	0	0	-2	0	298
Impending losses from construction contracts	256	0	0	-67	0	189
Severance payments Austria	37	0	8	0	0	45
Severance payments	337	0	226	-337	0	226
Warranty and damage claims	270	28	121	0	-185	234
Asset retirement obligations	16	0	2	0	0	18
Total	**1,216**	**28**	**357**	**-406**	**-185**	**1,010**
Long-term (> 12 months)	353					361
Short-term (< 12 months)	863					649
Total	**1,216**					**1,010**

Anniversary Provision

Anniversary payments are valued using the internationally recognised projected unit credit method. Under this method, the value of this obligation is defined as the actuarial present value of the anniversary benefits that the employees have earned according to their length of service as at the reference date. Any existing assets used to fund the obligation are measured at fair value.

This item consists only of a non-current portion.

Impending Losses from Construction Contracts

This item consists only of a current portion (see note 28, Amounts Due to Customers Under Construction Contracts).

Severance Payments Austria

This item pertains to statutory entitlements to severance payments or redundancies in cases of regular retirement or severance actions initiated by the company in Austria. The valuation of provisions for severance payments is made according to actuarial principles using the projected unit credit method in accordance with IAS 19 on the basis of an accounting interest rate of 1.51% (prior year: 1.01%) and a retirement age of 60 for women and 65 for men (prior year: age 60 for women, age 65 for men). A salary increase of 2% (prior year: 1%) was assumed when making the calculation.

This item consists only of a non-current portion.

Severance Payments

Provisions for severance payments are recognised when existing employment relationships must be terminated for operational reasons or dissolved by mutual consent. The amount of such severance payments is not always established definitively at the time the balance sheet is prepared. In such cases, provisions are recognised in the amount that would be expected to be paid were the matter to be settled through a legal process.

This item consists only of a current portion.

Asset Retirement Obligation

This item consists only of a non-current portion.

In cases where there are no special valuation rules or principles for individual provisions, the management board made the provisions by estimating the probabilities and the amounts of the expected future outflow of resources to settle the obligations in each of the cases. These estimates are reviewed at each balance sheet date. If the effect is material, then in the case of long-term provisions the expected future cash outflows are discounted. Provisions are also recognised for contractual obligations where the unavoidable costs involved in fulfilling or revoking them are greater than the expected benefits and value to be received (onerous contracts).

The other provision items consist only of a current portion.

24. Financial Liabilities

in KEUR	Total liabilities	Due under 1 year	Due between 1 and 5 years	Due after 5 years
Future payments for finance leases	3,773	1,437	2,336	0
Interest therein	-107	-13	-94	0
Finance lease liabilities	**3,666**	**1,424**	**2,242**	**0**
Other financial liabilities	52	52	0	0
Bank loans	23,491	5,052	18,439	0
Total as at 30.9.2017	**27,209**	**6,528**	**20,681**	**0**
Future payments for finance leases	2,106	1,053	1,053	0
Interest therein	-58	-13	-45	0
Finance lease liabilities	**2,048**	**1,040**	**1,008**	**0**
Other financial liabilities	0	0	0	0
Bank loans	20,376	0	20,376	0
Total as at 30.09.2016	**22,424**	**1,040**	**21,384**	**0**

The financial liabilities as at 30 September 2017 include liabilities to banks totalling KEUR 23,491 (30 September 2016: KEUR 20,376), the current portion of which is KEUR 5,052 (30 September 2016: KEUR 0). The financial liabilities as at 30 September 2017 also include obligations from finance lease agreements totalling KEUR 3,666 (30 September 2016: KEUR 2,048), the current portion of which is KEUR 1,424 (30 September 2016: KEUR 1,040). The finance lease agreements consist primarily of lease-to-own agreements on parts of data center facilities, the legal ownership of which is transferred to the company with the respective payment of the final lease instalment.

Promissory notes in an amount of EUR 35 million were placed as at 30 April 2013. The financing terms and conditions were locked in for an extended period of time and mostly in the form of fixed interest rates. The promissory notes are not subordinated and are unsecured.

During the reporting year, we increased the (nominal) volume of our promissory notes by EUR 3 million from EUR 20.5 million (31 March 2017) to EUR 23.5 million (30 June 2017) and restructured the portfolio in order to further improve our financial structure, lock in what are currently very favourable funding terms over the long run, and create an enhanced framework for additional growth.

An amount of EUR 7 million from a EUR 12 million tranche of promissory notes (due on 30 April 2018) was repaid ahead of schedule in May 2017. To finance this expenditure, we issued new promissory notes totalling EUR 10 million that have much more favourable terms and conditions (fixed interest rate: approximately 1.3% to 1.7%) and maturity dates of up to the years 2022 and 2024. An extension until 30 April 2022 was agreed to for the remaining EUR 5 million of this tranche and which includes much more advantageous terms (fixed interest rate: approximately 1.4%). An additional tranche of promissory notes in the amount of EUR 8.5 million is to be repaid as scheduled on 30 April 2020 (fixed interest rate: approximately 4.3%).

The holders of these promissory notes are authorised to raise the interest margin or, as applicable, to call the promissory notes totalling EUR 23.5 million due immediately should certain events occur on the basis of the covenants. These events primarily involve adhering to the agreed targets for the equity ratio and the relationship between total net debt and EBITDA. The creditors will also be authorised to cancel their loan commitments and call the remaining total amount of EUR 23.5 million due immediately should certain changes be made in the All for One Steeb shareholder structure (change of control). The management board believes that these requirements can be met both during the reporting year and in the future.

The group of consolidated companies received a loan amounting to KEUR 42 from Raiffeisen Bank International AG together with the acquisition of the B4B Group as at 1 November 2016. The loan is being repaid in the amount of KEUR 6 semi-annually. The fixed interest rate is 1.0%.

The group of consolidated companies received a loan amounting to KEUR 31.6 from Raiffeisen Bank International AG together with the acquisition of the B4B Group as at 1 November 2016. An additional KEUR 4.9 was made available in the financial year. Starting on 30 June 2017, this loan is being repaid semi-annually in the amount of KEUR 3.65. The fixed interest rate is 0.75%.

There is a credit line (operational funding line of credit) totalling EUR 0.4 million in place with the Volksbank Flein-Talheim eG, which was utilised in the amount of EUR 0.1 million. The assignment of the trade accounts receivable of KWP INSIDE HR GmbH (formerly: KWP team HR GmbH), Heilbronn, serves as security for this line of credit. There are no other contractual guarantees or obligations in place. Furthermore, there is a credit line (operational funding line of credit) totalling EUR 0.5 million in place with the Landesbank Oldenburg that has not been utilised.

The average weighted interest rate for lease liabilities during the reporting period was 1.98% (prior year: 2.56%). The lease payments are established at the beginning of the contract and are not subject to changes in the instalment amount or interest rate for the duration of the term.

As at the balance sheet date, the All for One Steeb Group had approved lines of credit at banks in the amount of KEUR 10,301 (prior year: KEUR 9,801).

Aval guarantees for rental security deposits are being utilised in the amount of KEUR 722 (prior year: KEUR 702).

25. Deferred Tax Liabilities

See note 9, Income Tax, for detailed information about the structure of deferred tax liabilities.

26. Other Liabilities

in KEUR	30.09.2017	30.09.2016
Personnel obligations	21,823	18,519
Advanced payment on maintenance charges	4,766	4,033
Other tax liabilities	4,138	3,469
Purchase price elements	2,208	1,800
Obligations from a forward share purchase contract and contractually guaranteed dividends	0	7,891
Other liabilities	4,730	4,498
Total	**37,665**	**40,210**
Short-term element thereof	35,639	39,914
Long-term element thereof	2,026	296

The »personnel obligations« item relates predominately to liabilities from unused holiday leave, as yet unpaid variable compensation components, commissions, flexi-time and overtime payments, bonuses and obligations to social security providers.

The purchase price obligations item increased by KEUR 408 during the financial year and is attributable to conflicting effects from payments of the purchase prices for the acquisition of shareholdings in subsidiaries. As at the end of the financial year, the obligations for payment of purchase price elements consisted principally of liabilities from the acquisition of inside Unternehmensberatung GmbH. These include variable purchase price liabilities in the amount of KEUR 740, which are dependent on a multi-year earnout and were measured at fair value. The fair value is determined using an EBIT-based present value calculation. The amount of this obligation can increase or decrease depending on how the business situation develops. These obligations are reported under other liabilities.

An amount of KEUR 21 (prior year: KEUR 21) was reported as interest expense from compounding the interest on the non-current other liabilities.

27. Trade Accounts Payable

The general payment term for trade accounts payable is 0 to 60 days.

28. Amounts Due to Customers Under Construction Contracts

The amounts due to customers under construction contracts total KEUR 1,188 (prior year: KEUR 1,106). Of this amount, KEUR 998 (prior year: KEUR 850) were recognised under trade accounts payable and KEUR 189 (prior year: KEUR 256) under provisions.

29. Additional Information about Financial Instruments

Measurement Categories as at 30 September 2017

in KEUR	Category	Carrying amount 30.09.2017	Fair value IFRS 7*
Assets			
Cash and cash equivalents	Loans and receivables	29,755	–
Trade accounts receivable	Loans and receivables	41,998	–
Receivables from finance leases	Loans and receivables	8,860	9,019
Other loans /deposits	Loans and receivables	592	–
Equity and liabilities			
Trade accounts payable	Financial obligations	13,909	–
Bank loans	Financial obligations	23,491	–
Finance lease liabilities	Financial obligations	3,666	3,686
Other financial liabilities	Financial obligations	52	–
Obligations from a forward share purchase contract and contractually guaranteed dividends	Financial obligations	0	–
Purchase price elements	Financial obligations	2,208	–

* the carrying amount represents a suitable approximate value for the fair value in those cases where a fair value was not stated

Measurement Categories as at 30 September 2016

in KEUR	Category	Carrying amount 30.09.2016	Fair value IFRS 7*
Assets			
Cash and cash equivalents	Loans and receivables	32,430	–
Trade accounts receivable	Loans and receivables	36,575	–
Receivables from finance leases	Loans and receivables	7,926	8,110
Other loans /deposits	Loans and receivables	574	–
Equity and liabilities			
Trade accounts payable	Financial obligations	11,468	–
Bank loans	Financial obligations	20,376	–
Finance lease liabilities	Financial obligations	2,048	2,057
Obligations from a forward share purchase contract and contractually guaranteed dividends	Financial obligations	7,891	–
Purchase price elements	Financial obligations	1,800	–

* the carrying amount represents a suitable approximate value for the fair value in those cases where a fair value was not stated

Cash and cash equivalents, trade accounts receivable and payable, as well as other loans/deposits have largely short remaining terms or are subject to variable interest rates that follow the market interest rates. These items are recognised at amortised cost.

Receivables from finance leases and the finance lease liabilities are also reported at amortised cost. The fair value measurement of the receivables from finance leases is made based on the present value of the payments associated with the assets. The fair values were measured based on the current interest parameters which reflect market-related changes in terms and expectations. The fair value measurement of the finance lease liabilities was made similarly.

The purchase price elements are measured at fair value through profit or loss. The fair value is measured as the present value of the expected discounted cash flows on the basis of the future business performance that is planned for the affected companies. The valuation parameters for measuring the fair value are based on unobservable market data (level 3).

The total interest income for financial assets not recognised as income at fair value was KEUR 265 (prior year: KEUR 292). The total earnings and expenses from the adjustment of the obligation from forward contracts for the purchase of shareholdings and the contractually guaranteed dividends were KEUR 0 (prior year: KEUR 636) and KEUR 0 (prior year: KEUR 939) respectively. The other interest expenses for financial liabilities, which were not measured at fair value in profit and loss, totalled KEUR 136 (prior year: KEUR 121).

The net losses from loans and receivables mainly included the results of impairment losses in an amount of KEUR 758 (prior year: KEUR 648). There were no significant net gains or losses on financial liabilities.

30. Segment Reporting

The organic and inorganic growth during this past financial year led to a further development in the management and reporting structures. The organisation and management of the Group are determined by individual group companies and entities, which have been aggregated for the first time into a reportable operating segment with the designation »CORE«. This segment was identified on the basis of the products and services that it offers.

The ***»CORE«*** operating segment includes software solutions for the areas of ERP (enterprise resource planning) and corporate-wide collaboration for midmarket customers. This operating segment also provides consulting and infrastructure services.

The other segments not individually reportable are presented under the designation ***»LOB«*** (Lines of Business). This Lines of Business portfolio is being built up with proprietary brands to specifically address the individual specialised departments within businesses.

The following segment information reflects the parameters utilised in the internal reporting and management systems, and which the management board uses for performance assessment and resource allocation purposes. In addition to the segment's sales revenues, the other results-based key performance indicator is earnings before interest and taxes (EBIT). For control purposes, acquisition-related depreciation and amortisation is presented separately or in the aggregate. Depreciation and amortisation from acquisitions pertain mainly to the customer relationships and intangible assets that result from completed acquisitions. Reporting is also made about the liquidity situation.

in KEUR	CORE		LOB		Consolidation		Total	
	10/2016 – 09/2017	10/2015 – 09/2016	10/2016 – 09/2017	10/2015 – 09/2016	10/2016 – 09/2017	10/2015 – 09/2016	10/2016 – 09/2017	10/2015 – 09/2016
Income statement								
Sales to external customers	251,743	227,685	48,778	38,593	0	0	300,521	266,278
Intersegment sales	3,498	1,070	8,725	4,494	-12,223	-5,564	0	0
Sales revenues (1)	**255,241**	**228,755**	**57,503**	**43,087**	**-12,223**	**-5,564**	**300,521**	**266,278**
Other operating income (2)	3,653	2,553	962	873	-1,643	-752	2,972	2,674
Cost of materials and purchased services (3)	-106,960	-91,328	-13,219	-9,564	10,937	4,387	-109,242	-96,505
Personnel expenses (4)	-92,936	-86,730	-31,232	-23,238	0	0	-124,168	-109,968
Depreciation (6)	-7,540	-7,088	-1,772	-1,467	0	0	-9,312	-8,555
Other operating expenses (7)	-32,547	-28,112	-11,000	-8,893	2,838	1,929	-40,709	-35,076
EBIT	**18,911**	**18,050**	**1,242**	**798**	**-91**	**0**	**20,062**	**18,848**
EBITA	**21,740**	**20,881**	**2,535**	**1,909**	**-91**	**0**	**24,184**	**22,790**
Amortisation	-2,829	-2,831	-1,293	-1,111	0	0	-4,122	-3,942
Investments	6,547	4,296	744	426	0	0	7,291	4,722
	30.09.17	30.09.16	30.09.17	30.09.16	30.09.17	30.09.16	30.09.17	30.09.16
Cash and cash equivalents	23,093	28,334	6,662	4,096	0	0	29,755	32,430
Segment assets	**157,254**	**148,436**	**38,502**	**25,625**	**-27,030**	**-18,272**	**168,726**	**155,789**
Financial liabilities	26,864	22,373	1,595	51	-1,250	0	27,209	22,424
Segment liabilities	**85,396**	**86,239**	**16,994**	**11,872**	**-3,174**	**-2,714**	**99,216**	**95,397**

31. Related Parties

Unternehmens Invest AG, Vienna/Austria, and UIAG Informatik-Holding GmbH, Vienna/Austria, each directly hold 25.07% of the share capital of All for One Steeb AG. A voting agreement exists between both shareholders. Therefore, All for One Steeb AG is considered a dependent company of Unternehmens Invest AG and UIAG Informatik-Holding GmbH in accordance with §§16 sections 1, 2; 17 section 2 »Aktiengesetz«. In addition to Unternehmens Invest AG and UIAG Informatik-Holding GmbH as directly controlling companies, these companies‘ shareholders and other parent companies, along with Dr Rudolf Knünz, can also indirectly exercise a controlling influence over All for One Steeb AG. For this reason, all relationships with controlling entities and their affiliated companies are documented in the dependent company report.

No revenues were generated with related persons or entities during the period 1 October 2016 to 30 September 2017:

Joint Arrangements (IFRS 11)

Food & Beverage Alliance
The Food & Beverage Alliance has been in place since 19 March 2015. This service partnership of longstanding All for One Steeb business partners is a one-stop resource that delivers all-encompassing support for SAP solutions and systems together with a commitment to cost and performance leadership. Earnings of KEUR 3 (prior year: KEUR 4) and expenditures of KEUR 2 (prior year: KEUR 2) arose in connection with the Food & Beverage Alliance in the current financial year. There were no receivables or liabilities as at the balance sheet date.

Construction Alliance
The agreement entitled »Letter of Mutual Agreement – Vereinbarung zur Partnerschaft« has been in place since February 2016. The joint Construction Alliance (in German: »Bau Allianz«) actively pursues sales among small to mid-sized businesses within the construction and building materials industry and with various builders merchants in order to provide licenses and consulting services for joint SAP projects. Earnings of KEUR 3 (prior year: KEUR 5) and expenditures of KEUR 6 (prior year: KEUR 3) arose in connection with the Construction Alliance in the current financial year. There were no receivables (prior year: KEUR 1) and no liabilities (prior year: none) as at the balance sheet date.

In each case All for One Steeb AG is considered a joint operator within the meaning of IFRS 11.

Members of the Supervisory Board

Josef Blazicek (independent businessman, chairman), Peter Brogle (independent businessman, deputy chairman), Peter Fritsch (Managing Director of BEKO HOLDING GmbH & Co. KG, Nöhagen/Austria, and member of control bodies in other BEKO Group companies), Paul Neumann (member of the management board of Unternehmens Invest AG und Managing Director of UIAG Informatik-Holding GmbH, both in Vienna/Austria, member since 11 November 2016), Jörgen Dalhoff (Organisation Development at All for One Steeb AG, Filderstadt/Germany). Nicole Schultheiß (Assistant to the Management Team, All for One Steeb AG, Filderstadt/Germany) succeeded Detlef Mehlmann (Head of Business Development International, All for One Steeb AG, Filderstadt/Germany) in the supervisory board as a substitute member as at 30 November 2017.

Paul Neumann Joins the Supervisory Board
On 11 November 2016, Paul Neumann, a member of the management board of Unternehmens Invest AG and managing director of UIAG Informatik-Holding GmbH, both Vienna/Austria, took his seat on All for One Steeb’s supervisory board. Unternehmens Invest AG and the company UIAG Informatik-Holding GmbH, each directly hold 25.07% of the share capital of All for One Steeb AG. Friedrich Roithner, the CFO of Pierer Industrie AG, relinquished his seat on All for One Steeb AG’s supervisory board effective 11 August 2016 following the 14 July 2016 withdrawal of Pierer Industrie AG as a shareholder in All for One Steeb.

During the reporting year, the supervisory board members were also members of the supervisory boards and control bodies of the following companies in terms of §125, section 1, sentence 5 »Aktiengesetz«:

Josef Blazicek*:* KTM Industries AG (formerly: CROSS Industries AG), Wels/Austria (chairman of the supervisory board), Pankl Racing Systems AG, Kapfenberg/Austria (deputy chairman of the supervisory board), Pankl Vermögensverwaltung AG, Kapfenberg/Austria (deputy chairman of the supervisory board), Pierer Industrie AG, Wels/Austria (deputy chairman of the supervisory board),), W Verwaltung AG (formerly: WP AG), Wels/Austria (chairman of the supervisory board), QINO AG, Hünenberg/Switzerland (chairman of the supervisory board), QINO Group Holding AG, Hünenberg/ Switzerland (chairman of the administrative board), Qino Management and Advisory Ltd., Limassol/Cyprus (Non Executive Director of The Board).

***Peter Brogle**:* alupak AG, Belp/Switzerland (member of the administrative board), Nahrin AG, Sarnen/Switzerland (member of the administrative board), Neumatt-Park AG, Hünenberg/Switzerland (president of the administrative board), Similasan AG, Jonen/Switzerland (member of the administrative board), Swissburg AG, Baar/Switzerland (member of the administration board).

***Peter Fritsch**:* TRIPLAN AG, Bad Soden/Germany (deputy chairman of the supervisory board).

Paul Neumann (none, member since 11 November 2016)

Jörgen Dalhoff (none)

Detlef Mehlmann (none, stepped down), Nicole Schultheiß (none, member since 30 November 2017)

Compensation for Supervisory Board

Total fixed compensation for the supervisory board was as follows:

COMPENSATION FOR SUPERVISORY BOARD in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Josef Blazicek	43	43
Peter Brogle	18	18
Peter Fritsch	20	20
Paul Neumann (as of 11.11.2016)	13	–
Friedrich Roithner (up to 10.08.2016)	–	13
Jörgen Dalhoff	10	10
Detlef Mehlmann	10	10
Total	**114**	**114**

The members of the supervisory board also receive reimbursement for their expenses.

The compensation system for the supervisory board is as follows:

The members of the supervisory board each receive a fixed compensation in the amount of KEUR 10 (plus any value-added tax that may be owed) for each full financial year that they belong to the supervisory board, and which is payable at the end of the financial year. The chairman of the supervisory board receives three times and the deputy chairman one-and-a-half times the preceding fixed amount of compensation. The members of the supervisory board also receive a remuneration for their work in committees as follows:

A simple member of a committee receives EUR 2,500 per year (plus any value-added tax that may be due) for each committee membership. The chairman of a committee receives four times the above committee membership remuneration.

Performance-related components are not included in the compensation for the supervisory board. Payment of the total fixed compensation for the supervisory board will be made in the financial year 2017/18 and is reported under »Other Liabilities« as at 30 September 2017.

Members of the Management Board

During the reporting year, the management board consisted of Lars Landwehrkamp (CEO since May 2007) and Stefan Land (CFO since April 2008). Membership by management board members in control bodies in terms of §125, section 1, sentence 5 »Aktiengesetz« are limited to various companies within All for One Steeb AG. The compensation for the management board members for all of their employment relationships in companies included within the scope of the consolidation for the financial year 2016/17 include salaries, bonuses (performance-related components) and benefits in kind from the use of company cars, insurance and pension plans.

Compensation for Management Board

Compliant to the recommendations of the German Corporate Governance Code, the amounts of benefits granted for the reporting year and the allocations (i.e. amounts disbursed) for the reporting year are listed separately in the disclosure of compensation for members of the management board.

Lars Landwehrkamp

Benefits granted	Lars Landwehrkamp			
	CEO since 5/2007			
in KEUR	10/2016 – 09/2017	10/2015 – 09/2016	10/2016 – 09/2017 (Min)	10/2016 – 09/2017 (Max)
Fixed compensation	336	336	336	336
Fringe benefits*	60	60	60	60
Total fixed compensation	**396**	**396**	**396**	**396**
One-year variable compensation**	605	538	0	605
Multi-year variable compensation**				
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	24	24	0	24
Total variable compensation	**629**	**562**	**0**	**629**
Service cost	81	81	81	81
Total compensation	**1,106**	**1,039**	**477**	**1,106**

* Include the company car benefit in kind and disbursements for health and long-term-care insurance

** The variable benefits granted are based on estimates

Allocation	Lars Landwehrkamp	
	CEO since 5/2007	
in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Fixed compensation	336	336
Fringe benefits*	60	61
Total fixed compensation	**396**	**397**
One-year variable compensation**	538	463
Multi-year variable compensation		
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 9/2019	0	0
Total variable compensation	**538**	**463**
Service cost	81	81
Total compensation	**1,015**	**941**

* Fringe benefits include the company car benefit in kind (notional amount paid) and disbursements for health and long-term-care insurance

** The allocation of the one-year variable compensation pertains to the respective prior financial year

Stefan Land

Benefits granted	Stefan Land			
	CFO since 4/2008			
in KEUR	10/2016 – 09/2017	10/2015 – 09/2016	10/2016 – 09/2017 (Min)	10/2016 – 09/2017 (Max)
Fixed compensation	252	252	252	252
Fringe benefits*	18	18	18	18
Total fixed compensation	**270**	**270**	**270**	**270**
One-year variable compensation**	403	353	0	403
Multi-year variable compensation**				
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	24	24	0	24
Total variable compensation	**427**	**377**	**0**	**427**
Service cost	45	45	45	45
Total compensation	**742**	**692**	**315**	**742**

* Include the company car benefit in kind and disbursements for health and long-term-care insurance.

** The variable benefits granted are based on estimates

Allocation	Stefan Land	
	CFO since 4/2008	
in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Fixed compensation	252	252
Fringe benefits*	18	18
Total fixed compensation	**270**	**270**
One-year variable compensation**	353	312
Multi-year variable compensation		
Target achievement depends on the aggregate earnings per share for the timeframe 10/2014 to 09/2019	0	0
Total variable compensation	**353**	**312**
Service cost	45	45
Total compensation	**667**	**627**

* Fringe benefits include the company car benefit in kind (notional amount paid) and disbursements for health and long-term-care insurance

** The allocation of the one-year variable compensation pertains to the respective prior financial year

Total Management Board Compensation

The total compensation (benefits granted) for the two management board members, Lars Landwehrkamp and Stefan Land, was KEUR 1,848 for the reporting year (2015/16: KEUR 1,731). Variable compensation amounted to KEUR 1,056 (2015/16: KEUR 939) of this total compensation and includes estimates, which may deviate from the amounts determined as part of the final accounting. For the financial year 2015/16, the final accounting resulted in total variable compensation (benefits granted) of KEUR 939, which was the same as the estimate (2015/16: KEUR 939) reported in the Annual Report 2015/16.

An allocation from the multi-year variable compensation was not made in the reporting year. Furthermore, no loans were extended and no options for shares of All for One Steeb AG were granted to the management board during the reporting year. Unusual transactions with related parties did not take place.

The agreements with company directors stipulate that if a member of the management board is removed early, that member will continue to receive his or her base compensation until the end of the agreement. Furthermore, and likewise until the end of the agreement, the affected member of the management board will receive the annual variable compensation at the mid-target achievement level of the previous two years and the long-term compensation component at a target achievement rate of 100%.

The compensation system for members of the management board is described in detail in the Group Management Report.

32. Other Financial Liabilities not Reported on the Balance Sheet

The financial obligations from »Operating Leases« not reported on the balance sheet primarily consist of leases for company cars and the leasing of EDP infrastructure (predominantly hardware and operating software). The lease periods range from 1 to 10 years. These obligations are as follows:

Operating leases in KEUR	30.09.2017	30.09.2016
2016/17	–	3,935
2017/18	4,435	2,711
2018/19	2,922	1,292
2019/20	1,329	55
2020/21	88	27
2021/22	19	0
2022/23 and later	1	–
Total	**8,794**	**8,020**

In addition there are other unreported financial obligations, particularly from rental agreements, as shown below:

Rental agreements in KEUR	30.09.2017	30.09.2016
2016/17	–	5,953
2017/18	7,535	4,200
2018/19	4,422	3,028
2019/20	2,814	2,515
2020/21	2,116	2,249
2021/22*	1,382	3,254
2022/23 and later	2,121	–
Total	**20,390**	**21,199**

* in the prior year: 2019/20 and later

The expenditures for operating leases and rental agreements totalled EUR 7.7 million in the financial year 2016/17 (prior year: EUR 7.5 million).

There is also an order commitment for investments in tangible fixed assets in the amount of KEUR 4,247 (prior year: KEUR 2,643).

The finance lease liabilities are included under financial liabilities (see note 24, Financial Liabilities).

33. Currency Hedges

Revenues generated by the individual companies are predominantly made in the same currency in which expenses are incurred. Therefore, no currency hedges were undertaken in the years 2015/16 and 2016/17.

34. Non-Current Assets by Country

in KEUR*	30.09.2017	30.09.2016
Germany	77,148	70,331
Austria	373	133
Switzerland	1,737	1,752
Other countries	5,789	5,090
Total	**85,047**	**77,306**

* based on domicile of the service provider and not including deferred tax assets

35. Notifications about the Share of Voting Rights in All for One Steeb AG according to §21, Section 1 and §25a, Section 1 »Wertpapierhandelsgesetz« (WpHG)

As at 30 September 2017 there were equity interests held in the company about which the following notifications and public disclosures were made in accordance with the provisions of the »Wertpapierhandelsgesetz« (WpHG):

1. On 16 March 2011, ***BEKO HOLDING AG*** (since 31 December 2015: BEKO HOLDING GmbH & Co KG), Nöhagen, Austria, has informed us according to article 21, section 1 of the WpHG that the share of voting rights of BEKO HOLDING AG in All for One Midmarket AG, Filderstadt-Bernhausen, Germany, ISIN: DE0005110001, WKN: 511000 has fallen below the limits of 50%, 30%, 25%, 20%, 15% on 12 March 2011 and on that day amounted to 11.11% (this corresponds to 540,000 voting rights).

2. On 8 January 2016, ***Prof. Ing. Peter Kotauczek***, Austria, informed us according to article 21, section 1 of the WpHG that BEKO HOLDING GmbH & Co. KG, Nöhagen, Austria, (formerly: BEKO HOLDING AG), has a total share of voting rights from shares of All for One Steeb AG, Filderstadt-Bernhausen, Germany, ISIN: DE0005110001, WKN: 511000, in the amount of 11.58%. In relation to the total number of voting rights (4,982,000), this corresponds to a total share of 576,742 voting rights that are attributable to Prof. Ing. Peter Kotauczek according to article 22, section 1, sentence 1, number 1 of the WpHG. The full chain of controlled companies starting with the ultimate controlling natural person is as follows:

- Prof. Ing. Peter Kotauczek
- BEKO HOLDING GmbH
- BEKO HOLDING GmbH & Co KG (share of the voting rights: 11.58%)

3. On 22 November 2016, ***Dr Rudolf Knünz***, Austria, informed us according to article 21, section 1 of the WpHG that Unternehmens Invest AG and UIAG Informatik-Holding GmbH, both of Vienna, Austria, have concluded a voting share agreement between subsidiaries (acting in concert) from shares of All for One Steeb AG, Filderstadt-Bernhausen, Germany, ISIN: DE0005110001, WKN: 511000, in the amount of 50.14%. In relation to the total number of voting rights (4,982,000), this corresponds to a total share of 2,497,746 voting rights that are attributable to Dr Rudolf Knünz according to article 22, section 1, sentence 1, number 1 of the WpHG. The full chain of controlled companies starting with the ultimate controlling natural person is as follows:

- Dr Rudolf Knünz
- Knünz GmbH
- Robotec GmbH
- Knünz Invest Beteiligungs GmbH
- Unternehmens Invest AG (share of the voting rights: 50.14%)
- UIAG Informatik-Holding GmbH (share of the voting rights: 50.14%)

4. On 2 June 2017, ***OCEAN Consulting GmbH***, Vienna, Austria, informed us according to article 21, section 1 of the WpHG that they have a total share of voting rights from All for One Steeb AG, Filderstadt-Bernhausen, Germany, ISIN: DE0005110001, WKN: 511000, in the amount of 0.0%. In relation to the total number of voting rights (4,982,000), this corresponds to a total of 0 voting rights that are attributable to Dipl. Ing. Stefan Pierer according to article 22, section 1, sentence 1, number 1 of the WpHG. The full chain of controlled companies starting with the ultimate controlling natural person is as follows:

- OCEAN Consulting GmbH
- QINO Group Holding AG (formerly: Swissburg AG)
- QINO AG (formerly: QINO CAPITAL PARTNERS AG)
- QCP HOLDING LTD.

5. On 2 June 2017, ***MainFirst SICAV***, Senningerberg, Luxemburg, informed us according to article 21, section 1 of the WpHG that they have a total share of voting rights from All for One Steeb AG, Filderstadt-Bernhausen, Germany, ISIN: DE0005110001, WKN: 511000, in the amount of 7.74%. In relation to the total number of voting rights (4,982,000), this corresponds to a total of 385,607 voting rights.

The ***total number of shares with voting rights of All for One Steeb AG*** is an unchanged 4,982,000.

36. Corporate Governance

Corporate Governance is fully anchored within All for One Steeb AG’s day to day business in the form of responsible and transparent leadership and management, which is actively »lived« and continuously reviewed and improved. The Declaration of Conformity by the supervisory and management board prepared in accordance with §161 »Aktiengesetz« and the Corporate Governance Statements pursuant to §289a »Handelsgesetzbuch« (HGB) were issued and can be found in the Investor Relations section of the company’s website www.all-for-one.com.

37. Group Auditors Fees and Services

The auditors' fees were as follows:

in KEUR	10/2016 – 09/2017	10/2015 – 09/2016
Audit services*	244	246
Other confirmation services**	80	51
Tax advisory services***	28	12
Other services****	8	31
Total	**360**	**340**

* of which KEUR 208 are only KPMG AG audit services
** of which KEUR 80 are only KPMG AG other confirmation services
*** of which KEUR 5 are only KPMG AG tax advisory services
**** of which KEUR 8 are only KPMG AG other services

The fee for audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft relates mainly to the audit of the consolidated financial statements and the annual financial statements of All for One Steeb AG as well as the various audits of the annual accounts of its subsidiaries to include the audit focal points agreed to with the supervisory board.

Other confirmation services refer to the conduct of agreed investigations pertaining to All for One Steeb AG's financial indicators. Also provided were ISAE 3402 Type II audit services and testing of the controls that are used with respect to the performance of the administrative operations and hosting services on customer systems. Tax advisory services encompass support services in the preparation of tax returns. The other services pertain to the conduct of employee training sessions on cyber security.

38. Release of Consolidated Financial Statements for Publication

The management board released these consolidated financial statements for publication on 5 December 2017.

39. Subsequent Events

In November 2017, All for One Steeb AG took over an additional 25.1% of the shareholdings in Grandconsult GmbH, Filderstadt, as part of a call option from the 2015 share purchase agreement, and consequently now holds 100% of the shares in the company.

As at 30 November 2017, Nicole Schultheiß, Assistant to the Management Team, All for One Steeb AG, Filderstadt, succeeded Detlef Mehlmann, Head of Business Development International, All for One Steeb AG, Filderstadt, as a substitute member in the supervisory board of All for One Steeb AG, due to the latter's appointment as the legal representative of one of this organisation's dependent companies, which was made prior to the start of the current reporting year.

No further reportable events occurred after 30 September 2017.

Filderstadt, 5 December 2017
All for One Steeb AG

Lars Landwehrkamp	Stefan Land
CEO	CFO

Consolidated Statement of Changes in Fixed Assets

Financial Year from 1 October 2016 to 30 September 2017

	Costs							Accumulated depreciation/amortisation						Carrying amounts	
in KEUR	01.10.16	Foreign currency differences	Change in scope of consolidation	Additions	Disposals	Reclassifi-cations	30.09.17	01.10.16	Foreign currency differences	Deprec./amor-tisation	Disposals	Reclassifi-cations	30.09.17	30.09.17	30.09.16
Intangible assets															
Goodwill	20,880	0	4,923	0	0	0	25,803	1,272	0	0	0	0	1,272	24,531	19,608
Other intangible assets	64,110	0	4,420	445	-974	0	68,001	22,602	0	4,755	-974	0	26,383	41,618	41,508
	84,990	**0**	**9,343**	**445**	**-974**	**0**	**93,804**	**23,874**	**0**	**4,755**	**-974**	**0**	**27,655**	**66,149**	**61,116**
Tangible fixed assets															
Leasehold improvements	933	-10	12	760	-2467	0	1,637	679	-10	184	-58	0	795	842	254
IT systems	21,578	-27	147	5,328	-233	0	24,559	14,197	-20	3,660	-2,222	0	15,615	8,944	7,381
Operating and office equipment	4,664	-16	215	758	-233	0	5,388	2,952	-12	713	-228	0	3,425	1,963	1,712
	27,175	**-53**	**374**	**6,846**	**-2,758**	**0**	**31,584**	**17,828**	**-42**	**4,557**	**-2,508**	**0**	**19,835**	**11,749**	**9,347**
Total	**112,165**	**-53**	**9,717**	**7,291**	**-3,732**	**0**	**125,388**	**41,702**	**-42**	**9,312**	**-3,482**	**0**	**47,490**	**77,898**	**70,463**

KEUR 2,625 in finance leases are included in the additions to the non-current assets.

Financial Year from 1 October 2015 to 30 September 2016

	Costs							Accumulated depreciation/amortisation						Carrying amounts	
in KEUR	01.10.15	Foreign currency differences	Change in scope of consolidation	Additions	Disposals	Reclassifi-cations	30.09.16	01.10.15	Foreign currency differences	Deprec./amor-tisation	Disposals	Reclassifi-cations	30.09.16	30.09.16	30.09.15
Intangible assets															
Goodwill	21,262	0	0	0	-382	0	20,880	1,272	0	0	0	0	1,272	19,608	19,990
Other intangible assets	63,739	-1	0	607	-333	98	64,110	18,045	0	4,581	-24	0	22,602	41,508	45,694
	85,001	**-1**	**0**	**607**	**-715**	**98**	**84,990**	**19,317**	**0**	**4,581**	**-24**	**0**	**23,874**	**61,116**	**65,684**
Tangible fixed assets															
Leasehold improvements	872	1	0	60	-2237	0	933	592	1	86	0	0	679	254	280
IT systems	20,286	1	0	3,528	-252	0	21,578	12,591	1	3,296	-1,691	0	14,197	7,381	7,695
Operating and office equipment	4,486	1	0	527	-252	-98	4,664	2,585	2	592	-227	0	2,952	1,712	1,901
	25,644	**3**	**0**	**4,115**	**-2,489**	**-98**	**27,175**	**15,768**	**4**	**3,974**	**-1,918**	**0**	**17,828**	**9,347**	**9,876**
Total	**110,645**	**2**	**0**	**4,722**	**-3,204**	**0**	**112,165**	**35,085**	**4**	**8,555**	**-1,942**	**0**	**41,702**	**70,463**	**75,560**

KEUR 894 in finance leases are included in the additions to the non-current assets.

KEUR 15 from a partial divestiture of a business unit and KEUR 367 from a goodwill adjustment are included in goodwill disposals.

RESPONSIBILITY STATEMENT

of the Management Board

»To the best of our knowledge, and in accordance with the applicable reporting principles, we affirm that the consolidated financial statements give a true and fair view of the assets, financial position and earnings of the Group, and that the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group«.

Filderstadt, 5 December 2017
All for One Steeb AG

Lars Landwehrkamp	Stefan Land
CEO	CFO

INDEPENDENT AUDITORS' REPORT

to All for One Steeb AG, Filderstadt

Report on the Audit of the Consolidated Financial Statements and Group Management Report

Auditors' Opinion

We have audited the consolidated financial statements of All for One Steeb AG and its subsidiaries (the Group), comprising the Group income statement and other comprehensive income for the financial year 1 October 2016 to 30 September 2017, the Group balance sheet as at 30 September 2017, the Group cash flow statement and the Group statement of changes in equity for the financial year 1 October 2016 to 30 September 2017, and the notes to the consolidated financial statements, together with a summary of significant accounting policies. Furthermore, we have audited the group management report of All for One Steeb AG for the financial year from 1 October 2016 to 30 September 2017.

In our opinion based on the findings of our audit:

- The accompanying consolidated financial statements comply in all material respects with IFRS as adopted in the EU and with the additional requirements of German law pursuant to §315a, section 1 German Commercial Code (old version) (»HGB«) and give a true and fair view of the net assets and financial position of the Group as at 30 September 2017 and of the results of operations for the financial year 1 October 2016 to 30 September 2017.

- The accompanying group management report provides an overall suitable view of the Group's situation. The group management report conforms in all material respects with the consolidated financial statements, complies with the requirements of German law, and suitably presents the opportunities and risks of future development.

Pursuant to §322, section 3, sentence 1 HGB, we declare that our audit has not led to any reservations with regard to the regularity of the consolidated financial statements or the group management report.

Basis for the Auditors' Opinion

We conducted our audit of the consolidated financial statements und group management report in accordance with §317 HGB, the Regulation (EU) No. 537/2014 on Specific Requirements regarding Statutory Audits of Public-Interest Entities (»EU Regulation 537/2014«), and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (»IDW Institute of Public Auditors in Germany«). Our responsibility pursuant to these provisions and principles are described in the section entitled »Auditor's responsibilities for the audit of the consolidated financial statements and group management report«. We are independent of the Group and its companies in accordance with German commercial and professional laws and regulations, and have fulfilled our other German professional duties in accordance with these requirements. Furthermore, we declare pursuant to Article 10, section 2(f) of EU Regulation 537/2014 that we provided no prohibited non-audit services as stipulated in Article 5, section 1 of EU Regulation 537/2014. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion about the consolidated financial statements and the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters which, in our professional judgement, were of the most significance in our audit of the consolidated financial statements for the financial year 1 October 2016 to 30 September 2017. These matters were addressed within the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereof. We do not provide a separate audit opinion on these matters.

The acquisition of inside Unternehmensberatung GmbH

The general disclosures pertaining to the acquisition of inside Unternehmensberatung GmbH are contained in section F. »Scope of the Consolidation and Changes in Group Structure« of the notes to the consolidated financial statements. Disclosures pertaining to measurement inputs and bias in judgement regarding the intangible assets recognised can be found in section K. 11. »Goodwill and Other Intangible Assets«.

The Risk to the Financial Statements

All for One Steeb AG acquired inside Unternehmensberatung GmbH, Oldenburg, on 1 April 2017. The purchase price amounted to EUR 7 million. Intangible assets of EUR 4 million were identified and recognised as part of the acquisition.

All for One Steeb AG engaged the services of an outside expert for the determination and valuation of the acquired and identifiable intangible assets.

The identification and valuation of the acquired intangible assets is a complex process based on discretionary assumptions on the part of the company that can materially influence the fair values determined using net present value methods and, in turn, the amounts of the remaining goodwill. The material assumptions relate to the revenue performance of the acquired company and the assumptions used for determining the discount rate.

There exists the risk for the consolidated financial statements that the acquired intangible assets are identified inaccurately and measured incorrectly.

Our Audit Approach

With the help of our own valuation specialists, we, among other things, evaluated the approach used in identifying intangible assets and the valuation policies applied. Furthermore, we examined the appropriateness of the material valuation assumptions as well as the derivation of the discount rate, particularly the market risk premium and the beta. In this connection, we also assessed the expertise, abilities and objectivity of the independent expert engaged by All for One Steeb AG. Furthermore, we compared the anticipated revenue performance with general market expectations.

We reviewed the calculation of the discounted cash flows.

Our Conclusions

The actions undertaken for the identification of the acquired intangible assets are proper. The valuation policies applied for the measurement of the fair values and the material assumptions and parameters on which the valuation of the acquired intangible assets in connection with the acquisition of inside Unternehmensberatung GmbH, Oldenburg, was made are appropriate.

Impairment of goodwill and the trademark rights of the cash generating unit All for One Steeb AG

Information about the accounting and valuation methods applied and the impairment testing performed are contained in sections H. »Accounting and Valuation Principles« and K. 11. »Goodwill and Other Intangible Assets« of the notes to the consolidated financial statements.

The Risk to the Financial Statements

The goodwill totalled EUR 12 million and the trademark rights EUR 9 million in the cash generating unit All for One Steeb AG as at 30 September 2017. These comprised a 7% and 5% share of total assets respectively.

The goodwill and the trademark rights are tested for impairment at the level of the cash generating unit All for One Steeb AG. The impairment testing of goodwill and the trademark rights is complex and based on a number of discretionary factors. The most significant assumptions concern the expected future sales revenues and the discount rates applied.

No need for recognition of an impairment loss was identified as a result of the impairment testing made by the company. There exists the risk to the consolidated financial statements that the goodwill and the trademark rights of the cash generating unit All for One Steeb AG may not be recoverable.

Our Audit Approach

On the basis of the explanations provided by the individuals responsible for planning, we assessed the planning process and the material assumptions used. Using publicly available information, we evaluated whether the key budget figures contained in the planning and the underlying assumptions are appropriate.

For the cash generating unit All for One Steeb AG, we compared the expected future cash flows with the planning submitted by the supervisory board. In addition, and by having used a retrospective comparison of the budget figures (e.g. sales revenues) from years past with the actual results attained, we were satisfied with the company's sound basis for making plans. We assessed the assumptions and parameters used in determining the applied discount rate, particularly the market risk premium and the beta, and evaluated the measurement model. Furthermore, we performed our own sensitivity analysis so as to enable us to estimate a potential impairment risk in connection with what is considered to be a potential change in the material assumptions of the valuation.

We evaluated the impairment test's measurement method and mathematically reviewed the calculation of the discounted cash flows.

Our Conclusions

The underlying measurement method used for the impairment test of the goodwill and the trademark rights of the cash generating unit All for One Steeb AG as at 30 September 2017 is proper and complies with applicable IFRS measurement principles. The most significant underlying assumptions used in the impairment test are appropriate.

Recognition of sales revenues from consulting services

The disclosures pertaining to the recognition of the reported sales revenues are contained in sections H. »Accounting and Valuation Principles« and J. 1. »Sales Revenues« of the notes to the consolidated financial statements.

The Risk to the Financial Statements

The sales revenues of EUR 125 million from consulting services in financial year 2016/2017 account for 42% of the Group's revenues. Consulting revenues stem primarily from consulting services and long-term project contracts.

Proper recognition of sales revenues in the consolidated financial statements is of utmost importance for the economic situation of the Group. In the consulting business, the diverse range of customer requirements lead to complex contracting arrangements that have a bearing on revenue recognition.

The company provides consulting services that are invoiced and recognised on the basis of the hours recorded by the employees after the services have been rendered (time and material projects). The company also carries out long-term projects on the basis of contracts for work, the revenues from which are recognised using the percentage of completion method. In the case of long-term project contracts, the stage of completion, and with it the amount of revenues recognised, is determined by comparing the number of hours worked and the total number of expected hours in the project. The total number of expected hours for completion of the project requires discretionary decisions on the part of the company, involves uncertainty associated with the estimate, and can have a significant effect on the amount of sales revenues.

There exists the risk for the consolidated financial statements that the sales revenues from the long-term project business are not recognised in an appropriate amount.

Our Audit Approach

Our examination of the effectiveness of the internal controls with respect to the proper recognition of the contract-related personnel and other expenses in the internal job accounts was based on our understanding of the processes and an evaluation of the structure and implementation of these measures. With these controls, the company ensures that only project-related hours and expenses are invoiced and recorded in the respective job accounts.

We reviewed the contractual agreements underlying a representative sampling of time and material projects to determine if the projects are in fact time and material projects with revenue recognition made when the service is provided.

For this sampling, we then evaluated the customer invoices for conformity with the contractual agreements and the internal job accounts, and reconciled these with payments received.

We reviewed the contractual agreements underlying a representative sampling of unfinished long-term projects to determine if the projects are in fact long-term projects with revenue recognition made using the percentage of completion method.

For this sampling of unfinished long-term projects, we then assessed the underlying stage of completion used for revenue recognition by reviewing and evaluating the total actual hours recorded, the total expected hours, and the expected revenues in the calculation for the customer.

In the case of the long-term projects completed in the financial year, we inspected selected risk-oriented acceptance certificates to evaluate the recognition of the sales revenues in the appropriate periods.

Our Conclusions

The company's actions for differentiation and recognition of the consulting services are proper. The estimates of the stages of completion are appropriate.

Responsibility of Management and the Supervisory Board for the Consolidated Financial Statements and Group Management Report

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU and the additional requirements of German law pursuant to §315a, section 1 HGB, and for ensuring that the consolidated financial statements provide a true and fair view of the results and financial position of the Group in accordance with these regulations. Furthermore, management is responsible for such internal controls as it determines are necessary to enable the preparation of consolidated financial statements that are free of material misstatements due to fraud or error.

In the preparation of the consolidated financial statements, management is responsible for evaluating the ability of the Group to continue as a going concern. Furthermore, management is responsible for disclosing matters relating to going-concern principles as appropriate, and using the going-concern basis of accounting unless management either intends to liquidate the Group or cease operations, or has no realistic alternative but to do so.

Management is also responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with the requirements of German law, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as it determines are necessary to enable the preparation of the group management reports in accordance with the requirements of German law, and for providing sufficient and appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the group management reports.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements and Group Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of intentional or unintentional material misstatements due to fraud or error, and whether the group management report provides an overall suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements as well as the findings of our audit, and complies with the requirements of German law and suitably presents the opportunities and risks of future development; and to issue an auditors' report that includes our audit opinion of 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 accordance with §317 HGB, EU Regulation 537/2014, and German generally accepted standards for the audit of financial statements promulgated by the IDW Institute of Public Auditors in Germany will always detect a material misstatement. Misstatements may arise from fraud or error and are considered material if they could, individually or in the aggregate, reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements and group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements and in the group management report whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than for those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the policies and procedures relevant to the audit of the group management report in order to design audit procedures that are appropriate to the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Draw conclusions about the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether there exists a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or in the group management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. Future events or conditions may, however, lead to the Group being unable to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS as adopted by the EU and the requirements of German law pursuant to §315a, section 1 HGB.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

- Evaluate the consistency of the group management report with the consolidated financial statements, its compliance with legal requirements and the view of the Group's position that it presents.

- Perform audit procedures on the prospective information presented by management in the group management report. Based on appropriate and sufficient audit evidence, we thereby, and in particular, evaluate the material assumptions used by management as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We do not issue a separate audit opinion on the prospective information or the underlying assumptions. There is a significant and unavoidable risk that future events will deviate significantly from the prospective information.

Among other matters, we communicate with those charged with governance the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We also provide those charged with governance a statement that we have complied with the relevant independence requirement and communicate to them all the relationships and other matters that may reasonably be thought to have a bearing on our independence, and the safeguards applied with regard to them.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current reporting period and which are therefore considered the key audit matters. We describe these matters in our report on the audit of the consolidated financial statements, unless laws or regulations prohibit public disclosure of the matter.

Other information pursuant to Article 10 of EU Regulation 537/2014

We were appointed by the annual general meeting to be the auditors of the consolidated financial statements on 16 March 2017. We were engaged by the supervisory board on 8 May 2017. We have been working on behalf of All for One Steeb AG as the auditors of the consolidated financial statements continuously for 20 years.

We declare that the audit opinions contained in this auditors' report are consistent with the additional report to the audit committee that was prepared pursuant to Article 11 of EU Regulation 537/2014.

Responsible auditor

The auditor responsible for the audit is Arne Stratmann.

Stuttgart, 5 December 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Schwebler Auditor	Stratmann Auditor

SERVICE

Financial Calendar for Financial Year 2017/18

Fri	09.02.2018	Quarterly Statement 2017/18 as at 31.12.2017
Thu	15.03.2018	Annual General Meeting, Leinfelden-Echterdingen
Fri	11.05.2018	Half-Year Financial Report 2017/18 as at 31.03.2018
Fri	10.08.2018	Quarterly Statement 2017/18 as at 30.06.2018
Mon	17.12.2018	Publication of Consolidated and Annual Financial Statements Financial Year from 01.10.2017 to 30.09.2018
Mon	17.12.2018	Press Conference on Consolidated and Annual Financial Statements, Filderstadt
Tue	18.12.2018	Analyst Presentation, Frankfurt

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Disclaimer

As far as this annual report contains forecasts, estimates or expectations, these can be associated with risks and uncertainties. The actual results and developments can deviate from the expectations and assumptions made. Changes in the general economic and competitive situation, particularly in the core business divisions and markets, changes in legislation, in particular tax regulations, can cause such deviations. The German version is the definite version of this annual report. The company assumes no obligation to update statements made in this annual report.

Imprint

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